

THE MOUNTAINEERS
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2020 AND 2019



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Mountaineers
Seattle, Washington

We have audited the accompanying consolidated financial statements of The Mountaineers (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Mountaineers as of September 30, 2020 and 2019, 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.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, schedule of activities and changes in net assets for the individual organizations and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements.

The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole as of and for the year ended September 30, 2020 and 2019.

Jones & Associates PLLC, CPAs

Jones & Associates PLLC, CPAs
July 29, 2021

THE MOUNTAINEERS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

ASSETS	2020	2019
Current assets		
Cash and cash equivalents	\$ 1,058,701	\$ 842,685
Accounts receivable, net	928,148	585,669
Pledges receivable	148,769	124,000
Current portion of author advances, net	97,444	189,796
Book inventories	3,346,007	3,249,660
Prepaid expenses and other current assets	188,500	227,358
Total current assets	5,767,569	5,219,168
Long-term assets		
Investments	3,269,047	2,958,486
Author advances, net	229,558	246,129
Intangible assets, net	653,605	514,564
Property and equipment, net	4,729,421	4,888,259
Total assets	\$ 14,649,200	\$ 13,826,606
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 339,842	\$ 488,379
Accrued liabilities	214,259	149,776
Royalties payable	191,187	80,502
Deferred revenue	170,622	167,188
Loan payable	63,468	-
Forgiveable loan payable	652,300	-
Total current liabilities	1,631,678	885,845
Long-term liabilities		
Contingent contribution (Note 11)	800,000	600,000
Total liabilities	2,431,678	1,485,845
 NET ASSETS		
Net assets without donor restrictions		
Undesignated	8,097,210	8,470,323
Board designated	3,622,330	3,425,835
	11,719,540	11,896,158
Net assets with donor restrictions	497,982	444,603
Total net assets	12,217,522	12,340,761
Total liabilities and net assets	\$ 14,649,200	\$ 13,826,606

THE MOUNTAINEERS
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Board Designated		
SUPPORT AND REVENUE				
Book sales	\$ 3,746,342	\$ -	\$ -	\$ 3,746,342
Course fees	966,183	-	-	966,183
Membership dues and fees	639,777	-	-	639,777
Lodge sales	152,983	-	-	152,983
Room rentals	112,897	-	-	112,897
Other revenue	52,894	-	-	52,894
Ticket sales	236,943	-	-	236,943
Book royalties	39,412	-	-	39,412
Food and sundry sales	10,342	-	-	10,342
Grants and contributions	724,276	-	193,390	917,666
Special events, net	349,474	-	-	349,474
	<u>7,031,523</u>	<u>-</u>	<u>193,390</u>	<u>7,224,913</u>
Net asset releases/transfers:				
Board designated transfers	(196,495)	196,495	-	-
Net assets released from restriction	140,011	-	(140,011)	-
	<u>(56,484)</u>	<u>196,495</u>	<u>(140,011)</u>	<u>-</u>
 Total support and revenue	 <u>6,975,039</u>	 <u>196,495</u>	 <u>53,379</u>	 <u>7,224,913</u>
OPERATING EXPENSES				
Program services	6,362,210	-	-	6,362,210
Management and general	872,941	-	-	872,941
Fundraising	427,806	-	-	427,806
Total operating expenses	<u>7,662,957</u>	<u>-</u>	<u>-</u>	<u>7,662,957</u>
 CHANGE IN NET ASSETS FROM OPERATIONS	 <u>(687,918)</u>	 <u>196,495</u>	 <u>53,379</u>	 <u>(438,044)</u>
NONOPERATING				
Investment return	314,805	-	-	314,805
Total nonoperating	<u>314,805</u>	<u>-</u>	<u>-</u>	<u>314,805</u>
 TOTAL CHANGE IN NET ASSETS	 <u>(373,113)</u>	 <u>196,495</u>	 <u>53,379</u>	 <u>(123,239)</u>
NET ASSETS				
Beginning of the year	<u>8,470,323</u>	<u>3,425,835</u>	<u>444,603</u>	<u>12,340,761</u>
End of the year	<u>\$ 8,097,210</u>	<u>\$ 3,622,330</u>	<u>\$ 497,982</u>	<u>\$ 12,217,522</u>

See accompanying notes to consolidated financial statements.

