

**THE APPALACHIAN TRAIL CONFERENCE**

**Harpers Ferry, West Virginia**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2004**

## CONTENTS

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement of financial position	2
Statement of activities	3 and 4
Statement of cash flows	5
Notes to financial statements	6-19
<b>INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION</b>	20
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of functional expenses	21
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	22
<b>NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	23
<b>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</b>	24
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	25
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133</b>	26 and 27
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	28

## INDEPENDENT AUDITOR'S REPORT

To the Board of Managers  
The Appalachian Trail Conference  
Harpers Ferry, West Virginia

We have audited the accompanying statement of financial position of The Appalachian Trail Conference as of December 31, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of The Appalachian Trail Conference's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Appalachian Trail Conference as of December 31, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated March 16, 2005 on our consideration of The Appalachian Trail Conference'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Yount, Hyde & Barbours, P.C.*

Winchester, Virginia  
March 16, 2005

**THE APPALACHIAN TRAIL CONFERENCE**

**Statement of Financial Position**

December 31, 2004

<b>Assets</b>	<b>General Fund</b>	<b>Land Acquisition Fund</b>	<b>Life Membership Fund</b>	<b>Monitoring Fund</b>	<b>Stewardship Fund</b>	<b>Annuity Fund</b>	<b>Total All Funds</b>
<b>Current Assets</b>							
Cash and cash equivalents (Note 2)	\$ 1,008,198	\$ --	\$ 2,367	\$ --	\$ --	\$ --	\$ 1,010,565
Accounts receivable, net (Note 5)	715,560	47,950	31,400	--	4,590	30,000	829,500
Interfund receivables	--	101,767	400,037	--	345,182	--	846,986
Inventory	292,563	--	--	--	--	--	292,563
Prepaid expenses	95,151	--	--	--	--	--	95,151
Total current assets	<u>\$ 2,111,472</u>	<u>\$ 149,717</u>	<u>\$ 433,804</u>	<u>\$ --</u>	<u>\$ 349,772</u>	<u>\$ 30,000</u>	<u>\$ 3,074,765</u>
<b>Non-Current Assets</b>							
Investments (Note 3)	--	44,164	--	99,272	147,836	717,131	1,008,403
Assets restricted for long-term purposes (Note 3)	--	29,734	1,218,812	--	2,271,739	--	3,520,285
Other investments (Note 4)	--	--	--	--	--	277,457	277,457
Land held for resale (Note 7)	--	2,738,171	--	--	--	--	2,738,171
Property and equipment, net (Note 6)	417,870	804,981	--	--	--	--	1,222,851
Other assets (Note 18)	4,226	25,000	--	--	--	--	29,226
Land held in conservancy (Note 7)	--	556,301	--	--	--	--	556,301
Total assets	<u>\$ 2,533,568</u>	<u>\$ 4,348,068</u>	<u>\$ 1,652,616</u>	<u>\$ 99,272</u>	<u>\$ 2,769,347</u>	<u>\$ 1,024,588</u>	<u>\$ 12,427,459</u>
<b>Liabilities and Net Assets</b>							
<b>Current Liabilities and Deferred Revenues</b>							
Accounts payable and accrued expenses	\$ 573,748	\$ 353,445	\$ --	\$ --	\$ --	\$ --	\$ 927,193
Deferred revenues (Note 14)	109,579	--	--	--	--	--	109,579
Interfund payables	779,431	--	--	12,574	--	54,981	846,986
Current mortgage payable (Note 19)	--	696,750	--	--	--	--	696,750
Current maturities of annuities payable (Note 12)	--	--	--	--	--	51,918	51,918
Total current liabilities and deferred revenues	<u>\$ 1,462,758</u>	<u>\$ 1,050,195</u>	<u>\$ --</u>	<u>\$ 12,574</u>	<u>\$ --</u>	<u>\$ 106,899</u>	<u>\$ 2,632,426</u>
<b>Long-Term Liabilities</b>							
Annuities payable, less current maturities (Note 12)	--	--	--	--	--	517,087	517,087
Total liabilities and deferred revenues	<u>\$ 1,462,758</u>	<u>\$ 1,050,195</u>	<u>\$ --</u>	<u>\$ 12,574</u>	<u>\$ --</u>	<u>\$ 623,986</u>	<u>\$ 3,149,513</u>
<b>Commitments and Contingencies</b>							
<b>Net Assets</b>							
Unrestricted (Note 13)	\$ 965,313	\$ --	\$ --	\$ --	\$ 1,968,113	\$ 177,016	\$ 3,110,442
Temporarily restricted (Notes 15 and 16)	105,497	2,741,572	--	86,698	10,782	223,586	3,168,135
Permanently restricted (Notes 15 and 16)	--	556,301	1,652,616	--	790,452	--	2,999,369
Total net assets	<u>\$ 1,070,810</u>	<u>\$ 3,297,873</u>	<u>\$ 1,652,616</u>	<u>\$ 86,698</u>	<u>\$ 2,769,347</u>	<u>\$ 400,602</u>	<u>\$ 9,277,946</u>
Total liabilities and net assets	<u>\$ 2,533,568</u>	<u>\$ 4,348,068</u>	<u>\$ 1,652,616</u>	<u>\$ 99,272</u>	<u>\$ 2,769,347</u>	<u>\$ 1,024,588</u>	<u>\$ 12,427,459</u>

See Notes to Financial Statements.

