

AMERICAN HIKING SOCIETY

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

To the Board of Directors
American Hiking Society
Silver Spring, MD

Opinion

We have audited the accompanying financial statements of American Hiking Society (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Hiking Society as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Hiking Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of American Hiking Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Hiking Society's ability to continue as a going concern for a reasonable period of time.

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



Washington, DC
September 30, 2022

**AMERICAN HIKING SOCIETY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 100,288	\$ 224,423
Grants receivable	8,950	7,369
Prepaid expenses	8,962	10,579
Total Current Assets	118,200	242,371
PROPERTY AND EQUIPMENT		
Software	28,620	28,620
Accumulated amortization	(17,887)	(8,348)
Total Property and Equipment, Net	10,733	20,272
OTHER ASSETS		
Investments	566,060	541,025
Deposits	4,776	4,587
Total Other Assets	570,836	545,612
TOTAL ASSETS	\$ 699,769	\$ 808,255
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 15,055	\$ 6,956
Accrued expenses	21,509	7,815
Loan payable, current portion	-	60,545
Deferred revenue	41,250	-
Total Current Liabilities	77,814	75,316
NON-CURRENT LIABILITIES		
Loan payable, net of current portion	-	32,855
Total Liabilities	77,814	108,171
NET ASSETS		
Without donor restrictions:		
Undesignated	70	112,989
Board designated - reserves	504,835	545,046
Board designated - opportunity fund	75,001	-
Total Without Donor Restrictions	579,906	658,035
With donor restrictions	42,049	42,049
Total Net Assets	621,955	700,084
TOTAL LIABILITIES AND NET ASSETS	\$ 699,769	\$ 808,255

The accompanying notes are an integral part of these financial statements.

**AMERICAN HIKING SOCIETY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Membership dues	\$ 71,708	\$ -	\$ 71,708
Gifts and donations	233,239	-	233,239
Corporate grants and support	97,314	-	97,314
Paycheck Protection Program loan forgiveness	186,800	-	186,800
In-kind donations and services	202,182	-	202,182
Government and foundation grants	112,000	-	112,000
Event registrations and fees	41,585	-	41,585
Alliance member support	8,500	-	8,500
Combined federal campaign donations	1,214	-	1,214
Investment and other income	2,394	-	2,394
Total Revenue and Support	<u>956,936</u>	-	<u>956,936</u>
EXPENSES			
Program Services:			
Volunteer vacations	103,473	-	103,473
Member services	166,019	-	166,019
Legislative policy	543,116	-	543,116
Total Program Services	<u>812,608</u>	-	<u>812,608</u>
Supporting Services:			
Management and general	88,793	-	88,793
Fundraising and development	133,664	-	133,664
Total Supporting Services	<u>222,457</u>	-	<u>222,457</u>
Total Expenses	<u>1,035,065</u>	-	<u>1,035,065</u>
CHANGE IN NET ASSETS	(78,129)	-	(78,129)
NET ASSETS, beginning of year	<u>658,035</u>	<u>42,049</u>	<u>700,084</u>
NET ASSETS, end of year	<u>\$ 579,906</u>	<u>\$ 42,049</u>	<u>\$ 621,955</u>

The accompanying notes are an integral part of these financial statements.

**AMERICAN HIKING SOCIETY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUE AND SUPPORT			
Membership dues	\$ 140,917	\$ -	\$ 140,917
Gifts and donations	556,387	-	556,387
Corporate grants and support	158,913	-	158,913
In-kind donations and services	76,656	-	76,656
Government and foundation grants	118,446	-	118,446
Event registrations and fees	53,469	-	53,469
Alliance member support	11,250	-	11,250
Combined federal campaign donations	4,248	-	4,248
Investment and other income	3,707	-	3,707
Total Revenue and Support	<u>1,123,993</u>	<u>-</u>	<u>1,123,993</u>
EXPENSES			
Program Services:			
Volunteer vacations	110,201	-	110,201
Member services	221,684	-	221,684
Legislative policy	392,831	-	392,831
Total Program Services	<u>724,716</u>	<u>-</u>	<u>724,716</u>
Supporting Services:			
Management and general	89,478	-	89,478
Fundraising and development	85,353	-	85,353
Total Supporting Services	<u>174,831</u>	<u>-</u>	<u>174,831</u>
Total Expenses	<u>899,547</u>	<u>-</u>	<u>899,547</u>
CHANGE IN NET ASSETS	224,446	-	224,446
NET ASSETS, beginning of year	<u>433,589</u>	<u>42,049</u>	<u>475,638</u>
NET ASSETS, end of year	<u>\$ 658,035</u>	<u>\$ 42,049</u>	<u>\$ 700,084</u>

The accompanying notes are an integral part of these financial statements.