THE MOUNTAINEERS
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Board Designated		
SUPPORT AND REVENUE				
Book sales	\$ 3,529,158	\$ -	\$ -	\$ 3,529,158
Course fees	1,680,354	-	-	1,680,354
Membership dues and fees	630,719	-	-	630,719
Lodge sales	254,586	-	-	254,586
Room rentals	269,180	-	-	269,180
Other revenue	75,989	-	-	75,989
Ticket sales	296,815	-	-	296,815
Book royalties	22,481	-	-	22,481
Food and sundry sales	21,038	-	-	21,038
Grants and contributions	951,433	-	199,449	1,150,882
Special events, net	291,060	-	-	291,060
	<u>8,022,813</u>	<u>-</u>	<u>199,449</u>	<u>8,222,262</u>
Net asset releases/transfers:				
Board designated transfers	(84,592)	84,592	-	-
Net assets released from restriction	84,232	-	(84,232)	-
	<u>(360)</u>	<u>84,592</u>	<u>(84,232)</u>	<u>-</u>
 Total support and revenue	 <u>8,022,453</u>	 <u>84,592</u>	 <u>115,217</u>	 <u>8,222,262</u>
OPERATING EXPENSES				
Program services	7,803,357	-	-	7,803,357
Management and general	528,741	-	-	528,741
Fundraising	470,761	-	-	470,761
Total operating expenses	<u>8,802,859</u>	<u>-</u>	<u>-</u>	<u>8,802,859</u>
 CHANGE IN NET ASSETS FROM OPERATIONS	 <u>(780,406)</u>	 <u>84,592</u>	 <u>115,217</u>	 <u>(580,597)</u>
NONOPERATING				
Investment return	119,067	-	-	119,067
Total nonoperating	<u>119,067</u>	<u>-</u>	<u>-</u>	<u>119,067</u>
 TOTAL CHANGE IN NET ASSETS	 <u>(661,339)</u>	 <u>84,592</u>	 <u>115,217</u>	 <u>(461,530)</u>
NET ASSETS				
Beginning of the year	9,131,662	3,341,243	329,386	12,802,291
End of the year	<u>\$ 8,470,323</u>	<u>\$ 3,425,835</u>	<u>\$ 444,603</u>	<u>\$ 12,340,761</u>

THE MOUNTAINEERS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020

	Program Services			Support Services			
	Programs	Books	Braided River	Total Programs	Management and General	Fundraising	Total
Salaries and benefits	\$ 1,168,397	\$ 853,270	\$ 69,240	\$ 2,090,907	\$ 456,647	\$ 335,985	\$ 2,883,539
Cost of books sold	65,986	2,452,200	-	2,518,186	-	-	2,518,186
Professional fees	221,137	44,083	3,437	268,657	295,284	-	563,941
Advertising and promotion	18,406	207,189	3,294	228,889	449	3,124	232,462
Depreciation	221,583	6,193	-	227,776	55	48	227,879
Program supplies	127,164	-	68,925	196,089	101	3,750	199,940
Occupancy	70,405	100,269	-	170,674	13,538	14,204	198,416
Office expenses	97,101	44,207	79	141,387	18,220	20,699	180,306
Postage	14,265	142,950	429	157,644	2,922	7,081	167,647
Insurance	96,982	-	-	96,982	31,269	-	128,251
Conferences and meetings	109,874	5,550	923	116,347	2,316	-	118,663
Travel	93,236	9,814	4,511	107,561	1,703	4,292	113,556
Printing	58,655	-	-	58,655	327	25,998	84,980
Information technology	1,361	26,453	2,504	30,318	40,471	773	71,562
Recognition and development	53,505	-	-	53,505	1,932	2,996	58,433
Miscellaneous	-	18,348	14,069	32,417	1,346	647	34,410
Shipping supplies	-	20,763	-	20,763	-	-	20,763
Outreach	-	-	14,539	14,539	1,191	384	16,114
Bad debts	-	13,466	-	13,466	-	-	13,466
Donations and sponsorships	2,441	-	1,500	3,941	3,320	7,825	15,086
Fieldwork	-	-	10,000	10,000	-	-	10,000
Staff development	-	-	-	-	1,850	-	1,850
	<u>2,420,498</u>	<u>3,944,755</u>	<u>193,450</u>	<u>6,558,703</u>	<u>872,941</u>	<u>427,806</u>	<u>7,859,450</u>
Eliminations	-	-	-	(196,493)	-	-	(196,493)
Total functional expenses	<u>2,420,498</u>	<u>3,944,755</u>	<u>193,450</u>	<u>6,362,210</u>	<u>872,941</u>	<u>427,806</u>	<u>7,662,957</u>
Direct benefits to donors	-	-	-	-	-	119,701	119,701
Total expenses	<u>\$ 2,420,498</u>	<u>\$ 3,944,755</u>	<u>\$ 193,450</u>	<u>\$ 6,362,210</u>	<u>\$ 872,941</u>	<u>\$ 547,507</u>	<u>\$ 7,782,658</u>

See accompanying notes to consolidated financial statements.