**THE APPALACHIAN TRAIL CONFERENCE**

**Statement of Activities**

For the Year Ended December 31, 2004

	<u>General Fund</u>	<u>Land Acquisition Fund</u>	<u>Life Membership Fund</u>	<u>Monitoring Fund</u>	<u>Stewardship Fund</u>	<u>Annuity Fund</u>	<u>Total All Funds</u>
<b>Changes in unrestricted net assets:</b>							
<b>Revenue and Gains:</b>							
Public support, contributions	\$ 726,283	\$ --	\$ --	\$ --	\$ --	\$ 11,756	\$ 738,039
Membership	1,072,492	--	--	--	--	--	1,072,492
Contractual services (Note 8)	1,552,497	--	--	--	--	--	1,552,497
Sales	896,008	--	--	--	--	--	896,008
Net investment income (Note 3)	17,106	--	--	--	52,407	17,475	86,988
Other	58,829	--	--	--	--	--	58,829
Net unrealized and realized gain on investments (Note 3)	12,939	--	--	--	140,546	41,344	194,829
Total unrestricted revenues and gains	<u>\$ 4,336,154</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 192,953</u>	<u>\$ 70,575</u>	<u>\$ 4,599,682</u>
<b>Net assets released from restrictions:</b>							
Release of investment income (Note 3)	\$ --	\$ 16,087	\$ 54,289	\$ --	\$ --	\$ --	\$ 70,376
Satisfaction of program restrictions (Note 15)	70,366	74,635	--	--	5,522	--	150,523
Total net assets released from restrictions	<u>\$ 70,366</u>	<u>\$ 90,722</u>	<u>\$ 54,289</u>	<u>\$ --</u>	<u>\$ 5,522</u>	<u>\$ --</u>	<u>\$ 220,899</u>
Total unrestricted revenues, gains, and other support	<u>\$ 4,406,520</u>	<u>\$ 90,722</u>	<u>\$ 54,289</u>	<u>\$ --</u>	<u>\$ 198,475</u>	<u>\$ 70,575</u>	<u>\$ 4,820,581</u>
<b>Expenses</b>							
Program Services:							
Trail maintenance and construction	\$ 608,433	\$ --	\$ --	\$ --	\$ 5,522	\$ --	\$ 613,955
Land management	347,684	--	--	--	--	--	347,684
Volunteer development & co-operative management	236,114	--	--	--	--	--	236,114
Visitor management & public safety	362,229	--	--	--	--	--	362,229
Land trust program	132,740	74,635	--	--	--	--	207,375
Trail protection	186,327	--	--	--	--	--	186,327
Membership services	575,764	--	--	--	--	--	575,764
Public information	272,865	--	--	--	--	--	272,865
Education and outreach	9,758	--	--	--	--	--	9,758
Publications	1,032,560	--	--	--	--	--	1,032,560
Total program services	<u>\$ 3,764,474</u>	<u>\$ 74,635</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,522</u>	<u>\$ --</u>	<u>\$ 3,844,631</u>
Supporting Services:							
Development	\$ 424,159	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 424,159
Management and general	683,050	--	--	--	--	--	683,050
Total supporting services	<u>\$ 1,107,209</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,107,209</u>
Total expenses	<u>\$ 4,871,683</u>	<u>\$ 74,635</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,522</u>	<u>\$ --</u>	<u>\$ 4,951,840</u>
<b>Other Changes in Net Assets</b>							
Transfer of investment income to general fund (Note 3)	\$ 183,306	\$ (16,087)	\$ (54,289)	\$ --	\$ (112,930)	\$ --	\$ --
Transfer from Stewardship fund to support operating loss	294,894	--	--	--	(294,894)	--	--
Annuity actuarial adjustment (Note 12)	--	--	--	--	--	(57,753)	(57,753)
Total other changes in net assets	<u>\$ 478,200</u>	<u>\$ (16,087)</u>	<u>\$ (54,289)</u>	<u>\$ --</u>	<u>\$ (407,824)</u>	<u>\$ (57,753)</u>	<u>\$ (57,753)</u>
Increase (decrease) in unrestricted net assets	<u>\$ 13,037</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (214,871)</u>	<u>\$ 12,822</u>	<u>\$ (189,012)</u>

See Notes to Financial Statements.