**AMERICAN HIKING SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL	
	VOLUNTEER VACATIONS	MEMBER SERVICES	LEGISLATIVE POLICY	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING AND DEVELOPMENT		TOTAL SUPPORTING SERVICES
Personnel costs:								
Salaries	\$ 71,989	\$ 124,889	\$ 243,901	\$ 440,779	\$ 53,404	\$ 65,608	\$ 119,012	\$ 559,791
Payroll taxes	5,702	9,848	19,232	34,782	4,211	5,173	9,384	44,166
Benefits	4,101	7,115	13,895	25,111	3,043	3,738	6,781	31,892
Subtotal personnel costs	81,792	141,852	277,028	500,672	60,658	74,519	135,177	635,849
Accounting	-	-	-	-	14,718	-	14,718	14,718
Advertising	717	371	3,108	4,196	31	2,794	2,825	7,021
Bank charges	996	1,390	2,566	4,952	845	798	1,643	6,595
Consulting	2,254	3,797	10,460	16,511	1,558	1,913	3,471	19,982
Depreciation and amortization	1,227	2,128	4,156	7,511	910	1,118	2,028	9,539
Dues and subscriptions	542	29	1,565	2,136	312	315	627	2,763
Equipment rental	365	634	1,238	2,237	271	333	604	2,841
Fundraising	-	-	-	-	-	154	154	154
Insurance	614	1,065	2,080	3,759	1,816	559	2,375	6,134
In-kind advertising	833	-	194,882	195,715	-	729	729	196,444
In-kind goods	24	-	5,693	5,717	-	21	21	5,738
Licenses	90	-	-	90	74	-	74	164
Meetings	7,757	-	10,230	17,987	-	-	-	17,987
Office supplies and expenses	588	689	1,559	2,836	556	307	863	3,699
Postage and delivery	585	2,155	322	3,062	204	15,327	15,531	18,593
Printing and copying	-	1,492	-	1,492	-	30,465	30,465	31,957
Professional fees	1,465	3,276	4,574	9,315	312	2,513	2,825	12,140
Rent	1,516	6,242	18,177	25,935	3,256	1,617	4,873	30,808
Repairs and maintenance	6	26	76	108	14	7	21	129
Telephone	137	239	474	850	103	125	228	1,078
Training	-	-	-	-	3,126	-	3,126	3,126
Travel	1,481	130	113	1,724	1	20	21	1,745
Website maintenance	484	504	4,815	5,803	28	30	58	5,861
Total	\$ 103,473	\$ 166,019	\$ 543,116	\$ 812,608	\$ 88,793	\$ 133,664	\$ 222,457	\$ 1,035,065

The accompanying notes are an integral part of these financial statements.

