

**THE APPALACHIAN TRAIL CONSERVANCY**

**Harpers Ferry, West Virginia**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

## CONTENTS

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION</b>	1 and 2
<b>FINANCIAL STATEMENTS</b>	
Statement of financial position	3
Statement of activities	4 and 5
Statement of cash flows	6
Notes to financial statements	7-22
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of functional expenses	23
<b>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</b>	24 and 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 EXPENDITURES OF FEDERAL AWARDS</b>	28
<b>NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	29
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	30
<b>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</b>	31



Certified Public Accountants  
and Consultants

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of The Appalachian Trail Conservancy as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of The Appalachian Trail Conservancy'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 Conservancy as of December 31, 2009, 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 29, 2010 on our consideration of The Appalachian Trail Conservancy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. 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. The accompanying schedule of functional expenses for the year ended December 31, 2009, 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 29, 2010

**THE APPALACHIAN TRAIL CONSERVANCY**

**Statement of Financial Position**

December 31, 2009

<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)	\$ 637,572	\$ 250	\$ --	\$ --	\$ 2,017	\$ --	\$ 639,839
Accounts receivable, net (Note 4)	1,918,597	2,073	495	--	--	50	1,921,215
Interfund receivables	77,080	621,230	516,716	53,984	--	--	1,269,010
Inventory	322,963	--	--	--	--	--	322,963
Prepaid expenses	55,213	--	--	--	--	--	55,213
<b>Total current assets</b>	<b>\$ 3,011,425</b>	<b>\$ 623,553</b>	<b>\$ 517,211</b>	<b>\$ 53,984</b>	<b>\$ 2,017</b>	<b>\$ 50</b>	<b>\$ 4,208,240</b>
<b>Non-Current Assets</b>							
Assets restricted for long-term purposes (Notes 3 and 11)	--	211,255	1,443,355	113,226	2,639,809	980,522	5,388,167
Land held for resale (Note 6)	--	1,310,823	--	--	--	--	1,310,823
Property and equipment, net (Note 5)	156,626	695,831	--	--	--	--	852,457
Other assets, deposits	3,897	--	--	--	--	--	3,897
Land held in conservancy (Note 6)	--	996,301	--	--	--	--	996,301
<b>Total assets</b>	<b>\$ 3,171,948</b>	<b>\$ 3,837,763</b>	<b>\$ 1,960,566</b>	<b>\$ 167,210</b>	<b>\$ 2,641,826</b>	<b>\$ 980,572</b>	<b>\$ 12,759,885</b>
<b>Liabilities and Net Assets</b>							
<b>Current Liabilities and Deferred Revenues</b>							
Accounts payable and accrued expenses	\$ 393,774	\$ --	\$ --	\$ --	\$ --	\$ 1,750	\$ 395,524
Deferred revenues (Note 13)	1,294,005	--	--	--	--	--	1,294,005
Interfund payables	--	--	--	--	1,199,798	69,212	1,269,010
Current maturities of annuities payable (Note 11)	--	--	--	--	--	32,153	32,153
<b>Total current liabilities and deferred revenues</b>	<b>\$ 1,687,779</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 1,199,798</b>	<b>\$ 103,115</b>	<b>\$ 2,990,692</b>
<b>Long-Term Liabilities</b>							
Annuities payable, less current maturities (Note 11)	--	--	--	--	--	407,391	407,391
<b>Total liabilities and deferred revenues</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 407,391</b>	<b>\$ 407,391</b>
<b>Net Assets</b>							
Unrestricted (Note 12)	\$ 1,244,102	\$ --	\$ --	\$ --	\$ 635,692	\$ 183,317	\$ 2,063,111
Temporarily restricted (Note 15)	240,067	3,281,462	--	167,210	10,782	286,749	3,986,270
Permanently restricted (Note 15)	--	556,301	1,960,566	--	795,554	--	3,312,421
<b>Total net assets</b>	<b>1,484,169</b>	<b>3,837,763</b>	<b>1,960,566</b>	<b>167,210</b>	<b>1,442,028</b>	<b>470,066</b>	<b>9,361,802</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,171,948</b>	<b>\$ 3,837,763</b>	<b>\$ 1,960,566</b>	<b>\$ 167,210</b>	<b>\$ 2,641,826</b>	<b>\$ 980,572</b>	<b>\$ 12,759,885</b>

See Notes to Financial Statements.