THE MOUNTAINEERS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019

	Program Services			Support Services			Total
	Programs	Books	Braided River	Total Programs	Management and General	Fundraising	
Salaries and benefits	\$ 1,618,055	\$ 930,291	\$ -	\$ 2,548,346	\$ 369,996	\$ 353,402	\$ 3,271,744
Cost of books sold	90,085	2,153,898	-	2,243,983	-	-	2,243,983
Professional fees	488,836	-	-	488,836	79,503	21,168	589,507
Advertising and promotion	22,919	219,379	-	242,298	-	3,051	245,349
Depreciation	274,192	4,866	-	279,058	185	77	279,320
Program supplies	241,201	-	-	241,201	35	2,877	244,113
Occupancy	301,707	110,196	549	412,452	3,838	3,857	420,147
Office expenses	144,666	45,738	-	190,404	3,822	27,322	221,548
Postage	-	162,159	-	162,159	70	-	162,229
Insurance	89,369	-	-	89,369	28,865	-	118,234
Conferences and meetings	-	25,036	454	25,490	1,833	6	27,329
Travel	383,940	17,975	16,265	418,180	1,910	5,580	425,670
Printing	64,461	-	-	64,461	943	16,611	82,015
Information technology	53,982	31,302	-	85,284	11,413	10,758	107,455
Recognition and development	207,293	-	-	207,293	-	24,906	232,199
Miscellaneous	19,910	25,587	2,650	48,147	22,131	1,144	71,422
Shipping supplies	-	18,495	-	18,495	-	-	18,495
Bad debts	-	37,328	-	37,328	-	-	37,328
Fieldwork	-	-	10,000	10,000	-	-	10,000
Staff development	-	-	30,179	30,179	2,396	-	32,575
Publication	-	-	95,017	95,017	-	-	95,017
Public events	2,650	-	23,864	26,514	1,801	2	28,317
	<u>4,003,266</u>	<u>3,782,250</u>	<u>178,978</u>	<u>7,964,494</u>	<u>528,741</u>	<u>470,761</u>	<u>8,963,996</u>
Eliminations	-	-	-	(161,137)	-	-	(161,137)
Total functional expenses	<u>4,003,266</u>	<u>3,782,250</u>	<u>178,978</u>	<u>7,803,357</u>	<u>528,741</u>	<u>470,761</u>	<u>8,802,859</u>
Direct benefits to donors	-	-	-	-	-	163,743	163,743
Total expenses	<u>\$ 4,003,266</u>	<u>\$ 3,782,250</u>	<u>\$ 178,978</u>	<u>\$ 7,803,357</u>	<u>\$ 528,741</u>	<u>\$ 634,504</u>	<u>\$ 8,966,602</u>

See accompanying notes to consolidated financial statements.

THE MOUNTAINEERS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from programs	\$ 5,927,884	\$ 6,851,462
Cash received from grants and contributions	892,897	1,035,432
Cash received from other revenue	122,080	172,495
Cash paid to employees and suppliers	(7,508,630)	(9,086,933)
	(565,769)	(1,027,544)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(69,041)	(164,227)
Purchase of investments	(64,942)	(266,757)
Proceeds from sale of investments	-	200,000
Proceeds from note receivable	-	463,538
	(133,983)	232,554
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	63,468	-
Proceeds from forgivable loan payable	652,300	-
Proceeds from contingent contribution	200,000	-
	915,768	-
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 216,016	 (794,990)
CASH AND CASH EQUIVALENTS		
Beginning of the year	842,685	1,637,675
End of the year	\$ 1,058,701	\$ 842,685

See accompanying notes to consolidated financial statements.

THE MOUNTAINEERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – The Mountaineers is a Washington State nonprofit corporation formed to enrich the community by helping people explore, conserve, learn about and enjoy the lands and waters of the Pacific Northwest and beyond. The Mountaineers offers program activities and publishes books consistent with its philosophies and mission.

Braided River is a Washington State nonprofit corporation formed to inspire support for critical conservation efforts through books, media campaigns, multimedia presentations and museum exhibits. The Mountaineers has consolidated the statements of financial position and activities of Braided River due to its economic interest in and control of Braided River.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of The Mountaineers and Braided River (collectively, the Organization). Inter-company transactions and balances have been eliminated in consolidation.

Basis of Accounting and Presentation – The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for use as a building fund and for use on outdoor centers.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization had no perpetually restricted net assets at September 30, 2020 and 2019.

All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Gifts of property and equipment and contributions restricted for the acquisition or construction of property and equipment are released when the assets are placed in service.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

THE MOUNTAINEERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents – For purposes of the consolidated statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. At September 30, 2020 and 2019, cash and cash equivalents consist of checking, savings, and money market accounts held at various regional financial institutions. Deposits with a single financial institution occasionally exceed federally insured limits, which subject the Organization to a concentration of deposit risk. The Organization has not experienced losses due to this concentration.

Pledges Receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to change in net assets and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are determined to be uncollectible are written off through a charge to the valuation allowance and a credit to pledges receivable.

Allowance for Doubtful Accounts, Returns and Doubtful Advances - The Organization extends credit to a substantial number of its customers and authors. Allowances for doubtful accounts and doubtful advances are maintained for estimated losses resulting from the inability of its customers to pay or the lack of sufficient proceeds from the sale of authors' publications. The Organization determines the allowances based on review of past due balances, historical write-off experience and economic data. Uncollected accounts receivable balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Organization has established credit policies and has determined that historically the losses related to customer and author nonpayment have been low as a percentage of net sales. The allowance for returns is calculated based on typical patterns of returns incurred during the previous year applied to the ending accounts receivable balance.

Accounts Receivable – Accounts receivable consist primarily of amounts due from customers, are recorded at the invoice amount, and do not bear interest. The allowance for doubtful accounts and returns was \$81,274 and \$53,449 as of September 30, 2020 and 2019, respectively.