**AMERICAN HIKING SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL
	VOLUNTEER VACATIONS	MEMBER SERVICES	LEGISLATIVE POLICY	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING AND DEVELOPMENT	TOTAL SUPPORTING SERVICES	
Personnel costs:								
Salaries	\$ 60,648	\$ 106,012	\$ 205,475	\$ 372,135	\$ 45,240	\$ 55,271	\$ 100,511	\$ 472,646
Payroll taxes	4,580	7,147	15,516	27,243	3,416	4,174	7,590	34,833
Benefits	3,196	5,544	10,826	19,566	2,371	2,912	5,283	24,849
Subtotal personnel costs	68,424	118,703	231,817	418,944	51,027	62,357	113,384	532,328
Accounting	-	-	-	-	14,133	-	14,133	14,133
Advertising	644	1,118	2,183	3,945	481	587	1,068	5,013
Bank charges	929	1,612	3,156	5,697	1,451	847	2,298	7,995
Consulting	8,975	15,548	30,070	54,593	6,682	7,875	14,557	69,150
Depreciation and amortization	1,073	1,862	3,635	6,570	800	978	1,778	8,348
Dues and subscriptions	5,780	-	1,302	7,082	136	600	736	7,818
Equipment rental	284	567	1,230	2,081	256	264	520	2,601
Fundraising	-	-	-	-	2,174	873	3,047	3,047
Insurance	600	1,040	2,031	3,671	2,033	546	2,579	6,250
In-kind goods	12,450	17,098	46,236	75,784	-	872	872	76,656
Gifts	2,400	812	477	3,689	337	-	337	4,026
Licenses	-	-	-	-	74	-	74	74
Meetings	1,007	-	26,234	27,241	90	569	659	27,900
Office supplies and expenses	323	871	2,783	3,977	684	221	905	4,882
Postage and delivery	1,878	20,170	154	22,202	984	956	1,940	24,142
Printing and copying	-	27,898	274	28,172	608	2,919	3,527	31,699
Professional fees	1,362	3,558	3,858	8,778	287	1,770	2,057	10,835
Rent	3,064	9,015	27,153	39,232	4,703	2,336	7,039	46,271
Repairs and maintenance	171	705	2,053	2,929	368	183	551	3,480
Telephone	281	487	1,011	1,779	239	224	463	2,242
Training	-	-	-	-	1,908	-	1,908	1,908
Travel	-	120	2,483	2,603	4	359	363	2,966
Website maintenance	556	500	4,691	5,747	19	17	36	5,783
Total	\$ 110,201	\$ 221,684	\$ 392,831	\$ 724,716	\$ 89,478	\$ 85,353	\$ 174,831	\$ 899,547

The accompanying notes are an integral part of these financial statements.

**AMERICAN HIKING SOCIETY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (78,129)	\$ 224,446
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Depreciation and amortization expense	9,539	8,348
Paycheck Protection Program loan forgiveness	(186,800)	-
Net depreciation (appreciation) in fair value of investments	469	(350)
Decrease (increase) in assets:		
Grants receivable	(1,581)	54,728
Prepaid expenses	1,617	(2,587)
Deposits	(189)	(587)
Increase (decrease) in liabilities:		
Accounts payable	8,099	535
Accrued expenses	13,694	1,873
Deferred revenue	41,250	(27,876)
Net Cash (Used For) Provided By Operating Activities	(192,031)	258,530
 CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvested interest and dividends, net	(812)	(2,561)
Purchases of investments	(146,297)	(497,378)
Proceeds from sales of investments	121,605	-
Net Cash Used for Investing Activities	(25,504)	(499,939)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	93,400	93,400
Net Cash Provided By Financing Activities	93,400	93,400
 NET CHANGE IN CASH AND CASH EQUIVALENTS	(124,135)	(148,009)
 CASH AND CASH EQUIVALENTS, beginning of year	224,423	372,432
 CASH AND CASH EQUIVALENTS, end of year	\$ 100,288	\$ 224,423

The accompanying notes are an integral part of these financial statements.

**AMERICAN HIKING SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE A – NATURE OF THE ORGANIZATION

The American Hiking Society (referred to as "the Society") was founded in October 1976 as a non-stock, nonprofit corporation pursuant to the laws of the Commonwealth of Virginia. The Society's purpose is to encourage public use, appreciation, preservation, and expansion of hiking trails throughout the United States of America. The Society accomplishes its mission by educating and encouraging volunteerism and stewardship designed to protect hiking trails and outdoor recreation. The Society is supported by concerned individuals, businesses, governmental agencies, and other like-minded organizations. The Society is managed by its Board of Directors and has approximately 5,500 members and contributors.

Program Services

The Society carries out various program activities designed to educate and encourage hiking and outdoor recreation, including initiatives designed to protect and enhance hiking trails, encourage volunteerism and community involvement, educational publications and activities, and various legislative and outreach initiatives.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Society prepares its financial statements on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligation is incurred.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit-Entities*. In accordance with the topic, the Society is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, the net assets of the Society and changes therein, are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets not subject to donor-imposed restrictions or stipulations.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the Society and/or the passage of time, or that must be maintained in perpetuity by the Society. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions and an increase in net assets without donor restrictions.