**THE APPALACHIAN TRAIL CONSERVANCY**

**Statement of Activities**

For the Year Ended December 31, 2009

	<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	\$ 1,161,114	\$ --	\$ --	\$ --	\$ --	\$ 3,795	\$ 1,164,909
In-kind contributions	175,218	--	--	--	--	--	175,218
Membership	1,056,533	--	--	--	--	--	1,056,533
Contractual services (Note 7)	1,543,817	--	--	--	--	--	1,543,817
Sales	960,889	--	--	--	--	--	960,889
Net investment income (Note 3)	8,303	--	--	--	--	26,376	34,679
Other	123,870	--	--	--	--	--	123,870
Net unrealized and realized gains on investments (Note 3)	2,304	--	--	--	524,664	205,884	732,852
Total unrestricted revenues and gains (losses)	<u>\$ 5,032,048</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 524,664</u>	<u>\$ 236,055</u>	<u>\$ 5,792,767</u>
<b>Net assets released from restrictions:</b>							
Release of investment income (Note 3)	\$ --	\$ 9,226	\$ 61,447	\$ --	\$ 105,715	\$ --	\$ 176,388
Satisfaction of program restrictions (Note 14)	188,236	61,228	6,024	23,524	17,552	4,248	300,812
Total net assets released from restrictions	<u>\$ 188,236</u>	<u>\$ 70,454</u>	<u>\$ 67,471</u>	<u>\$ 23,524</u>	<u>\$ 123,267</u>	<u>\$ 4,248</u>	<u>\$ 477,200</u>
Total unrestricted revenues, gains, and other support	<u>\$ 5,220,284</u>	<u>\$ 70,454</u>	<u>\$ 67,471</u>	<u>\$ 23,524</u>	<u>\$ 647,931</u>	<u>\$ 240,303</u>	<u>\$ 6,269,967</u>
<b>Expenses</b>							
<b>Program Services:</b>							
Conservation	\$ 2,130,597	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 2,130,597
Land trust	69,355	28,898	--	23,050	--	--	121,303
Membership services	328,919	--	--	--	--	--	328,919
Public information	32,045	--	--	--	--	--	32,045
Education and outreach	129,236	--	--	--	--	--	129,236
Publications	1,456,720	--	--	--	--	--	1,456,720
Total program services	<u>\$ 4,146,872</u>	<u>\$ 28,898</u>	<u>\$ --</u>	<u>\$ 23,050</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,198,820</u>
<b>Supporting Services:</b>							
Development	\$ 409,317	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 409,317
Management and general	640,910	32,330	6,024	474	17,552	4,248	701,538
Total supporting services	<u>\$ 1,050,227</u>	<u>\$ 32,330</u>	<u>\$ 6,024</u>	<u>\$ 474</u>	<u>\$ 17,552</u>	<u>\$ 4,248</u>	<u>\$ 1,110,855</u>
Total expenses	<u>\$ 5,197,099</u>	<u>\$ 61,228</u>	<u>\$ 6,024</u>	<u>\$ 23,524</u>	<u>\$ 17,552</u>	<u>\$ 4,248</u>	<u>\$ 5,309,675</u>
<b>Other Changes in Unrestricted Net Assets</b>							
Transfer of investment income to general fund (Note 3)	\$ 176,388	\$ (9,226)	\$ (61,447)	\$ --	\$ (105,715)	\$ --	\$ --
Annuity actuarial adjustment (Note 11)	--	--	--	--	--	(30,824)	(30,824)
Total other changes in net assets	<u>\$ 176,388</u>	<u>\$ (9,226)</u>	<u>\$ (61,447)</u>	<u>\$ --</u>	<u>\$ (105,715)</u>	<u>\$ (30,824)</u>	<u>\$ (30,824)</u>
Increase in unrestricted net assets	<u>\$ 199,573</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 524,664</u>	<u>\$ 205,231</u>	<u>\$ 929,468</u>

See Notes to Financial Statements.