THE APPALACHIAN TRAIL CONFERENCE

Statement of Activities

(Continued)

For the Year Ended December 31, 2004

	General Fund	Land Acquisition Fund	Life Membership Fund	Monitoring Fund	Stewardship Fund	Annuity Fund	Total All Funds
<b>Changes in temporarily restricted net assets:</b>							
Public support, contributions	\$ 57,329	\$ 1,373,863	\$ --	\$ 2,965	\$ --	\$ --	\$ 1,434,157
Net investment income (Note 3)	--	6,500	--	1,429	--	--	7,929
Gain on sale of assets	--	7,366	--	--	--	--	7,366
Net unrealized and realized gain on investments (Note 3)	--	2,530	--	7,834	--	--	10,364
Release of investment income to general fund (Note 3)	--	(16,087)	--	--	--	--	(16,087)
Net assets released from restrictions (Note 15)	(70,366)	(74,635)	--	--	--	--	(145,001)
Increase (decrease) in temporarily restricted net assets	\$ (13,037)	\$ 1,299,537	\$ --	\$ 12,228	\$ --	\$ --	\$ 1,298,728
<b>Changes in permanently restricted net assets:</b>							
Public support, contributions	\$ --	\$ --	\$ --	\$ --	\$ 103,424	\$ --	\$ 103,424
Membership	--	--	162,974	--	--	--	162,974
Net investment income (Note 3)	--	--	20,530	--	--	--	20,530
Net unrealized and realized gain on investments (Note 3)	--	--	76,695	--	--	--	76,695
Net assets released from restrictions (Note 15)	--	--	--	--	(5,522)	--	(5,522)
Release of investment income to general fund (Note 3)	--	--	(54,289)	--	--	--	(54,289)
Increase in permanently restricted net assets	\$ --	\$ --	\$ 205,910	\$ --	\$ 97,902	\$ --	\$ 303,812
Increase (decrease) in net assets	\$ --	\$ 1,299,537	\$ 205,910	\$ 12,228	\$ (116,969)	\$ 12,822	\$ 1,413,528
Net assets at beginning of year	<u>1,070,810</u>	<u>1,998,336</u>	<u>1,446,706</u>	<u>74,470</u>	<u>2,886,316</u>	<u>387,780</u>	<u>7,864,418</u>
Net assets at end of year	<u>\$ 1,070,810</u>	<u>\$ 3,297,873</u>	<u>\$ 1,652,616</u>	<u>\$ 86,698</u>	<u>\$ 2,769,347</u>	<u>\$ 400,602</u>	<u>\$ 9,277,946</u>

See Notes to Financial Statements.

**THE APPALACHIAN TRAIL CONFERENCE**

**Statement of Cash Flows**

For The Year Ended December 31, 2004

**Cash Flows from Operating Activities**

Change in net assets	\$	1,413,528
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation and amortization		149,921
Gain on sale of land held for resale		(7,366)
Net realized and unrealized (gains) on investments		(281,888)
Non-cash contributions		(1,298,825)
Receipt of permanently restricted contributions and membership income		(266,398)
Changes in operating assets and liabilities:		
(Increase) in receivables		(373,740)
(Increase) in inventories		(11,055)
(Increase) in prepaid expenses		(70,692)
Increase in accounts payable and accrued expenses		231,160
Increase in deferred revenues		7,703
Increase in annuities payable		3,540
Net cash (used in) operating activities	\$	<u>(504,112)</u>

**Cash Flows from Investing Activities**

Purchase of equipment	\$	(49,985)
Purchase of long-term investments		(67,307)
Proceeds from sale and maturity of long-term investments		92,455
Acquisition of land held for resale		(97,295)
Proceeds from sale of land held for resale		347,950
Increase in other assets		(29,226)
Net cash provided by investing activities	\$	<u>196,592</u>

**Cash Flows from Financing Activities**

Payments on long-term debt	\$	(407,500)
Receipt of permanently restricted contributions		266,398
Net cash (used in) financing activities	\$	<u>(141,102)</u>
Decrease in cash and cash equivalents	\$	(448,622)

**Cash and Cash Equivalents**

Beginning		<u>1,459,187</u>
Ending	\$	<u><u>1,010,565</u></u>

**Supplemental Schedule of Noncash**

**Investing and Financing Activities:**

Stock donations	\$	<u>48,299</u>
Various equipment and donated services	\$	<u>43,087</u>
Land and facility donation	\$	<u><u>1,298,825</u></u>

See Notes to Financial Statements.