AMERICAN HIKING SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and Cash Equivalents

The Society considers all highly liquid investments with a maturity of three months or less to be cash equivalents (with the exception of the amounts that are part of the investments portfolio). Cash and cash equivalents include any cash on hand, checking account balances, and money market accounts. The Society maintains its cash in bank deposit accounts which may, at times, exceed federally insured limits. The Society believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

The Society's marketable securities consist principally of money market funds, fixed income mutual funds and certificates of deposit that are held for investment purposes. Marketable securities are reported at fair value, with realized interest and dividend, capital gains or losses, and unrealized gain or losses included as components of investment income.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection of information and existing economic conditions. Accounts deemed uncollectible are charged off. As of December 31, 2021 and 2020, management had determined that all receivables are collectible within one year or less; therefore an allowance for doubtful accounts has not been established.

Property and Equipment

The Society capitalizes property and equipment acquisitions at cost or estimated fair value at the time of donation and depreciates and amortizes these items using the straight-line method of depreciation and amortization over their estimated useful lives, which range from 3 - 7 years. Depreciation and amortization expense was \$9,539 and \$8,348, respectively, for the years ended December 31, 2021 and 2020. Expenditures for repairs and maintenance that do not extend the useful life of an asset, consumable supplies, and other de minimis items are expensed as incurred.

Deferred Revenue

The Society recognized revenue when earned in accordance with the accrual basis of accounting. Accordingly, deferred revenue consists principally of registration fees received in advance of the applicable program activity. For the year ending December 31, 2019, deferred revenue totaled \$27,876.

AMERICAN HIKING SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition

The Society recognizes gifts and donations, including membership dues, when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend on have been substantially met. Contributions, including unconditional promises to give, are recognized as revenue in the period in which the promise is made. Corporate grants and support are recognized as revenue in the period in which such promises or agreements are made, generally when the agreement has been received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor restrictions are recorded as revenue with donor restrictions based on the donor's intent. Gifts and donations expected to be received after one year are discounted using a risk-free interest rate and are used in accordance with the donor-imposed restrictions, if any, on the gifts and donations. Event registrations and fees are recognized as revenue in the period in which the event occurs.

In-Kind Donations and Services

In-kind donations are recorded at fair market value at the date of donation. In-kind services are recognized at their fair value if the service requires specialized skills and the services would typically need to be purchased, if not donated. Contributed services and promises to give services that do not meet the above criteria are not recognized.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Society. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent and depreciation and amortization as well as salaries, benefits and payroll taxes, all of which are allocated on the basis of estimates of time and effort.

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 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

AMERICAN HIKING SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(continued)

NOTE C – INCOME TAXES

The Society is a 501(c)(3) entity exempt from federal income tax under Section 501(a) of the Internal Revenue Code. The Society is, however, subject to tax on business income unrelated to its exempt purpose.

The Society believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

The Society's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. The Society's information returns for the years ended December 31, 2018 through 2020 are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

The Society regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Society strives to maintain liquid financial assets sufficient to cover six months of general expenditures. Financial assets in excess of daily cash requirements are invested in a brokered investment account which includes money market funds, mutual funds and certificates of deposit. The Society has various sources of liquidity at its disposal including cash, cash equivalents, and brokered investment accounts.

In addition to financial assets available to meet general expenditures over the next 12 months, the Society operates with a budget plan to result in a positive change in net assets and anticipates collecting sufficient revenue to cover general expenditures. Timing of revenue receipt also ensures the availability of necessary operational funds. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions, however, the Society expects to utilize any purpose restricted net assets with donor restrictions within one year.

The following table reflects the Society's financial assets as of December 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date because of contractual restrictions or internal board designations:

AMERICAN HIKING SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(continued)

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY – continued

	2021	2020
Cash and cash equivalents	\$ 100,288	\$ 224,423
Grants receivable	8,950	7,369
Investments	566,060	541,025
Total financial assets	675,298	772,817
Less: Net assets with donor restrictions - perpetual in nature	(42,049)	(42,049)
Less: Board designated net assets - reserves	(504,835)	(545,046)
Less: Board designated net assets - opportunity fund	(75,001)	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 53,413	\$ 185,722

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENT

Fair value, as defined in the fair value measurement accounting guidance, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date or exit price.

The guidance on fair value measurement accounting requires that the Society make assumptions market participants would use in pricing an asset or liability based on the best information available. The Society considers factors that were not previously measured when determining the fair value of financial instruments. These factors include nonperformance risk (the risk that the obligation will not be fulfilled) and credit risk, of the reporting entity (for liabilities) and of the counterparty (for assets). The fair value measurement guidance prohibits inclusion of transaction costs and any adjustments for blockage factors in determining the instruments' fair value. The principal or most advantageous market should be considered from the perspective of the reporting entity.