**THE APPALACHIAN TRAIL CONSERVANCY**

**Statement of Activities**

(Continued)

For the Year Ended December 31, 2009

	<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>Changes in temporarily restricted net assets:</b>							
Public support, contributions	\$ 256,066	\$ 2,150	\$ --	\$ 9,100	\$ --	\$ --	\$ 267,316
Net investment income (Note 3)	--	5,456	--	2,918	--	--	8,374
Net unrealized and realized gains on investments (Note 3)	--	44,499	--	23,793	--	--	68,292
Other Income	--	--	--	4,650	--	--	4,650
Release of investment income to general fund (Note 3)	--	(9,226)	--	--	--	--	(9,226)
Net assets released from restrictions (Note 14)	(188,236)	(61,228)	--	(23,524)	--	(4,248)	(277,236)
Increase (decrease) in temporarily restricted net assets	<u>\$ 67,830</u>	<u>\$ (18,349)</u>	<u>\$ --</u>	<u>\$ 16,937</u>	<u>\$ --</u>	<u>\$ (4,248)</u>	<u>\$ 62,170</u>
<b>Changes in permanently restricted net assets:</b>							
Public support, contributions	\$ --	\$ --	\$ --	\$ --	\$ 117,992	\$ --	\$ 117,992
Membership	--	--	22,000	--	--	--	22,000
Net investment income (Note 3)	--	--	36,439	--	66,222	--	102,661
Net unrealized and realized gains on investments (Note 3)	--	--	296,609	--	--	--	296,609
Net assets released from restrictions (Note 14)	--	--	(6,024)	--	(17,552)	--	(23,576)
Release of investment income to general fund (Note 3)	--	--	(61,447)	--	(105,715)	--	(167,162)
Increase in permanently restricted net assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 287,577</u>	<u>\$ --</u>	<u>\$ 60,947</u>	<u>\$ --</u>	<u>\$ 348,524</u>
Increase (decrease) in net assets	\$ 267,403	\$ (18,349)	\$ 287,577	\$ 16,937	\$ 585,611	\$ 200,983	\$ 1,340,162
Net assets at beginning of year	<u>1,216,766</u>	<u>3,856,112</u>	<u>1,672,989</u>	<u>150,273</u>	<u>856,417</u>	<u>269,083</u>	<u>8,021,640</u>
Net assets at end of year	<u>\$ 1,484,169</u>	<u>\$ 3,837,763</u>	<u>\$ 1,960,566</u>	<u>\$ 167,210</u>	<u>\$ 1,442,028</u>	<u>\$ 470,066</u>	<u>\$ 9,361,802</u>

See Notes to Financial Statements.

# THE APPALACHIAN TRAIL CONSERVANCY

## Statement of Cash Flows

For the Year Ended December 31, 2009

### Cash Flows from Operating Activities

Change in net assets	\$ 1,340,162
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	56,233
Net realized and unrealized losses on investments	(1,097,753)
Receipt of permanently restricted contributions and life membership income	(139,992)
Changes in operating assets and liabilities:	
Increase in receivables	(398,134)
Increase in inventories	(82,782)
Decrease in prepaid expenses	29,436
Decrease in accounts payable and accrued expenses	(174,913)
Increase in deferred revenues	474,010
Decrease in annuities payable	(43,767)
Net cash (used in) operating activities	<u>\$ (37,500)</u>

### Cash Flows from Investing Activities

Purchase of equipment	\$ (4,758)
Purchase of long-term investments	(382,524)
Proceeds from sale and maturity of long-term investments	251,033
Decrease in other assets	500
Net cash (used in) investing activities	<u>\$ (135,749)</u>

### Cash Flows from Financing Activities,

Receipt of permanently restricted contributions and life membership income	<u>\$ 139,992</u>
Decrease in cash and cash equivalents	\$ (33,257)

### Cash and Cash Equivalents

Beginning	<u>673,096</u>
Ending	<u>\$ 639,839</u>

### Supplemental Schedule of Noncash Investing and Financing Activities

Stock donations	<u>\$ 28,970</u>
Various equipment and donated services	<u>\$ 175,218</u>

See Notes to Financial Statements.