# THE APPALACHIAN TRAIL CONFERENCE

## Notes to Financial Statements

### Note 1. Nature of Activities and Significant Accounting Policies

#### Nature of Activities

The Appalachian Trail Conference (the Conference) is a nonprofit, volunteer-centered corporation organized in 1925 and incorporated in 1936 under the laws of the District of Columbia. The Conference 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, Conference volunteers conceived, blazed and maintained the Appalachian Trail, which is now 2,175 miles long.

The Conference works closely with 30 autonomous local member clubs along the Appalachian Trail in a coordinated effort to carry out the Conference'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 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 Conference extends beyond resource management and into the realm of public information and education. The Conference has an extensive publications program that includes guidebooks, maps, newsletters, and other books about the Appalachian Trail and its resources.

The Conference 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 Conference's management has adopted FASB No. 117, "Financial Statements of Not-for-Profit Organizations." The Statement establishes standards for external financial statements provided by not-for-profit organizations and requires the Conference to report information regarding its financial position and activities according to the "net asset" concept. Net assets are segregated by unrestricted, temporarily restricted and permanently restricted categories. Statement 117 requires that all not-for-profit organizations provide a statement of financial position, a statement of activities and a statement of cash flows.

## **Notes to Financial Statements**

### **Fund Accounting**

In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Conference, 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. In accordance with SFAS No. 117, fund balances are classified on the statement of financial position as unrestricted, temporarily restricted, or permanently restricted net assets based on the absence or existence and type of donor-imposed restrictions.

#### **Unrestricted Funds**

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

#### **Restricted Funds**

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

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

#### **Endowment Funds**

There are three types of endowment funds: permanent endowment; term endowment; and quasi-endowment. Permanent endowment refers to amounts that have been contributed with donor-specified restrictions that the principal be invested in perpetuity. Donors may also restrict income from those investments. Term endowment is similar to permanent endowment, except that at some future time or upon the occurrence of a specified future event, the resources originally contributed become available for unrestricted or purpose-restricted use by the entity. Quasi-endowment refers to resources designated by an entity's governing board to be retained and invested for specified purposes for a long but unspecified period. The Conference's endowment funds contain a combination of the different types described above. The investment income received on the Land Acquisition, Life Membership and Stewardship Funds is transferred in accordance with the Conference's investment and spending policy which establishes a spending limit of up to 4.5 percent of the portfolio's market value at December 31 of the prior three years.

## **Notes to Financial Statements**

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

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 Stewardship Fund is restricted; however, some earnings from investments held by the Stewardship Fund are transferred to the General Fund in accordance with the Conference's investment and spending policy.

### **Land Acquisition Fund**

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

### **Annuity Funds**

The Annuity Fund is used by the Conference to account for resources provided by donors under various kinds of agreements in which the Conference has a beneficial interest in the resources but may not be the sole beneficiary. As described more fully in Note 12, the Conference participates in various charitable trusts and offers charitable gift annuities.

### **Cash and Cash Equivalents**

For purposes of reporting the statement of cash flows, cash and cash equivalents include cash on deposit with financial institutions, negotiable certificates of deposit, and all highly liquid debt instruments.

## **Notes to Financial Statements**

### **Inventories**

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

### **Investments**

The Conference has adopted Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." This Statement requires that investments in equity securities with readily determined fair values and all investments in debt securities be measured at fair value in the statement of financial position. Investments that are received as gifts are recorded at their market value at the date of the gift, which then becomes their cost. Gains or losses on the sale of investments are determined based on the cost of the investments.

### **Land Held in Conservancy and Land Held for Resale**

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 Conference intends to hold the lands held in conservancy indefinitely, write-downs for permanent impairments in the value of the lands are not recorded.

Lands held for resale are similarly recorded at cost or at the estimated fair market value of the land on the date of the donation. Such lands are subsequently written down for declines in market values with the corresponding charge to operations. Upon sale, gains and losses are reported as increases and decreases, respectively, to the Conference's Land Acquisition Fund.

The Conference, at times, sells at less than fair market value assets to individual landowners in exchange for conservation restrictions placed upon the landowner's lands. The Conference 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 is computed by the straight-line method over the estimated useful lives of the assets ranging from three to thirty years. The depreciation expense was \$149,921 for the year ended December 31, 2004.

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

## **Notes to Financial Statements**

### **Donated Goods, Services and Facilities**

Donated materials, equipment and other assets are reflected as contributions in the accompanying financial statements at their estimated fair market values at the date of the gift. The Conference recognizes contribution revenue for services requiring specialized skills received at the fair value of those services. During the year, the Conference had donated consulting services of \$19,595 and donated goods of \$23,492. In addition, 4,576 volunteers donated 174,905 hours to the Conference's programs, fund-raising campaigns and management for which no amounts have been recognized in the financial statements since no objective basis is available to measure the value of such services.