Author Advances - Author advances are amounts that have been prepaid to authors for books that are in progress. Author advances are deducted from royalty payments over several years as related books are sold. The allowance for doubtful advances was \$270,841 and \$214,439 as of September 30, 2020 and 2019, respectively.

THE MOUNTAINEERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Book Inventories - Inventories consist primarily of finished books and prepaid book production expenses and are stated at the lower of cost or market. Cost is determined using an average cost basis.

Investments – Investments with readily determinable market values are stated at fair value based on quoted market prices. Unrealized and realized gains and losses on these investments are reported in the consolidated statement of activities and changes in net assets.

Fair Value Measurements – The Organization has adopted Statement of Financial Accounting Standards Board Codification 820-10, Fair Value Measurements (FASB ASC 820-10). FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value and expands disclosures about financial instruments. In addition, FASB ASC 820-10 establishes a hierarchy that classifies the inputs used to calculate fair value. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

- Level 2 Quoted prices in markets that are not considered to be active for identical assets or liabilities, quoted prices in active markets for similar assets or liabilities, and inputs other than quoted prices that are directly observable or indirectly through corroboration with observable market data;

- Level 3 Inputs that are both significant to the fair value measurement and unobservable, including investment specific inputs that are not derived from market data and inputs that cannot be corroborated by market data. The determination of fair value for investments included in the level 3 category requires considerable subjectivity and estimation.

Fair value measurements apply to the Organization’s mutual funds, which are classified within level 1 of the fair value hierarchy.

Property and Equipment – Purchased land, buildings and equipment are recorded at cost, and those received by donations are capitalized at their estimated fair values on the date received. Property and equipment with an original cost of \$5,000 or greater are capitalized. Depreciation is accounted for on a straight-line method based upon estimated useful lives of the assets ranging from 20 to 40 years for buildings and improvements, and 3 to 5 years for equipment, furniture and fixtures, and software.

Revenue Recognition – Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions (including those received at special events) are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

THE MOUNTAINEERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued) - The Organization recognizes revenue for sales of goods at the bookstores when products are sold at the point of sale.

Revenue from contracts and program fees is recognized when control of these services is transferred to its customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for the services provided. Fees received for future instruction are deferred until the instruction commences.

Contracts and program fees may give rise to performance obligations for the Organization. Revenue from contracts with performance obligations is recognized when the Organization satisfies a performance obligation by transferring a promised good or service to a customer at a point in time or over time. For the Organization, these revenues consist of contracts and tuition fees. The contracts and tuition do not have a significant financing component, and the consideration amount is not variable. For the related performance obligations, control of the promised good or service transfers to the customer at a point in time. Payment is typically due in full when the customer completes registration and revenue is recognized in the period in which the service is rendered. The Organization records program revenue in the period in which the related educational instruction is performed.

Deferred Revenue - Receipts from events registrations and courses received in advance are deferred and recognized over the periods to which the revenue relates.

Functional Allocation of Expenses – The consolidated statements of functional expenses present expenses by function and natural classification. Certain categories of expenses are attributed to more than one program or supporting function and have been allocated among the programs and supporting services benefited. Those expenses include the CEO’s office and other administrative payroll, communications and information technology. The CEO’s office is allocated based on estimates of time and effort, the communications department is allocated on estimates of time and money, and the information technology department is allocated based on estimates of time and costs of specific technology utilized. The same allocations are used from year to year to maintain consistent information with ongoing financial information and reviewed yearly to ensure reasonableness.

Donated Materials and Services - Donated materials are reflected as contributions in the accompanying consolidated financial statements at their estimated fair values at the date of receipt. Donated services are recognized as revenue and corresponding expense when (a) the services received create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of volunteers provided valuable services throughout the years that were not recognized as contributions in the consolidated financial statements since the recognition criteria was not met. In-kind contributions are included with grants and contributions on the consolidated statements of activities and total \$68,607 and \$138,147 for the years ended September 30, 2020 and 2019, respectively.

THE MOUNTAINEERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Estimates – Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Tax Status – The Organization (both The Mountaineers and Braided River) is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

New Accounting Pronouncements – The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates (ASUs) that will affect the Organization’s revenue recognition.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09, and all subsequently-issued clarifying ASUs, replaced most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (U.S. GAAP). ASU 2014-09 also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted ASU 2014-09 effective October 1, 2019, using the modified retrospective approach. There was no cumulative effect from the initial application recognized as an adjustment to opening net assets as a result of the adoption, and the adoption did not have a significant impact on the financial statements for the year ended September 30, 2020.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides guidance in evaluating whether transactions should be accounted for as nonexchange or exchange transactions. In addition, ASU 2018-08 provides guidance for the identification and recognition of conditional nonexchange transactions. The Organization adopted ASU 2018-08 October 1, 2019, using the modified prospective approach. The adoption did not have a significant impact on the financial statements for the year ended September 30, 2020.

