

**AMERICAN HIKING SOCIETY**

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

**DECEMBER 31, 2020 AND 2019**

## TABLE OF CONTENTS

	<u>Page No.</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statement of Activities, Year Ended December 31, 2020	4
Statement of Activities, Year Ended December 31, 2019	5
Statement of Functional Expenses, Year Ended December 31, 2020	6
Statement of Functional Expenses, Year Ended December 31, 2019	7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 19



## Independent Auditor's Report

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

We have audited the accompanying financial statements of the American Hiking Society (a non-profit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Hiking Society as of December 31, 2020 and 2019, and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*James Maruca & McQuade PA*

Washington, DC  
August 30, 2021

**AMERICAN HIKING SOCIETY  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

	2020	2019
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 224,423	\$ 372,432
Grants receivable	7,369	62,097
Prepaid expenses	10,579	7,992
Total Current Assets	242,371	442,521
<b>PROPERTY AND EQUIPMENT</b>		
Office equipment	28,620	29,846
Accumulated depreciation	(8,348)	(1,226)
Total Property and Equipment, Net	20,272	28,620
<b>OTHER ASSETS</b>		
Investments	541,025	40,736
Deposits	4,587	4,000
Total Other Assets	545,612	44,736
<b>TOTAL ASSETS</b>	<b>\$ 808,255</b>	<b>\$ 515,877</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 6,956	\$ 6,421
Accrued expenses	7,815	5,942
Loan payable, current portion	60,545	-
Deferred revenue	-	27,876
Total Current Liabilities	75,316	40,239
<b>NON-CURRENT LIABILITIES</b>		
Loan payable, net of current portion	32,855	-
Total Liabilities	108,171	40,239
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	112,989	204,978
Board designated	545,046	228,611
Total Without Donor Restrictions	658,035	433,589
With donor restrictions	42,049	42,049
Total Net Assets	700,084	475,638
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 808,255</b>	<b>\$ 515,877</b>

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
<b>REVENUE AND SUPPORT</b>			
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	1,123,993	-	1,123,993
<b>EXPENSES</b>			
Program Services:			
Volunteer vacations	110,201	-	110,201
Member services	221,683	-	221,683
Legislative policy	392,831	-	392,831
Total Program Services	724,716	-	724,716
Supporting Services:			
Management and general	89,478	-	89,478
Fundraising and development	85,353	-	85,353
Total Supporting Services	174,831	-	174,831
Total Expenses	899,547	-	899,547
<b>CHANGE IN NET ASSETS</b>	224,446	-	224,446
<b>NET ASSETS, beginning of year</b>	433,589	42,049	475,638
<b>NET ASSETS, end of year</b>	\$ 658,035	\$ 42,049	\$ 700,084

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

**AMERICAN HIKING SOCIETY  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Membership dues	\$ 183,818	\$ -	\$ 183,818
Gifts and donations	160,693	-	160,693
Corporate grants and support	316,117	-	316,117
In-kind donations and services	518,605	-	518,605
Government and foundation grants	117,500	-	117,500
Event registrations and fees	128,168	-	128,168
Inventory and other sales	27	-	27
Alliance member support	14,263	-	14,263
Combined federal campaign donations	4,797	-	4,797
Investment and other income	2,243	-	2,243
Total Revenue and Support	1,446,231	-	1,446,231
<b>EXPENSES</b>			
Program Services:			
Volunteer vacations	143,748	-	143,748
Member services	171,117	-	171,117
Legislative policy	744,278	-	744,278
Total Program Services	1,059,143	-	1,059,143
Supporting Services:			
Management and general	78,378	-	78,378
Fundraising and development	102,319	-	102,319
Total Supporting Services	180,697	-	180,697
Total Expenses	1,239,840	-	1,239,840
<b>CHANGE IN NET ASSETS</b>	206,391	-	206,391
<b>NET ASSETS, beginning of year</b>	227,198	42,049	269,247
<b>NET ASSETS, end of year</b>	\$ 433,589	\$ 42,049	\$ 475,638