# THE APPALACHIAN TRAIL CONSERVANCY

## 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 ridgcrests 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 now 2,175 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. Our communications extend to our visitor's center, which plays host to almost 10,000 people annually. Our information staff addresses almost 30,000 mail and e-mail inquiries each year, and our Web site averages 60,000 visits each month.

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

A summary of the significant accounting policies is as follows:

#### Financial Reporting

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

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

#### **Unrestricted Funds**

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

#### **Restricted Funds**

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

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

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

The 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 Conservancy'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 Conservancy's investment and spending policy.

### **Annuity Funds**

The Annuity Fund is used by the Conservancy to account for resources provided by donors under various kinds of agreements in which the Conservancy has a beneficial interest in the resources but may not be the sole beneficiary. As described more fully in Note 11, the Conservancy 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, and all highly liquid debt instruments.

## **Notes to Financial Statements**

### **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 Standards require 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 Conservancy 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 Conservancy's Land Acquisition Fund.

The Conservancy, 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 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 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 \$56,233 for the year ended December 31, 2009.

Resources restricted by donors for plant replacement and expansion are added to the unrestricted 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 Conservancy recognizes contribution revenue for services requiring specialized skills received at the fair value of those services. During the year, the Conservancy received donated consulting services of \$84,938 and donated goods of \$90,280. In addition, 6,803 volunteers donated 220,565 hours to the Conservancy's programs, fund-raising campaigns and management for which no amounts have been recognized in the financial statements since no objective basis is available to measure the value of such services.

### **Contributions**

The Conservancy's management has adopted the standard that requires revenues to be recognized for all unconditional promises to give, including those with donor imposed restrictions, at the time of receipt of the promise. The 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 Conservancy reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Conservancy's activities).

### **Revenue Recognition**

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

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

## **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 Conservancy reports the support as unrestricted.

### **Expense Allocation**

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

### **Credit Risk**

The Conservancy 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.

### **Fair Value Measurement**

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

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

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

## Notes to Financial Statements

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 fiscal years ended December 31, 2009 and 2008, 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:

### *Assets restricted for long-term purposes*

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.

### *Cash and cash equivalents*

Repurchase agreements are carried at cost, which approximates fair value based upon observable market prices of similar instruments.

### *Land Held for Resale*

Land held for resale is recorded at cost or the estimated fair market value of the land on the date of donation. The lands are subsequently written down for declines in the market values.

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**

As of December 31, 2009, the Conservancy did not have any deposits with commercial financial institutions in excess of the federal insured limit since \$647,367 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. Assets Restricted for Long-Term Purposes

The Conservancy carries investments at fair market value. Investments with a fair value of \$5,388,167 as of December 31, 2009, consisted of mutual fund investments.

The Conservancy's mutual fund investments include its sole Unitrust in the Annuity Fund in the amount of \$207,135 as of December 31, 2009.

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2009:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Investment income	\$ 34,679	\$ 8,374	\$ 102,661	\$ 145,714
Net realized and unrealized gains	<u>732,852</u>	<u>68,292</u>	<u>296,609</u>	<u>1,097,753</u>
	<u><u>\$ 767,531</u></u>	<u><u>\$ 76,666</u></u>	<u><u>\$ 399,270</u></u>	<u><u>\$ 1,243,467</u></u>

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

Land Acquisition Fund	\$ 9,226
Life Membership Fund	61,447
Stewardship Fund	<u>105,715</u>
	<u><u>\$ 176,388</u></u>

## Notes to Financial Statements

### Note 4. Accounts Receivable

Accounts receivable at December 31, 2009, consisted primarily of trade receivables, bequests receivable, and amounts due from the National Park Service. Net accounts receivable consist of the following:

Federal	\$ 1,723,653
State	14,356
Trade	39,603
Other	156,166
Allowance for doubtful accounts	<u>(12,563)</u>
	<u>\$ 1,921,215</u>

The allowance for doubtful accounts is computed as ½ of 1% of current year sales and any account over 120 days past due.