THE MOUNTAINEERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 2 – Liquidity and Availability

Financial assets available for general expenditure within one year of the statement of financial position date are as follows at September 30:

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash and cash equivalents	\$ 1,058,701	\$ 842,685
Investments	3,269,047	2,958,486
Accounts receivable	928,148	585,669
Pledges receivable	148,769	124,000
Total financial assets	<u>5,404,665</u>	<u>4,510,840</u>
Less net assets without donor restriction designated for use on long term purposes	<u>(3,269,047)</u>	<u>(2,958,486)</u>
Financial assets available within one year	<u><u>\$ 2,135,618</u></u>	<u><u>\$ 1,552,354</u></u>

The Organization's financial assets have seasonal variation during the year attributed to the timing of receipts and expenditures for programs. The major fundraising event, the Gala, is held approximately halfway through the fiscal year and brings in substantial funds to assist with maintaining the Organization through the balance of the fiscal year. Books sales and accounts receivable also assists with providing a stable cash flow through the twelve months of the fiscal year cycle. Distress or liquidity needs could result from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, the Organization would have the option of drawing from the long-term investment account held for eventual use of a new building reserve. For short term, the Organization could establish a line of credit with the bank. As discussed in Note 10, in this period of pandemic the Organization has taken a Paycheck Protection Program loan of \$652,300. In June 2021 the application was accepted in full under the loan forgiveness program. Application has also been accepted for an Economic Injury Disaster loan for \$150,000 received in February 2021 that will be at 2.75% per year over 30 years repayment schedule.

Note 3 – Investments

The Organization's investments consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
Mutual funds		
Short-term	\$ 1,049,869	\$ 1,000,929
Foreign large blend	294,991	284,263
Large blend	1,924,187	1,673,294
	<u><u>\$ 3,269,047</u></u>	<u><u>\$ 2,958,486</u></u>

THE MOUNTAINEERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 4 – Note Receivable

During the year ended September 30, 2016, the Organization sold property in Snoqualmie Pass, Washington. In connection with the sale, the Organization recorded a note receivable of \$1,040,000 which bears interest at a rate of 7%. The note called for interest only payments of \$6,067 from May 2016 to February 2017. In March 2017, the Organization began receiving principal and interest payments of \$33,325 per month. The note matured and was paid off in full on April 1, 2019.

Note 5 – Property and Equipment

Property and equipment consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 6,530,838	\$ 6,519,327
Furniture, fixtures, and equipment	1,971,881	1,795,379
	<u>8,502,719</u>	<u>8,314,706</u>
Less accumulated depreciation	(3,814,287)	(3,586,408)
	4,688,432	4,728,298
Land	5,014	5,014
Construction in progress	35,975	154,947
	<u>\$ 4,729,421</u>	<u>\$ 4,888,259</u>

Note 6 – Net Assets Without Donor Restrictions

Net assets without donor restrictions were as follows at September 30:

	<u>2020</u>	<u>2019</u>
Board-Designated Net Assets		
Long-term building fund	\$ 3,269,047	\$ 2,958,486
Outdoor centers	353,283	467,349
	<u>3,622,330</u>	<u>3,425,835</u>
Undesignated Net Assets		
Net assets invested in property and equipment	4,729,421	4,888,259
Snoqualmie property sale proceeds	1,431,088	1,431,088
Undesignated net assets	1,936,701	2,150,976
	<u>8,097,210</u>	<u>8,470,323</u>
Total net assets without restrictions	<u>\$ 11,719,540</u>	<u>\$ 11,896,158</u>

THE MOUNTAINEERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 7 – Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as follows at September 30:

	2020	2019
Capital projects	\$ 197,054	\$ 197,054
Restricted for use in a future year	130,213	103,525
Publications and films	91,449	69,758
Outdoor centers	64,266	64,266
Climbing scholarship	15,000	10,000
	\$ 497,982	\$ 444,603

Note 8 – Lease Commitments

The Organization leases a building for its headquarters under an agreement with the City of Seattle that is classified as an operating lease. In February 2008, the Organization began renovations on the building per the terms of the agreement. In return, the City of Seattle provides to the Organization an offset against the market value of the rental payments for improvements made to the building. This lease agreement terminates in February 2038.

The Organization also leases a facility for its books and other divisions and leases lodging facilities and equipment that are classified as operating leases with various expiration dates through 2035.

Rental expense incurred under the various operating lease arrangements above was \$283,320 and \$238,984 for the years ended September 30, 2020 and 2019, respectively. Offsets provided from the City of Seattle totaled \$86,802 in each of the years ended September 30, 2020 and 2019.

Future minimum payments under the leases are as follows for the years ended September 30:

2021	\$ 253,234
2022	243,719
2023	94,933
2024	98,671
2025	98,671
Thereafter	1,378,102
	\$ 2,167,330

THE MOUNTAINEERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 9 – Retirement Plan

The Organization sponsors a 401(k) retirement plan covering substantially all full-time and part-time employees upon completion of one year of service and working at least 1,000 hours during that period. Effective November 1, 2018 the service requirement was decreased from one year to three months and the hour requirement was reduced from 1,000 hours to 250 hours. Employees may elect to defer up to 75% of their eligible compensation subject to certain limitations established by the Internal Revenue Code. The Organization matches 50% of the employees' contributions not to exceed 3% of the employees' gross wages. The Organization contributions fully vest after five years of service. The Organization contributed \$37,909 and \$48,137 for the years ended September 30, 2020 and 2019, respectively.