Fair value, where available, is based on observable quoted market prices. Where observable prices or inputs are not available, several valuation models and techniques are applied. These models and techniques attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. The process involves varying levels of management judgment, the degree of which is dependent on the price transparency of the instruments or market and the instruments' complexity.

To increase consistency and enhance disclosure of the fair value of financial instruments, the fair value measurement accounting guidance established a fair value of inputs to the valuation in technique, into a three-level fair value hierarchy. A financial instrument's level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement, where Level 1 is the highest and Level 3 is the lowest. The three levels are defined as follows:

AMERICAN HIKING SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(continued)

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENT - continued

Level 1 – Observable inputs such as quoted prices in active markets. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Inputs other than quoted prices in active markets that are either directly or indirectly observable. These include quoted market prices for similar assets or liabilities, quoted market prices for identical or similar assets in markets that are not active, adjusted quoted market prices, inputs from observable data such as interest rate and yield curves, volatilities or default rates observable at commonly quoted intervals or inputs derived from observable market data by correlation or other means.

Level 3 – Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Unobservable inputs should only be used to the extent observable inputs are not available.

The fair value of money markets funds is determined by carrying amount, which approximates fair value. The fair values of the Society’s mutual funds have been determined from observable market quotations. The fair values of the Society’s certificates of deposit have been provided by the Society’s investment managers and custodian banks.

The following table presents the Society’s fair value hierarchy for financial instruments measured at fair value on a recurring basis as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 75,001	\$ -	\$ -	\$ 75,001
Mutual Funds:				
Fixed income	41,117	-	-	41,117
Certificates of deposit	-	449,942	-	449,942
Total	<u>\$ 116,118</u>	<u>\$ 449,942</u>	<u>\$ -</u>	<u>\$ 566,060</u>

The following table presents the Society’s fair value hierarchy for financial instruments measured at fair value on a recurring basis as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Fixed income	\$ 41,414	\$ -	\$ -	\$ 41,414
Certificates of deposit	-	499,611	-	499,611
Total	<u>\$ 41,414</u>	<u>\$ 499,611</u>	<u>\$ -</u>	<u>\$ 541,025</u>

AMERICAN HIKING SOCIETY
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NOTE F – LOAN PAYABLE

On May 27, 2020, the Society secured a \$93,400 loan with Newtek Small Business Finance (the “Lender”) under the Small Business Administration’s (“SBA”) Paycheck Protection Program (“PPP”) that authorized forgivable loans to small businesses. The loan can be used to cover certain expenses during the COVID-19 crisis. The loan amounts may be forgiven as long as the loan proceeds are used to cover payroll costs, rent, certain mortgage interest, and utility costs over a period specified in the loan document after the loan is made. If not used for the described purposes, the loan was due on May 27, 2022, along with interest calculated at a rate of 1% per annum. On June 28, 2021, the Society received approval for the full forgiveness on the loan principal and interest by the Lender and the SBA.

On February 5, 2021, the Society secured a second loan in the amount of \$93,400 from the Lender under the SBA’s PPP that authorized forgivable loans to small businesses. The loan could be used to cover certain expenses during the COVID-19 crisis. The loan amounts may be forgiven as long as the loan proceeds are used to cover payroll costs, rent, certain mortgage interest, and utility costs over a period specified in the loan document after the loan is made. If not used for the described purposes, the loan was due on February 5, 2026, along with interest calculated at a rate of 1% per annum. On July 29, 2021, the Society received approval for the full forgiveness on the loan principal and interest by the Lender and the SBA.

NOTE G – LEASE COMMITMENTS

The Society leases office facilities under a non-cancelable operating lease. The lease had an original term of 60 months and expired on October 31, 2020. The lease required total minimum monthly payments of \$2,122. In May 2020, the Society entered into a one year lease agreement for office spaces located at 8403 Colesville Rd in Silver Spring, Maryland. The lease required total minimum monthly payments of \$2,293. In July 2021, the Society renewed this lease for a period of two years, beginning October 1 2021, and ending September 30, 2023. The lease requires total minimum monthly payments of \$2,388. Future minimum payments under the operating lease agreement is as follows for the years ending December 31,:

2022	\$	28,656
2023		<u>21,492</u>
Total	\$	<u>50,148</u>

Rent expense incurred by the Society on the operating leases totaled \$30,808 and \$46,271, respectively, for the years ended December 31, 2021 and 2020, including other operating expenses.