### **Contributions**

The Conference's management has adopted FASB No. 116, "Accounting for Contributions Received and Contributions Made." Statement 116 requires revenues to be recognized for all unconditional promises to give, including those with donor imposed restrictions, at the time of receipt of the promise. The Statement also requires certain disclosures for receipts of contributed services and promises to give.

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

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

During the year, the Conference received donated land and buildings with an appraised value of almost \$1,300,000.

### **Revenue Recognition**

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

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

## **Notes to Financial Statements**

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

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

### **Expense Allocation**

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

### **Credit Risk**

The Conference grants credit to its trade customers on terms it establishes for each customer type and does not require collateral for credit extended.

### **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.

### **Note 2. Cash Concentrations**

As of December 31, 2004, the Conference had \$1,054,054 on deposit with commercial financial institutions. Of this amount, \$1,027,339 was held in a repurchase agreement which is backed by United States Government securities or United States Government Agency securities maintained by the Bank.

## Notes to Financial Statements

### Note 3. Investments

As stated in Note 1, the Conference has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." This Statement requires that investments be carried at fair value. Investments as of December 31, 2004, consisted of mutual fund investments and certificates of deposit.

Mutual fund investments	\$ 4,336,688
Certificates of deposit	192,000
	<u>\$ 4,528,688</u>

Investments are composed of the following headings on the Statement of Financial Position:

Investments	\$ 1,008,403
Assets restricted for long-term purposes	3,520,285
	<u>\$ 4,528,688</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2004:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment income	\$ 86,988	\$ 7,929	\$ 20,530	\$ 115,447
Net realized and unrealized gains (losses)	194,829	10,364	76,695	281,888
	<u>\$ 281,817</u>	<u>\$ 18,293</u>	<u>\$ 97,225</u>	<u>\$ 397,335</u>

## Notes to Financial Statements

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

Land Acquisition Fund	\$ 16,087
Life Membership Fund	54,289
Stewardship Fund	<u>112,930</u>
	<u>\$ 183,306</u>

### Note 4. Other Investments

The following is a summary of the Conference's investment in cash equivalents, debt securities and marketable equity securities for its sole unitrust in the Annuity Fund as of December 31, 2004:

Miscellaneous cash equivalents	\$ 14,985
Debt securities	46,886
Marketable equity securities	<u>215,586</u>
	<u>\$ 277,457</u>

### Note 5. Accounts Receivable

Accounts receivable at December 31, 2004, consisted primarily of trade receivables, bequests receivable, and amounts due from the National Park Service. Net accounts receivable consist of the following:

Federal	\$ 602,487
State	17,250
Bequests	4,590
Charitable lead trust	30,000
Due from land sale	47,950
Trade	66,235
Other	84,949
Allowance for doubtful accounts	<u>(23,961)</u>
	<u>\$ 829,500</u>

Pledges and bequests receivable are expected to be received during 2005. The allowance for doubtful accounts is a cumulative amount and is computed as 1/2 of 1% of sales. In addition to the standard reserve, the allowance was increased to provide for a 100% reserve on all accounts more than 120 days past due. Bad debt expense was \$10,022 in 2004.

## Notes to Financial Statements

### Note 6. Property and Equipment

A summary of property and equipment is as follows:

Land	\$ 20,000
Building and improvements	1,389,947
Furniture and equipment	628,005
Computer Software	<u>362,938</u>
	\$ 2,400,890
Less accumulated depreciation and amortization	<u>(1,178,039)</u>
	<u>\$ 1,222,851</u>

### Note 7. Land Held in Conservancy and Land Held for Resale

The Conference holds title to various parcels of real estate located along the Appalachian Trail. Such lands are classified by the Conference as land held in conservancy or land held for resale. The Conference is not in the development or real estate business but a guardian of the lands adjacent to the trail. Land held in conservancy at December 31, 2004, amounted to \$556,301 and represents real estate held by the Conference that the Conference intends to hold indefinitely.

Land held for resale at December 31, 2004, amounted to \$2,738,171 and represents real estate that the Conference intends to 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. Contractual Services

The Conference receives a significant amount of its support and revenue from cooperative agreements and cost-share agreements with the National Park Service, the United States Forest Service and various state agencies. Support received from these agencies was \$1,552,497 during the year ended December 31, 2004. A significant reduction in the level of this support, if this were to occur, may have a significant impact on the Conference's programs and activities.

## Notes to Financial Statements

### Note 9. Pension Plan

The Conference provides 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 be at least 21 years of age and have worked a minimum of 1,000 hours within a twelve-month consecutive period. Total covered payroll (eligible employees' compensation) and total payroll for all employees was \$1,067,966 and \$1,432,578, respectively, for the year ended December 31, 2004.

The pension plan covers all of the Conference's employees who meet the requirements stated above. Members' rights to contributions vest immediately. Contributions to the pension plan by the Conference are based on 2% of eligible employees' compensation. In addition, in 2001, the Conference approved a matching contribution up to 3% to encourage participation. Total contributions to the pension plan by the Conference were \$48,453 for the year ended December 31, 2004.