### Note 5. Property and Equipment

A summary of property and equipment is as follows:

Land	\$ 20,000
Building and improvements	1,451,158
Furniture and equipment	717,152
Computer Software	<u>370,148</u>
	\$2,558,458
Less accumulated depreciation and amortization	<u>(1,706,001)</u>
	<u>\$ 852,457</u>

### Note 6. Land Held in Conservancy and Land Held for Resale

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 or land held for resale. The Conservancy is not in the development or real estate business but a guardian of the lands adjacent to the trail. Land held in conservancy at December 31, 2009 amounted to \$996,301 and represents real estate held by the Conservancy that the Conservancy intends to hold indefinitely.

Land held for resale at December 31, 2009 amounted to \$1,310,823 and represents real estate that the Conservancy 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.

## Notes to Financial Statements

### Note 7. Contractual Services

The Conservancy receives a significant amount of its support and revenue from cooperative agreements and cost-share agreements with the National Park Service, the United States Forest Service and various state agencies. Support received from these agencies was \$1,543,817 during the year ended December 31, 2009. A significant reduction in the level of this support, if this were to occur, may have a significant impact on the Conservancy's programs and activities.

### Note 8. Pension Plan

The Conservancy 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 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 \$2,057,122 for the year ended December 31, 2009.

The pension plan covers all of the Conservancy's employees who meet the requirements stated above. Members' rights to contributions vest immediately. Contributions to the pension plan by the Conservancy are based on 2% of eligible employees' compensation. In addition, in 2001, the Conservancy approved a matching contribution up to 3% to encourage participation. Total contributions to the pension plan by the Conservancy were \$80,329 for the year ended December 31, 2009.

### Note 9. Lease Commitments and Total Rental Expense

The Conservancy leases facilities to house its regional offices and various equipment under arrangements that are classified as operating leases. The leases generally require the Conservancy to pay for all normal maintenance, utilities and liability insurance costs. Rental expense for the year ended December 31, 2009, was \$117,216.

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

2010	\$	80,507
2011		21,784
2012		12,808
2013		2,028
2014		2,028
		<u>119,155</u>

## Notes to Financial Statements

### Note 10. Related-Party Transactions

Among the Conservancy's Board members and officers are volunteers from the financial, legal and environmental community who provide valuable assistance to the Conservancy in the development of policies and programs and in the evaluation of awards and grants. Under the Conservancy's conflict of interest disclosure policy, the Executive Director and the Chief Operating Officer review all transactions with related parties. Based on their review, significant transactions are submitted to the Board of Directors for approval. For the year ended December 31, 2009, substantially all awards and grants, which approximated \$17,409 were disbursed to groups with which one or more Board members were associated as volunteers. These groups maintain the Appalachian Trail in their local areas.

### Note 11. Annuities Payable

The Conservancy administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Conservancy's use. The portion of the trust attributable to the present value of the future benefits to be received by the Conservancy is recorded in the Statement of Activities as a temporarily restricted or permanently restricted contribution in the period the trust is established. When necessary, the Conservancy revalues the liability to the designated beneficiaries. There were no charitable remainder trusts established during 2009.

Assets held in charitable remainder trusts and in fulfillment of charitable gift annuity contracts totaled \$980,522 at December 31, 2009 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.

The Conservancy had one new annuity contract in 2009. A charitable gift annuity is an arrangement between a donor and the Conservancy in which the donor contributes assets to the organization in exchange for a promise by the organization to pay a fixed amount for a specified period of time to the donor or to individuals or organizations designated by the donor. The assets received are held as general assets of the Conservancy, and the annuity liability is a general obligation of the Conservancy; however, they are maintained in the Annuity Fund.