AMERICAN HIKING SOCIETY
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NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

The Society's net assets with donor restrictions consist of unexpended resources earmarked by donors for the following programs or purposes as of December 31,:

	2021	2020
Life membership endowment	\$ 31,449	\$ 31,449
<i>Galen Rowell</i> National Trails Fund	10,600	10,600
	\$ 42,049	\$ 42,049

NOTE I – IN-KIND DONATIONS AND SERVICES

The Society recognized in-kind donations of hiking equipment and contributed advertising services totaling \$202,182 and \$76,656, respectively, during the years ended December 31, 2021 and 2020. The Society allocates the in-kind donations and contributed services in accordance with its functional allocation of expenses as described above.

The Society also receives a significant amount of support from its board members and volunteers. No amounts were recognized in the accompanying financial statements for contributed volunteer services as they did not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

NOTE J – ENDOWMENT FUNDS

Endowment Funds: The Society's endowments consist of two individual endowment funds called Life Member Endowment and *Galen Rowell* National Trails Fund that was established to provide financial stability and support for national trails initiatives. The endowment funds were created from contributions restricted by donors for the establishment of the endowments.

The Society has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift at the time of donation for the donor-restricted endowment funds absent any explicit donor stipulation to the contrary.

Accordingly, the Society classifies the original value of restricted donations and the original value of additional donations to the fund, as net assets with donor restrictions. The Society classifies accumulations of the fund in accordance with the original donors' gift instruments, which are with donor restrictions for the *Galen Rowell* National Trails Fund and with donor restrictions for the Life Membership Endowment. Accumulations of the fund are subject to appropriation under UPMIFA.

AMERICAN HIKING SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
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(continued)

NOTE J – ENDOWMENT FUNDS – continued

In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate internally designated or donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and appreciation of investments, (6) other resources of the Society, and (7) the Society's investment policies.

Investment Strategies: The Society has adopted investment and spending policies, approved by the Board of Directors, for endowment and other investment assets in an attempt to provide for a predictable stream of funding in support of the endowment funds purposes while preserving capital and maintaining the purchasing power of the endowment fund assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, with acceptable risk as set forth in the investment policy approved by the Board of Directors.

The Society's investment policy calls for a well-diversified investment portfolio, including cash and cash equivalents, mutual funds - fixed income, and certificates of deposit to provide adequate liquidity and manage risk and inflation and provide for an overall reasonable market return. The Society expects its endowment assets to produce an average rate of return commensurate with market returns over the long-term for similar type investments. Investment risk is managed in an attempt to also ensure the preservation of capital under prudent investment policy, including economic, inflationary and other factors.

Spending Policies: The corpus of the Life Member Endowment was designed to ensure stability and legacy funding in support of the Society's exempt purposes with any earnings thereon directed to such initiatives. The corpus of the *Galen Rowell* National Trails Fund was to fund a donor restricted endowment in the honor of Galen Rowell with any earnings thereon used to acquire, maintain, and improve hiking trails.

In establishing its spending policies, the Society considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which are required to be held in perpetuity as net assets with donor restrictions as directed by the original donor, and the possible effects of risk, inflation, and other economic matters. The Society expects its spending policies to allow its endowment funds to grow at a nominal average annual rate of 6%. This is consistent with the Society's objective to maintain the purchasing power of the endowment funds as well as provide additional growth from investments and new gifts.

AMERICAN HIKING SOCIETY
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(continued)

NOTE J – ENDOWMENT FUNDS – continued

Endowment funds consisted of the following as of December 31, 2021:

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions - Perpetual in Nature	Total
Life membership endowment	\$ 9,668	\$ 31,449	\$ 41,117
<i>Galen Rowell</i> National Trails Fund	-	10,600	10,600
End of the year	<u>\$ 9,668</u>	<u>\$ 42,049</u>	<u>\$ 51,717</u>

Changes in endowment net assets were as follows for the year ended December 31, 2021:

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions - Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 9,965	\$ 42,049	\$ 52,014
Investment loss, net	(297)	-	(297)
End of the year	<u>\$ 9,668</u>	<u>\$ 42,049</u>	<u>\$ 51,717</u>

Endowment assets consisted of \$41,117 in mutual funds – fixed income and \$10,600 in cash and cash equivalents as of December 31, 2021.