### Note 10. Lease Commitments and Total Rental Expense

The Conference leases facilities to house its regional offices and various equipment under arrangements that are classified as operating leases. The leases generally require the Conference to pay for all normal maintenance, utilities and liability insurance costs. Rental expense for the year ended December 31, 2004, was \$73,236.

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

2005	\$	80,653
2006		47,017
2007		41,533
2008		37,426
2009		19,478
	\$	<u>226,107</u>

### Note 11. Related-Party Transactions

Among the Conference's Board members and officers are volunteers from the financial, legal and environmental community who provide valuable assistance to the Conference in the development of policies and programs and in the evaluation of awards and grants. Under the Conference's conflict of interest disclosure policy, all significant transactions with related parties are submitted to the Board of Managers for approval. For the year ended December 31, 2004, substantially all awards and grants, which approximated \$25,300, 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.

## Notes to Financial Statements

### Note 12. Split-Interest Agreements

The Conference 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 Conference's use. The portion of the trust attributable to the present value of the future benefits to be received by the Conference is recorded in the Statement of Activities as a temporarily restricted or permanently restricted contribution in the period the trust is established. When necessary, the Conference revalues the liability to the designated beneficiaries. There were no charitable remainder trusts established during 2004.

Assets held in charitable remainder trusts and in fulfillment of charitable gift annuity contracts totaled \$1,024,588 at December 31, 2004 and are reported at fair market value in the Conference'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.

The Conference did not enter into any new annuity contracts in 2004. A charitable gift annuity is an arrangement between a donor and the Conference 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 Conference, and the annuity liability is a general obligation of the Conference; however, they are maintained in the Annuity Fund.

Adjustments to the annuity liability were made to reflect amortization of the discount and changes in life expectancies. For the year ended December 31, 2004, the annuity actuarial adjustment amounted to \$57,753. Total liability under split-interest agreements total \$569,005 at December 31, 2004.

### Note 13. Unrestricted Net Assets

Unrestricted net assets are often designated by the Board of Managers for particular purposes and programs. Board designations in effect at December 31, 2004 were as follows:

Stewardship Fund - bequests designated in accordance with contributions policy	<u>\$ 1,968,113</u>
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### Note 14. Deferred Revenues

Deferred memberships	\$ 85,211
Deferred - National Park Service (NPS)	<u>24,368</u>
	<u>\$ 109,579</u>

## Notes to Financial Statements

### 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 the occurrence of events specified by the donors were as follows for the year ended December 31, 2004:

General Fund:	
Maintenance and Trail Construction:	
AT Environmental Monitoring Initiative (ATEMI)	\$ 18,052
Ridgerunner program	19,986
Other	<u>32,328</u>
	<u>\$ 70,366</u>
Land Acquisition Fund	
Acquisition expenditures	<u>\$ 74,635</u>
Stewardship Fund	
Michael Bequarert - Andrew Kingery Shelter Memorial Fund	\$ 1,179
Sperling Memorial Shelter - Improvement Fund	338
Smart Family Foundation	661
The Ilus and Dr. Bernard Grunstein Fund	784
The Ebenstein and Wallach Fund	783
The Janelle C. Maurer Fund	947
The William T. Foot Memorial Endowment Bridge Fund	<u>830</u>
	<u>\$ 5,522</u>
Total net assets released from restrictions	<u>\$ 150,523</u>

If a restriction is fulfilled in the same period in which the contribution is received, the Conference reports the support as unrestricted. The Conference received \$111,847 in contributions during 2004, where the restrictions were fulfilled by year-end.

## Notes to Financial Statements

### Note 16. Net Assets

Temporarily restricted net assets are available for the following purposes:

Grants to clubs	\$ 14,070
Ridgerunners	48,096
Other Programs	17,551
Land Trust Program:	
Bears Den projects and volunteers	23,950
Other	1,830
	\$ 105,497
Acquisition of land/interests along the Appalachian Trail (Land Acquisition Fund)	2,741,572
Monitoring Fund, monitoring of Appalachian Trail Conference Lands	86,698
Stewardship Fund	10,782
Annuity Fund, annuity trust agreements	223,586
Total temporarily restricted net assets	\$ 3,168,135

Permanently restricted net assets are restricted as follows:

Land Acquisition Fund	
Acquisition of land/interests along the Appalachian Trail	\$ 556,301
Stewardship Fund	
Sperling Memorial Shelter - Improvement Fund	\$ 5,708
Investments in perpetuity, the income from which may be expended for trail construction and maintenance and trail-land management activities	685,956
Michael Bequaert - Andrew Kingery Shelter Memorial Fund	24,913
Smart Family Foundation	11,427
The George Ebenstein and Ernest Wallach Fund	13,374
The Ilus and Dr. Bernard Grünstein Fund	13,374
The William T. Foot Memorial Endowment Bridge Fund	14,265
The Janelle C. Maurer Fund	21,435
Total Stewardship Fund	\$ 790,452
Life Membership Fund	
Investments in perpetuity, the income of which may be expended to support ATC general and program expenditures	\$ 1,652,616
Total permanently restricted net assets	\$ 2,999,369

## Notes to Financial Statements

### Note 17. The Appalachian Trail Conference VISA

The Conference has a licensing agreement with a financial institution whereby the financial institution agreed to issue credit cards using the Conference's name and logo on the front and back of the cards. Under the terms of the agreement, the Bank makes all credit decisions and assumes all credit risk associated with issuing the cards. In exchange for the use of the Conference's name and logo, the Bank pays the Conference a set amount for each account opened or renewed, and an additional amount based on the retail sales volume of the cards issued. Under the agreement, the Conference received \$27,806 during the year ended December 31, 2004.

### Note 18. Other Assets

Other assets consisted of the following at December 31, 2004:

Deposits	\$	4,226
Long-term note receivable		<u>25,000</u>
	\$	<u><u>29,226</u></u>

### Note 19. Subsequent Events

In 2003, the Conference acquired 222 acres of land in Northern Virginia adjacent to the Appalachian Trail and incurred \$854,250 of debt at a commercial bank, the balance of which was \$696,750 at December 31, 2004. These acres were subdivided into 5 parcels, encumbered with restrictions designed to protect the Appalachian Trail, and offered to conservation buyers. In February 2005, the Conference sold four of the parcels for \$1,269,293 and repaid its mortgage in full. The last parcel is under contract and is expected to close in March 2005.

In November 2004, the Board of Managers adopted bylaw changes that take affect on July 4, 2005 that will change the name of the organization to "The Appalachian Trail Conservancy," replace the 30 member board of managers with a smaller 15 member board of directors, and create a Trail Stewardship Council to recommend policies dealing with the management of the trail.

**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION**

To the Board of Managers  
The Appalachian Trail Conference  
Harpers Ferry, West Virginia

Our audit was made for the purpose of forming an opinion on the basic financial statements of The Appalachian Trail Conference, taken as a whole. The accompanying schedule of functional expenses for the year ended December 31, 2004, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gount, Hyde & Barbour, P.C.*

Winchester, Virginia  
March 16, 2005

THE APPALACHIAN TRAIL CONFERENCE

Schedule of Functional Expenses  
Year Ended December 31, 2004

Program Services

	Trail Management and Protection							User and Supporter Services					Program Services Total	Development	Management and General	Total Expenses
	Trail Maintenance and Construction	Land Management	Volunteer Development and Co-op Management	Visitor Management and Public Safety	Land Trust Program	Trail Protection	Total	Membership Services	Public Information	Education and Outreach	Publications	Total				
Salaries, wages and payroll taxes	\$ 272,742	\$ 206,434	\$ 123,370	\$ 106,609	\$ 76,445	\$ 98,238	\$ 883,838	\$ 110,205	\$ 156,178	\$ 4,233	\$ 244,109	\$ 514,725	\$ 1,398,563	\$ 110,198	200,300	\$ 1,709,061
Employee benefits	22,146	16,683	9,903	8,684	6,074	8,252	71,742	9,370	12,780	372	19,540	42,062	113,804	8,761	42,625	165,190
Contract services	96,937	64,929	29,783	193,736	72,385	65,508	523,278	17,971	64,063	--	8,699	90,733	614,011	42,459	166,262	822,732
Supplies	26,004	21,258	1,380	3,289	61	377	52,369	2,009	2,571	5	21,584	26,169	78,538	334	20,582	99,454
Postage	6,186	445	1,623	416	513	133	9,316	243,178	5,980	190	52,107	301,455	310,771	126,258	3,474	440,503
Printing	3,196	1,214	793	62	96	20	5,381	140,193	3,382	--	34,744	178,319	183,700	66,236	83	250,019
Personnel development	1,090	926	2,693	979	2,382	2,500	10,570	34	685	--	2,218	2,937	13,507	425	14,461	28,393
Promotional	463	--	--	--	--	--	463	--	435	511	11,562	12,508	12,971	2,050	--	15,021
Fulfillment	595	228	330	210	30	41	1,434	15,300	689	272	430,445	446,706	448,140	23,198	331	471,669
Travel	19,876	13,087	16,899	5,486	2,860	10,220	68,428	873	3,265	158	6,087	10,383	78,811	3,373	49,676	131,860
Meetings and conferences	767	515	10,218	205	--	280	11,985	--	100	--	--	100	12,085	119	2,514	14,718
Licenses and fees	197	11	--	--	236	--	444	2,401	100	--	24,969	27,470	27,914	3,015	5,616	36,545
Grants	112,185	16,309	486	32,721	13,235	100	175,036	--	--	4,017	--	4,017	179,053	--	--	179,053
Organization infrastructure	34,393	4,266	37,559	1,362	46	640	78,266	844	4,625	--	27,167	32,636	110,902	4,223	175,236	290,361
Other expenses	17,178	1,379	1,077	8,470	33,012	18	61,134	33,386	18,012	--	149,329	200,727	261,861	33,510	1,890	297,261
Total expenses	<u>\$ 613,955</u>	<u>\$ 347,684</u>	<u>\$ 236,114</u>	<u>\$ 362,229</u>	<u>\$ 207,375</u>	<u>\$ 186,327</u>	<u>\$ 1,953,684</u>	<u>\$ 575,764</u>	<u>\$ 272,865</u>	<u>\$ 9,758</u>	<u>\$ 1,032,560</u>	<u>\$ 1,890,947</u>	<u>\$ 3,844,631</u>	<u>\$ 424,159</u>	<u>\$ 683,050</u>	<u>\$ 4,951,840</u>