Adjustments to the annuity liability were made to reflect amortization of the discount and changes in life expectancies. For the year ended December 31, 2009, the annuity actuarial adjustment amounted to \$30,824. Total liability under split-interest agreements totaled \$439,544 at December 31, 2009.

### Note 12. Unrestricted Net Assets

Unrestricted net assets are often designated by the Board of Directors for particular purposes and programs. Board designations in effect at December 31, 2009 were as follows:

Stewardship Fund – bequests designated in accordance with contributions policy	<u>\$635,692</u>
---	------------------

## Notes to Financial Statements

### Note 13. Deferred Revenues

Deferred revenues consisted of the following at December 31, 2009:

Deferred memberships	\$ 62,482
Deferred - National Park Service (NPS)	1,054,373
Deferred - other	<u>177,150</u>
	<u>\$ 1,294,005</u>

### Note 14. 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, 2009:

General Fund:	
Conservation Projects	<u>\$ 188,236</u>
Land Acquisition Fund:	
Acquisition expenditures	<u>\$ 61,228</u>
Life Membership Fund:	
Life Member Expenses	<u>\$ 6,024</u>
Monitoring Fund:	
Monitoring Expenses	<u>\$ 23,524</u>
Stewardship Fund:	
Michael Bequarert - Andrew Kingery	1,802
Shelter Memorial Fund	
Sperling Memorial Shelter - Improvement Fund	223
Smart Family Foundation	446
The Ilus and Dr. Bernard Grunstein Fund	522
The Ebenstein and Wallach Fund	522
The Janelle C. Maurer Fund	837
The William T. Foot Memorial Endowment	
Bridge Fund	557
Investment fees and other	<u>12,643</u>
	<u>\$ 17,552</u>
Annuity Fund:	
Annuity Expenses	<u>\$ 4,248</u>
Total net assets released from restrictions	<u><u>\$ 300,812</u></u>

If a restriction is fulfilled in the same period in which the contribution is received, the Conservancy reports the support as unrestricted. The Conservancy received \$174,899 in contributions during 2009, where the restrictions were fulfilled by year-end.

## Notes to Financial Statements

### Note 15. Net Assets

Temporarily restricted net assets are available for the following purposes:

Conservation Projects (General Fund)	\$ 240,067
Acquisition of land/interests along the Appalachian Trail (Land Acquisition Fund)	3,281,462
Monitoring Fund, monitoring of Appalachian Trail Conference Lands	167,210
Stewardship Fund	10,782
Annuity Fund, annuity trust agreements	286,749
Total temporarily restricted net assets	<u>\$ 3,986,270</u>

Permanently restricted net assets are restricted as follows:

Permanently restricted net assets are restricted as follows:

Land Acquisition Fund	
Acquisition of land/interests along the Appalachian Trail	<u>\$ 556,301</u>
Life Membership Fund	
Investments in perpetuity, the income of which may be expended to support ATC general and program expenditures	<u>\$ 1,960,566</u>
Stewardship Fund	
Investments in perpetuity, the income from which may be expended for trail construction and maintenance and trail-land management activities	\$ 674,358
Sperling Memorial Shelter - Improvement Fund	4,902
Michael Bequaert - Andrew Kingery Shelter Memorial Fund	42,765
Smart Family Foundation	9,828
The George Ebenstein and Ernest Wallach Fund	11,493
The Ilus and Dr. Bernard Grünstein Fund	11,493
The William T. Foot Memorial Endowment Bridge Fund	12,264
The Ingram Fund	9,722
The Janelle C. Maurer Fund	18,729
Total Stewardship Fund	<u>\$ 795,554</u>
Total permanently restricted net assets	<u>\$ 3,312,421</u>

## Notes to Financial Statements

### Note 16. The Appalachian Trail Conservancy VISA

The Conservancy has a licensing agreement with a financial institution whereby the financial institution agreed to issue credit cards using the Conservancy'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 Conservancy's name and logo, the Bank pays the Conservancy 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 Conservancy received \$20,210 during the year ended December 31, 2009.