Note 10 – Forgivable Note Payable

The Organization entered into a Small Business Administration Paycheck Protection Program Promissory Note with a bank on April 20, 2020 for \$652,300 with a maturity date of April 20, 2022, if conditions are not met. The note is unsecured with an interest rate of 1%. Monthly payments of \$36,709 were originally due beginning on November 20, 2020, however subsequent to year end the bank delayed principal payments until August 2021, if conditions are not met. The outstanding principal balance is due in full on the maturity date, if conditions are not met. The note can be forgiven if the Organization meets certain criteria and applies for forgiveness with the Small Business Administration. In June 2021 the Organization's application was accepted in full under the loan forgiveness program.

Note 11 – Contingent Contribution

The Organization received a contingent contribution in the form of a recoverable loan during the year ended September 30, 2018 totaling \$800,000. Proceeds from the loan are to be used solely for the purposes outlined in the loan agreement, which is to support the project of a documentary film undertaken by a third-party producer. As of September 30, 2020, \$800,000 has been received and is included as a contingent contribution balance on the consolidated statements of financial position. The loan bears no interest and requires repayment of principal to the extent income is generated using the proceeds of the loan. Any remaining outstanding principal on the loan will be forgiven on September 30, 2023.

Note 12 – Concentrations

For the year ended September 30, 2019, approximately 36% of total contributions were received from one donor. There were no such concentrations for the year ended September 30, 2020.

THE MOUNTAINEERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 13 – Risks and Uncertainties

In December 2019, a novel strain of coronavirus (COVID-19) was discovered. On March 11, 2020, the World Health Organization declared the outbreak to be a global pandemic. COVID-19 has had a negative impact on the Organization’s programs and operations, and we have taken actions to address this impact. The organization has reduced payroll costs and discretionary spending. As discussed in Note 10 and Note 14, the Organization has received two Paycheck Protection Program loans totaling \$1,276,509, both of which were forgiven during 2021. Subsequent to September 30, 2020, the Organization has also received \$500,000 in Economic Injury Disaster loans from the Small Business Administration. As the COVID-19 outbreak continues, the Organization will continue to monitor the impact on employees, program participants, donors, partners and other stakeholders, and take further appropriate actions as deemed necessary.

Note 14 – Subsequent Events

Subsequent events were evaluated through July 29, 2021, which is the date the financial statements were available to be issued.

The Organization received a second draw of the Payroll Protection Program loan for \$624,209 in February 2021. The first draw in the amount of \$652,000 application for forgiveness was accepted in full and forgiven in June 2021. The second draw of \$624,209 application was accepted in full and forgiven in July 2021. Additionally, in February 2021 the Organization received a \$150,000 Economic Injury Disaster Loan from the Small Business Administration. The loan was modified when an additional amount of \$350,000 was received in July 2021 for a total of \$500,000.

SUPPLEMENTAL INFORMATION

THE MOUNTAINEERS
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020

	Mountaineers Programs	Mountaineers Books	Total Mountaineers	Braided River	Eliminations	Consolidated Total
ASSETS						
Current assets						
Cash and cash equivalents	\$ 783,470	\$ 78,575	\$ 862,045	\$ 196,656	\$ -	\$ 1,058,701
Accounts receivable, net	-	928,148	928,148	-	-	928,148
Pledges receivable	132,894	-	132,894	15,875	-	148,769
Current portion of author advances, net	-	97,444	97,444	-	-	97,444
Book inventories	58,369	3,287,638	3,346,007	-	-	3,346,007
Prepaid expenses and other current assets	158,894	29,606	188,500	-	-	188,500
Due from (to) related	1,992,891	(1,992,891)	-	-	-	-
Total current assets	<u>3,126,518</u>	<u>2,428,520</u>	<u>5,555,038</u>	<u>212,531</u>	<u>-</u>	<u>5,767,569</u>
Long-term assets						
Investments	3,269,047	-	3,269,047	-	-	3,269,047
Author advances, net	-	229,558	229,558	-	-	229,558
Intangible assets, net	-	-	-	653,605	-	653,605
Property and equipment, net	4,694,422	34,999	4,729,421	-	-	4,729,421
Total assets	<u>\$ 11,089,987</u>	<u>\$ 2,693,077</u>	<u>\$ 13,783,064</u>	<u>\$ 866,136</u>	<u>\$ -</u>	<u>\$ 14,649,200</u>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Current liabilities						
Accounts payable	\$ 122,136	\$ 217,706	\$ 339,842	\$ -	\$ -	\$ 339,842
Accrued liabilities	96,929	117,330	214,259	-	-	214,259
Royalties payable	-	191,187	191,187	-	-	191,187
Deferred revenue	170,622	-	170,622	-	-	170,622
Loan payable	63,468	-	63,468	-	-	63,468
Forgivable loan payable	652,300	-	652,300	-	-	652,300
Total current liabilities	<u>1,105,455</u>	<u>526,223</u>	<u>1,631,678</u>	<u>-</u>	<u>-</u>	<u>1,631,678</u>
Long-term liabilities						
Contingent contribution (Note 11)	-	-	-	800,000	-	800,000
Total liabilities	<u>1,105,455</u>	<u>526,223</u>	<u>1,631,678</u>	<u>800,000</u>	<u>-</u>	<u>2,431,678</u>
NET ASSETS						
Net assets without donor restrictions						
Undesignated	5,955,669	2,166,854	8,122,523	(25,313)	-	8,097,210
Board designated	3,622,330	-	3,622,330	-	-	3,622,330
	<u>9,577,999</u>	<u>2,166,854</u>	<u>11,744,853</u>	<u>(25,313)</u>	<u>-</u>	<u>11,719,540</u>
Net assets with donor restrictions						
	<u>406,533</u>	<u>-</u>	<u>406,533</u>	<u>91,449</u>	<u>-</u>	<u>497,982</u>
Total net assets	<u>9,984,532</u>	<u>2,166,854</u>	<u>12,151,386</u>	<u>66,136</u>	<u>-</u>	<u>12,217,522</u>
Total liabilities and net assets	<u>\$ 11,089,987</u>	<u>\$ 2,693,077</u>	<u>\$ 13,783,064</u>	<u>\$ 866,136</u>	<u>\$ -</u>	<u>\$ 14,649,200</u>