**APPALACHIAN TRAIL CONFERENCE**

**Schedule of Expenditures of Federal Awards**

For the Year Ended December 31, 2004

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Interior</b>			
<b>Passed through National Park Service</b>			
<b>(Contract Number 1443A000194005):</b>			
General	15.AAU	2490-STC	\$ 187,500
Fee Demo	15.AAU	2490-2030-H23	99,628
Challenge Cost Share	15.AAU	2490-SCF	77,800
Repair/Rehab	15.AAU	2490-MRZ	864,165
Cyclic Maintenance	15.AAU	2490-MCM	157,015
FMSS	15.AAU	2490-6304-MAA5	50,550
NPS Agricultural	15.AAU	2490-318	10,000
NPS Leave no Trace	15.AAU	2490-2030-I2F	3,300
NPS Lands	15.AAU	2490-630	<u>2,172</u>
 Total U.S. Department of Interior			 \$ <u>1,452,130</u>
 <b>U.S. Department of Agriculture</b>			
<b>Passed through U.S. Forest Service,</b>			
Konnarock Volunteer Crew	10.XXX	2490-00-001	\$ 25,000
Groseclose	10.XXX	VRT-140	12,500
Ridgerunners	10.XXX	2490-00-001	<u>3,600</u>
 Total U.S. Department of Agriculture			 \$ <u>41,100</u>
 Total Expenditures of Federal Awards			 \$ <u>1,493,230</u>

The accompanying note is an integral part of this schedule.

## **THE APPALACHIAN TRAIL CONFERENCE**

### **Note to the Schedule of Expenditures of Federal Awards** For the Year Ended December 31, 2004

#### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Appalachian Trail Conference and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**THE APPALACHIAN TRAIL CONFERENCE**

**Summary Schedule of Prior Audit Findings**  
For the Year Ended December 31, 2004

There were no matters reported.

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

To the Board of Managers  
The Appalachian Trail Conference  
Harpers Ferry, West Virginia

We have audited the financial statements of The Appalachian Trail Conference as of and for the year ended December 31, 2004, and have issued our report thereon dated March 16, 2005. We conducted our audit in accordance with 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered The Appalachian Trail Conference's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Appalachian Trail Conference's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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."

This report is intended solely for the information of the Board of Managers, finance committee, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Yount, Hyde & Barbour, P.C.*

Winchester, Virginia  
March 16, 2005

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Managers  
The Appalachian Trail Conference  
Harpers Ferry, West Virginia

**Compliance**

We have audited the compliance of The Appalachian Trail Conference with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major Federal programs for the year ended December 31, 2004. The Appalachian Trail Conference's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of The Appalachian Trail Conference's management. Our responsibility is to express an opinion on The Appalachian Trail Conference's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Appalachian Trail Conference's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Appalachian Trail Conference's compliance with those requirements.

In our opinion, The Appalachian Trail Conference complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended December 31, 2004.

**Internal Control Over Compliance**

The management of The Appalachian Trail Conference is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered The Appalachian Trail Conference's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Managers, finance committee, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Yount, Hyde & Barbour, P.C.*

Winchester, Virginia  
March 16, 2005

THE APPALACHIAN TRAIL CONFERENCE

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2004

**I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes  X  No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ 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
- Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes  X  None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 \_\_\_\_\_ Yes  X  No

Identification of major programs: U.S. Department of Interior Passed through the National Parks Service under contract Number 1443A000194005

Dollar threshold used to distinguish between type A and type B programs \$  500,000

Auditee qualified as low-risk auditee?  X  Yes \_\_\_\_\_ No

**II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS**

No matters were reported.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

No matters were reported.