### Note 17. Fair Value Measurements

The following table presents the balance of financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets restricted for long-term purposes	\$ 5,388,167	\$ --	\$ --
Cash and cash equivalents	647,367	--	--
Land held for resale	<u>--</u>	<u>--</u>	<u>1,310,823</u>
	<u>\$ 6,035,534</u>	<u>\$ --</u>	<u>\$ 1,310,823</u>

### Note 18. Endowment

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

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

The Conservancy has adopted an investment policy to provide current income to support programs of the Conservancy and to achieve such growth of principal and income over time that purchasing power will be preserved or increased. The equity/fixed-income ratio will generally be 60/40 as determined by the Investment Committee based upon the current market environment, income needs, and recommendations from the committee.

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 of December 31 of the past three years.

## Notes to Financial Statements

Changes in endowment net assets for the year ending December 31, 2009 were as follows:

	<b>Unrestricted (Board Designated)</b>	<b>Permanently Restricted</b>
Endowment net assets, beginning of year	\$ 111,028	\$ 2,963,898
Investment return:		
Investment income	--	102,661
Net appreciation (realized and unrealized)	524,664	296,609
	\$ 524,664	\$ 399,270
Contributions	--	139,992
Appropriation of endowment assets for expenditure	--	(190,739)
Endowment net assets, end of year	\$ 635,692	\$ 3,312,421

### **Note 19. Accounting for Uncertainty in Income Taxes**

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying statements of financial position along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes in the statements of revenue and expenses and changes in net assets. For the year ended December 31, 2009, no interest or penalties were recognized.

## Notes to Financial Statements

The Organization files an annual informational return (Form 990) in the U.S. federal jurisdiction. With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years ended before December 31, 2006. The Organization has not received any communications from taxing authorities to cause it to believe it is currently under examination by the tax authorities in any of the jurisdictions in which it operates.

The Organization is unaware of any unrecognized tax benefits for which it is reasonably possible that the total will significantly change within the next twelve months.

As of December 31, 2009, there is no adjustment required to the Organization's net assets as a result of accounting for uncertainty in income taxes.

### **Note 20. Subsequent Events**

The Conservancy has evaluated all subsequent events through March 29, 2010, the date the financial statements were available to be issued. The Conservancy has determined there are no subsequent events that require recognition or disclosure.

THE APPALACHIAN TRAIL CONSERVANCY

Schedule of Functional Expenses  
Year Ended December 31, 2009

	Program Services											Total Expenses
	Trail Management and Protection			User and Supporter Services					Program Services Total	Development	Management and General	
	Conservation	Land Trust	Total	Membership Services	Public Information	Education & Outreach	Publications	Total				
Salaries, wages and payroll taxes	\$ 1,140,650	\$ 56,638	\$ 1,197,288	\$ 185,905	\$ 1,034	\$ --	\$ 314,174	\$ 501,113	\$ 1,698,401	\$ 108,060	\$ 357,593	\$ 2,164,054
Employee benefits	145,390	8,017	153,407	21,350	18,695	--	24,346	64,391	217,798	22,486	69,118	309,402
Contract services	484,041	28,050	512,091	125	198	39,644	102,263	142,230	654,321	31,255	65,135	750,711
Supplies	82,731	126	82,857	165	1,500	415	48,684	50,764	133,621	2,773	20,216	156,610
Postage	5,099	86	5,185	44,262	3,254	96	186,610	234,222	239,407	90,226	5,180	334,813
Printing	2,078	--	2,078	27,594	--	4,200	53,810	85,604	87,682	46,067	--	133,749
Personnel development	7,480	--	7,480	--	183	--	985	1,168	8,648	1,920	1,249	11,817
Promotional	285	--	285	3,275	--	--	14,206	17,481	17,766	--	--	17,766
Fulfillment	1,784	--	1,784	2,964	1,704	756	456,479	461,903	463,687	16,451	43	480,181
Travel	64,494	606	65,100	193	1,233	9,536	9,443	20,405	85,505	9,106	15,167	109,778
Meetings and conferences	16,221	--	16,221	--	1,256	49,460	228	50,944	67,165	736	5,556	73,457
Licenses and fees	562	90	652	42,341	--	--	24,209	66,550	67,202	35,525	23,259	125,986
Grants	80,442	--	80,442	--	--	9,650	--	9,650	90,092	--	872	90,964
Organization infrastructure	78,628	3,876	82,504	55	13	13,114	82,305	95,487	177,991	2,476	76,099	256,566
Bad debt expense	--	--	--	--	--	--	9,944	9,944	9,944	--	--	9,944
Other expenses	20,712	23,814	44,526	690	2,975	2,365	129,034	135,064	179,590	42,236	62,051	283,877
<b>Total expenses</b>	<b>\$ 2,130,597</b>	<b>\$ 121,303</b>	<b>\$ 2,251,900</b>	<b>\$ 328,919</b>	<b>\$ 32,045</b>	<b>\$ 129,236</b>	<b>\$ 1,456,720</b>	<b>\$ 1,946,920</b>	<b>\$ 4,198,820</b>	<b>\$ 409,317</b>	<b>\$ 701,538</b>	<b>\$ 5,309,675</b>