See accompanying notes to consolidated financial statements and independent auditors' report.

THE MOUNTAINEERS
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019

	Mountaineers Programs	Mountaineers Books	Total Mountaineers	Braided River	Eliminations	Consolidated Total
ASSETS						
Current assets						
Cash and cash equivalents	\$ 582,926	\$ 140,791	\$ 723,717	\$ 118,968	\$ -	\$ 842,685
Accounts receivable, net	-	585,669	585,669	-	-	585,669
Pledges receivable	102,055	1,470	103,525	20,475	-	124,000
Current portion of author advances, net	-	189,796	189,796	-	-	189,796
Book inventories	62,184	3,187,476	3,249,660	-	-	3,249,660
Prepaid expenses and other current assets	161,521	65,837	227,358	-	-	227,358
Due from (to) related	1,647,991	(1,647,991)	-	-	-	-
Total current assets	<u>2,556,677</u>	<u>2,523,048</u>	<u>5,079,725</u>	<u>139,443</u>	<u>-</u>	<u>5,219,168</u>
Long-term assets						
Investments	2,958,486	-	2,958,486	-	-	2,958,486
Author advances, net	-	246,129	246,129	514,564	-	760,693
Intangible assets, net	-	-	-	-	-	-
Property and equipment, net	4,846,973	41,286	4,888,259	-	-	4,888,259
Total assets	<u>\$ 10,362,136</u>	<u>\$ 2,810,463</u>	<u>\$ 13,172,599</u>	<u>\$ 654,007</u>	<u>\$ -</u>	<u>\$ 13,826,606</u>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Current liabilities						
Accounts payable	\$ 159,147	\$ 329,232	\$ 488,379	\$ -	\$ -	\$ 488,379
Accrued liabilities	85,236	64,540	149,776	-	-	149,776
Royalties payable	-	80,502	80,502	-	-	80,502
Deferred revenue	167,188	-	167,188	-	-	167,188
Total current liabilities	<u>411,571</u>	<u>474,274</u>	<u>885,845</u>	<u>-</u>	<u>-</u>	<u>885,845</u>
Long-term liabilities						
Contingent contribution (Note 11)	-	-	-	600,000	-	600,000
Total liabilities	<u>411,571</u>	<u>474,274</u>	<u>885,845</u>	<u>600,000</u>	<u>-</u>	<u>1,485,845</u>
NET ASSETS						
Net assets without donor restrictions						
Undesignated	6,149,885	2,336,189	8,486,074	(15,751)	-	8,470,323
Board designated	3,425,835	-	3,425,835	-	-	3,425,835
	<u>9,575,720</u>	<u>2,336,189</u>	<u>11,911,909</u>	<u>(15,751)</u>	<u>-</u>	<u>11,896,158</u>
Net assets with donor restrictions						
	<u>374,845</u>	<u>-</u>	<u>374,845</u>	<u>69,758</u>	<u>-</u>	<u>444,603</u>
Total net assets	<u>9,950,565</u>	<u>2,336,189</u>	<u>12,286,754</u>	<u>54,007</u>	<u>-</u>	<u>12,340,761</u>
Total liabilities and net assets	<u>\$ 10,362,136</u>	<u>\$ 2,810,463</u>	<u>\$ 13,172,599</u>	<u>\$ 654,007</u>	<u>\$ -</u>	<u>\$ 13,826,606</u>