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

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

	<b>PROGRAM SERVICES</b>				<b>SUPPORTING SERVICES</b>			<b>TOTAL</b>
	<b>VOLUNTEER VACATIONS</b>	<b>MEMBER SERVICES</b>	<b>LEGISLATIVE POLICY</b>	<b>TOTAL PROGRAM SERVICES</b>	<b>MANAGEMENT AND GENERAL</b>	<b>FUNDRAISING AND DEVELOPMENT</b>	<b>TOTAL SUPPORTING SERVICES</b>	
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
<b>Total</b>	<b>\$ 110,201</b>	<b>\$ 221,683</b>	<b>\$ 392,831</b>	<b>\$ 724,716</b>	<b>\$ 89,478</b>	<b>\$ 85,353</b>	<b>\$ 174,831</b>	<b>\$ 899,547</b>

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



**AMERICAN HIKING SOCIETY  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019**

	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	\$ 55,041	\$ 95,487	\$ 186,480	\$ 337,008	\$ 40,831	\$ 51,893	\$ 92,724	\$ 429,732
Payroll taxes	4,245	7,365	14,384	25,994	3,149	3,870	7,019	33,013
Benefits	3,810	6,610	12,909	23,329	2,827	3,473	6,300	29,629
Subtotal personnel costs	63,096	109,462	213,773	386,331	46,807	59,236	106,043	492,374
Accounting	-	-	-	-	14,404	-	14,404	14,404
Advertising	1,219	4,601	3,474	9,294	-	2,436	2,436	11,730
Bank charges	898	1,534	2,996	5,428	1,184	1,187	2,371	7,799
Cost of goods sold	-	-	39	39	-	-	-	39
Consulting	70	70	75	215	380	639	1,019	1,234
Depreciation and amortization	5	22	63	90	11	5	16	106
Dues and subscriptions	6,295	3,256	2,862	12,413	325	600	925	13,338
Equipment rental	289	501	979	1,769	214	265	479	2,248
Fundraising	-	-	-	-	-	873	873	873
Insurance	209	362	706	1,277	4,261	190	4,451	5,728
In-kind goods	43,931	-	457,114	501,045	-	17,560	17,560	518,605
License	-	-	-	-	222	1,687	1,909	1,909
Loss on disposal of equipment	10	41	120	171	22	12	34	205
Meetings	16,507	-	18,443	34,950	1,599	4,839	6,438	41,388
Office supplies and expenses	1,314	1,167	3,298	5,779	1,319	1,172	2,491	8,270
Postage and delivery	3,187	17,044	398	20,629	848	1,068	1,916	22,545
Printing and copying	109	19,136	435	19,680	1,465	3,772	5,237	24,917
Professional fees	799	3,511	3,362	7,672	210	1,731	1,941	9,613
Rent	3,528	8,632	26,405	38,565	4,503	2,237	6,740	45,305
Repairs and maintenance	113	465	1,355	1,933	245	121	366	2,299
Telephone	246	427	834	1,507	183	224	407	1,914
Travel	974	186	4,146	5,306	1	2,443	2,444	7,750
Website maintenance	949	700	3,401	5,050	175	22	197	5,247
<b>Total</b>	<b>\$ 143,748</b>	<b>\$ 171,117</b>	<b>\$ 744,278</b>	<b>\$ 1,059,143</b>	<b>\$ 78,378</b>	<b>\$ 102,319</b>	<b>\$ 180,697</b>	<b>\$ 1,239,840</b>

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

**AMERICAN HIKING SOCIETY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 224,446	\$ 206,391
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	8,348	106
Loss on disposal of equipment	-	204
Net depreciation in fair value of investments	(350)	(952)
Decrease (increase) in assets:		
Grants receivable	54,728	(50,683)
Inventory	-	1,355
Prepaid expenses	(2,587)	(3,286)
Deposits	(587)	-
Increase (decrease) in liabilities:		
Accounts payable	535	(3,154)
Accrued vacation	1,873	(21,181)
Deferred revenue	(27,876)	(87,884)
Net Cash Provided By Operating Activities	258,530	40,916
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Reinvested interest and dividends, net	(2,561)	(1,660)
Purchases of investments	(497,378)	-
Purchases of property and equipment	-	(28,620)
Net Cash Used for Investing Activities	(499,939)	(30,280)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan payable	93,400	-
Net Cash Provided By Financing Activities	93,400	-
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(148,009)	10,636
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	372,432	361,796
 <b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 224,423	\$ 372,432

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

**AMERICAN HIKING SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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, 2020 AND 2019**  
(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. 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 or cash equivalents.

Investments

The Society's marketable securities consist principally of investments in 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, 2020 and 2019, 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 these items using the straight-line method of depreciation over their estimated useful lives, which range from 3 - 7 years. Depreciation and amortization expense was \$8,348 and \$106, respectively, for the years ended December 31, 2020 and 2019. 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.