Endowment funds consisted of the following as of December 31, 2020:

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions - Perpetual in Nature	Total
Life membership endowment	\$ 9,965	\$ 31,449	\$ 41,414
<i>Galen Rowell</i> National Trails Fund	-	10,600	10,600
End of the year	<u>\$ 9,965</u>	<u>\$ 42,049</u>	<u>\$ 52,014</u>

AMERICAN HIKING SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
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(continued)

NOTE J – ENDOWMENT FUNDS – continued

Changes in endowment net assets were as follows for the year ended December 31, 2020:

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions - Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 9,287	\$ 42,049	\$ 51,336
Investment return, net End of the year	678	-	678
	<u>\$ 9,965</u>	<u>\$ 42,049</u>	<u>\$ 52,014</u>

Endowment assets consisted of \$41,414 in mutual funds – fixed income and \$10,600 in cash and cash equivalents as of December 31, 2020.

There were no funds with deficiencies as of December 31, 2021 and 2020.

NOTE K – RETIREMENT PLAN

The Society has a contributory tax-deferred annuity retirement plan under IRC Section 403(b). All employees meeting certain minimum requirements are eligible to participate in the retirement plan. The Society suspended discretionary matching contributions to the retirement plan in February 2009. Accordingly, no matching contributions were incurred by the Society during the years ended December 31, 2021 and 2020.

NOTE L – BOARD DESIGNATED ASSETS – RESERVES

Board designated net assets are net assets without donor restrictions that have been earmarked by the Board of Directors for future reserves. As of December 31, 2021 and 2020, board designated net assets totaled \$504,835 and \$545,046, respectively.

NOTE M - BOARD DESIGNATED QUASI-ENDOWMENT – OPPORTUNITY FUND

In 2021, the Society established the Opportunity Fund, a board designated quasi-endowment without donor restrictions. The Opportunity Fund intended for legacy projects such as the naming of a public trail, promote education opportunities for trail stewardship and maintenance, or create a youth scholarship fund for trail stewardship. Accordingly, investment returns on this fund can be used immediately for operational expenditures.

It is intended that the principal amount of the fund be held in perpetuity. However, withdrawals can be made at the recommendation of the Society’s Executive Director and Board of Directors, who may recommend withdrawals as opportunities arise, or liquidation of the entire fund balance

AMERICAN HIKING SOCIETY
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NOTE M - BOARD DESIGNATED QUASI-ENDOWMENT – OPPORTUNITY FUND –
continued

for an opportunity of sufficient merit. A separate investment account was set up, in which all amounts in the Opportunity Fund are held for the purpose of preserving principal. Quasi-endowment assets consisted of \$75,001 in money market funds as of December 31, 2021.

Quasi-endowment net assets activity consisted of the following for the year ended December 31, 2021:

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions	Total
Beginning of the year	\$ -	\$ -	\$ -
Current year board designations	75,000	-	75,000
Investment return, net	1	-	1
End of the year	<u>\$ 75,001</u>	<u>\$ -</u>	<u>\$ 75,001</u>

NOTE N – COMMITMENTS AND CONTINGENCIES

Disputes and Disagreements: The Society is periodically party to various disputes and disagreements that occur in the normal course of operation. The Society is contingently liable for any action not covered by insurance. As of December 31, 2021 and 2020, the Society was unaware of any significant pending or threatened litigation, claims, or assessments. Accordingly, no liabilities were accrued for such contingencies in the accompanying financial statements.

Volunteer Vacations: The Society has a long-standing program whereby members take vacations and donate their time helping to improve and maintain hiking trails. The Society sponsors volunteer vacations whereby members register to take one or two-week vacations to support improvements and maintenance of hiking trails through the United States of America. Given the nature of the program, there are risks associated with the program whereby members could be injured or suffer other harm. Although the Society fully disclaims any liabilities for accidents which may occur by volunteers and also retains minimum liability insurance, there are certain risks and uncertainties associated with this program activity. The Society has not accrued any liabilities or this uncertainty in the accompanying financial statements.

NOTE O – SUBSEQUENT EVENTS

In preparing these financial statements, the Society’s management has evaluated events and transactions for potential recognition or disclosure through September 30, 2022, the date the financial statements were available to be issued. There were no additional events or transactions, that were discovered during the evaluation that required further recognition or disclosure.