**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 the financial statements of The Appalachian Trail Conservancy as of and for the year ended December 31, 2009, and have issued our report thereon dated March 29, 2010. 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 Conservancy's internal control over financial reporting as a basis for designing our auditing procedures 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 Appalachian Trail Conservancy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Appalachian Trail Conservancy's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

We noted certain matters that we reported to management of Appalachian Trail Conservancy in a separate letter dated March 29, 2010.

This report is intended solely for the information and use of management, the Audit Committee, the Board of Directors, 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 29, 2010



Certified Public Accountants  
and Consultants

**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 Directors  
The Appalachian Trail Conservancy  
Harpers Ferry, West Virginia

**Compliance**

We have audited the compliance of The Appalachian Trail Conservancy 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, 2009. The Appalachian Trail Conservancy’s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. 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 Conservancy's management. Our responsibility is to express an opinion on The Appalachian Trail Conservancy'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 Conservancy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on The Appalachian Trail Conservancy's compliance with those requirements.

In our opinion, The Appalachian Trail Conservancy 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, 2009.

**Internal Control Over Compliance**

The management of The Appalachian Trail Conservancy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The Appalachian Trail Conservancy'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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Appalachian Trail Conservancy's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Board of Directors, the Audit Committee, and 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 & Barbours, P.C.*

Winchester, Virginia  
March 29, 2010

APPALACHIAN TRAIL CONSERVANCY

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2009

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Interior</b>	
<b>Passed through the National Park Service</b>	
<b>(Contract Number H050000002)</b>	
Base	\$ 245,889
SUP	17,459
Repair Rehab	560,608
Cyclic	156,034
Challenge Cost Share	66,169
VIP	64,600
Other NPS accounts	167,743
<b>Total U.S. Department of the Interior</b>	<b>\$ 1,278,502</b>
<b>U.S. Environmental Protection Agency</b>	<b>\$ 721</b>
<b>U.S. Department of Agriculture</b>	
<b>Passed through U.S. Forest Service</b>	
Konnarock Crew, Ridge Runner, Excotic and Invasive Species Programs	\$ 31,939
<b>Total Expenditures of Federal Awards</b>	<b>\$ 1,311,162</b>

The accompanying note is an integral part of this schedule.

## **THE APPALACHIAN TRAIL CONSERVANCY**

### **Note to the Schedule of Expenditures of Federal Awards** For the Year Ended December 31, 2009

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

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Appalachian Trail Conservancy 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 CONSERVANCY**

**Schedule of Findings and Questioned Costs**  
Year Ended December 31, 2009

**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
- Significant deficiency(ies) 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
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ 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 H0500000002

Dollar threshold used to distinguish between type A and type B programs \$300,000

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.

**THE APPALACHIAN TRAIL CONSERVANCY**

**Summary Schedule of Prior Audit Findings**  
For the Year Ended December 31, 2009

No matters were reported.