**AMERICAN HIKING SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(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. 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. Management believes all accounts and grants receivable are fully collectible and no provision for doubtful accounts is necessary.

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.

**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 their exempt purpose.

**AMERICAN HIKING SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(continued)

**NOTE C – INCOME TAXES - continued**

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, 2017 through 2019 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 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 net assets with donor restrictions within one year.

The following table reflects the Society's financial assets as of December 31, 2020 and 2019, 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, 2020 AND 2019**  
(continued)

**NOTE D – AVAILABLE RESOURCES AND LIQUIDITY – continued**

	2020	2019
Cash and cash equivalents	\$ 224,423	\$ 372,432
Grants receivable	7,369	62,097
Investments	541,025	40,736
Total financial assets	772,817	475,265
Less: Net assets with donor restrictions - perpetual in nature	(42,049)	(42,049)
Less: Board designated net assets - reserves	(545,046)	(228,611)
Financial assets available to meet cash needs for general expenditures within one year	185,722	204,605

**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, 2020 AND 2019**  
(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 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, 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>

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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds:				
Fixed Income	\$ 40,736	\$ -	\$ -	\$ 40,736
Total	<u>\$ 40,736</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,736</u>



**AMERICAN HIKING SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(continued)

**NOTE F – LOAN PAYABLE**

On May 27, 2020, the Society secured a \$94,300 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 is due on May 27, 2022, along with interest calculated at a rate of 1% per annum. The Society’s management believes it has met the requirements to achieve full loan forgiveness.

On June 28, 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 requires total minimum monthly payments of \$2,293. Rent expense incurred by the Society on the operating leases totaled \$46,271 and \$45,305, respectively, for the years ended December 31, 2020 and 2019, including other operating expenses.

**NOTE H – IN-KIND DONATIONS AND CONTRIBUTED SERVICES**

The Society recognized in-kind donations of hiking equipment and contributed advertising services totaling \$76,656 and \$518,605, respectively, during the years ended December 31, 2020 and 2019. 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.

**AMERICAN HIKING SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(continued)

**NOTE I –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:

	2020	2019
Life membership endowment	\$ 31,449	\$ 31,449
<i>Galen Rowell</i> National Trails Fund	10,600	10,600
	\$ 42,049	\$ 42,049

**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 without donor restrictions for the Life Membership Endowment. Accumulations of the fund are subject to appropriation under UPMIFA.

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.

**AMERICAN HIKING SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(continued)

**NOTE J – ENDOWMENT FUNDS – continued**

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.

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
	<u>\$ 9,965</u>	<u>\$ 42,049</u>	<u>\$ 52,014</u>

**AMERICAN HIKING SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(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	678	-	678
	<u>\$ 9,965</u>	<u>\$ 42,049</u>	<u>\$ 52,014</u>

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

Endowment funds consisted of the following as of December 31, 2019:

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions - Perpetual in Nature	Total
Life membership endowment	\$ 9,287	31,449	40,736
<i>Galen Rowell</i> National Trails Fund	-	10,600	10,600
	<u>\$ 9,287</u>	<u>\$ 42,049</u>	<u>\$ 51,336</u>

Changes in endowment net assets were as follows for the year ended December 31, 2019:

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions - Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 6,675	\$ 42,049	\$ 48,724
Investment return, net	2,612	-	2,612
	<u>\$ 9,287</u>	<u>\$ 42,049</u>	<u>\$ 51,336</u>

Endowment assets consisted of \$40,736 in mutual funds and \$10,600 in cash and cash equivalents as of December 31, 2019.

There were no funds with deficiencies as of December 31, 2020 and 2019.

**AMERICAN HIKING SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**  
(continued)

**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, 2020 and 2019.

**NOTE L – BOARD DESIGNATED ASSETS**

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, 2020 and 2019, board designated net assets totaled \$545,046 and \$228,611, respectively.

**NOTE M – 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, 2020 and 2019, 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 N – SUBSEQUENT EVENTS**

In preparing these financial statements, the Society's management has evaluated events and transactions for potential recognition or disclosure through August 30, 2021, the date the financial statements were available to be issued. There were no additional events or transactions, other than the forgiveness of the initial PPP loan as mentioned in Note F, that were discovered during the evaluation that required further recognition or disclosure.