THE MOUNTAINEERS
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

	Mountaineers Programs	Mountaineers Books	Total Mountaineers	Braided River	Eliminations	Consolidated Total
SUPPORT AND REVENUE						
Book sales	\$ 21,538	\$ 3,736,008	\$ 3,757,546	\$ -	\$ (11,204)	\$ 3,746,342
Course fees	966,183	-	966,183	-	-	966,183
Membership dues and fees	639,777	-	639,777	-	-	639,777
Lodge sales	152,983	-	152,983	-	-	152,983
Room rentals	112,897	-	112,897	-	-	112,897
Other revenue	51,721	-	51,721	1,173	-	52,894
Ticket sales	236,943	-	236,943	-	-	236,943
Book royalties	-	39,412	39,412	-	-	39,412
Food and sundry sales	10,342	-	10,342	-	-	10,342
Grants and contributions	681,901	-	681,901	235,765	-	917,666
Grants from Braided River	185,289	-	185,289	-	(185,289)	-
Special events, net	349,474	-	349,474	-	-	349,474
Total support and revenue	<u>3,409,048</u>	<u>3,775,420</u>	<u>7,184,468</u>	<u>236,938</u>	<u>(196,493)</u>	<u>7,224,913</u>
OPERATING EXPENSES						
Program services	2,420,498	3,944,755	6,365,253	193,450	(196,493)	6,362,210
Management and general	841,966	-	841,966	30,975	-	872,941
Fundraising	427,422	-	427,422	384	-	427,806
Total operating expenses	<u>3,689,886</u>	<u>3,944,755</u>	<u>7,634,641</u>	<u>224,809</u>	<u>(196,493)</u>	<u>7,662,957</u>
CHANGE IN NET ASSETS FROM OPERATIONS						
	<u>(280,838)</u>	<u>(169,335)</u>	<u>(450,173)</u>	<u>12,129</u>	<u>-</u>	<u>(438,044)</u>
NONOPERATING						
Investment return	314,805	-	314,805	-	-	314,805
Total nonoperating	<u>314,805</u>	<u>-</u>	<u>314,805</u>	<u>-</u>	<u>-</u>	<u>314,805</u>
TOTAL CHANGE IN NET ASSETS						
	<u>33,967</u>	<u>(169,335)</u>	<u>(135,368)</u>	<u>12,129</u>	<u>-</u>	<u>(123,239)</u>
NET ASSETS						
Beginning of the year	9,950,565	2,336,189	12,286,754	54,007	-	12,340,761
End of the year	<u>\$ 9,984,532</u>	<u>\$ 2,166,854</u>	<u>\$ 12,151,386</u>	<u>\$ 66,136</u>	<u>\$ -</u>	<u>\$ 12,217,522</u>

THE MOUNTAINEERS
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

	Mountaineers Programs	Mountaineers Books	Total Mountaineers	Braided River	Eliminations	Consolidated Total
SUPPORT AND REVENUE						
Book sales	\$ 52,233	\$ 3,498,062	\$ 3,550,295	\$ -	\$ (21,137)	\$ 3,529,158
Course fees	1,680,354	-	1,680,354	-	-	1,680,354
Membership dues and fees	630,719	-	630,719	-	-	630,719
Lodge sales	254,586	-	254,586	-	-	254,586
Room rentals	269,180	-	269,180	-	-	269,180
Other revenue	58,940	13,605	72,545	3,444	-	75,989
Ticket sales	296,815	-	296,815	-	-	296,815
Book royalties	-	22,481	22,481	-	-	22,481
Food and sundry sales	21,038	-	21,038	-	-	21,038
Grants and contributions	916,911	-	916,911	233,971	-	1,150,882
Grants from Braided River	140,000	-	140,000	-	(140,000)	-
Special events, net	291,060	-	291,060	-	-	291,060
Total support and revenue	<u>4,611,836</u>	<u>3,534,148</u>	<u>8,145,984</u>	<u>237,415</u>	<u>(161,137)</u>	<u>8,222,262</u>
OPERATING EXPENSES						
Program services	4,003,266	3,782,250	7,785,516	178,978	(161,137)	7,803,357
Management and general	355,655	155,365	511,020	17,721	-	528,741
Fundraising	439,774	29,246	469,020	1,741	-	470,761
Total operating expenses	<u>4,798,695</u>	<u>3,966,861</u>	<u>8,765,556</u>	<u>198,440</u>	<u>(161,137)</u>	<u>8,802,859</u>
CHANGE IN NET ASSETS FROM OPERATIONS						
	<u>(186,859)</u>	<u>(432,713)</u>	<u>(619,572)</u>	<u>38,975</u>	<u>-</u>	<u>(580,597)</u>
NONOPERATING						
Investment return	119,067	-	119,067	-	-	119,067
Total nonoperating	<u>119,067</u>	<u>-</u>	<u>119,067</u>	<u>-</u>	<u>-</u>	<u>119,067</u>
TOTAL CHANGE IN NET ASSETS						
	<u>(67,792)</u>	<u>(432,713)</u>	<u>(500,505)</u>	<u>38,975</u>	<u>-</u>	<u>(461,530)</u>
NET ASSETS						
Beginning of the year	10,018,357	2,768,902	12,787,259	15,032	-	12,802,291
End of the year	<u>\$ 9,950,565</u>	<u>\$ 2,336,189</u>	<u>\$ 12,286,754</u>	<u>\$ 54,007</u>	<u>\$ -</u>	<u>\$ 12,340,761</u>