

THE MOUNTAINEERS
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2019 AND 2018



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 statement of financial position as of September 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements. The consolidated financial statements, including the related supplemental information, of The Mountaineers as of September 30, 2018, and for the year then ended, were audited by other auditors. Those auditors expressed an unmodified opinion on those consolidated financial statements in their report dated April 5, 2019.

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, 2019, and the changes in its net assets and its cash flows for the year 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, 2019.

Jones & Associates PLLC, CPAs

Jones & Associates PLLC, CPAs
September 10, 2020

THE MOUNTAINEERS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

ASSETS	2019	2018
Current assets		
Cash and cash equivalents	\$ 842,685	\$ 1,637,675
Accounts receivable, net	585,669	676,778
Pledges receivable	124,000	8,550
Current portion of note receivable	-	463,538
Current portion of author advances, net	189,796	100,437
Book inventories	3,249,660	3,044,557
Prepaid expenses and other current assets	227,358	228,012
Total current assets	5,219,168	6,159,547
Long-term assets		
Investments	2,958,486	2,869,168
Author advances, net	246,129	295,431
Intangible assets, net	514,564	-
Property and equipment, net	4,888,259	5,003,352
Total assets	\$ 13,826,606	\$ 14,327,498
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 488,379	\$ 421,548
Accrued liabilities	149,776	252,438
Royalties payable	80,502	94,155
Deferred revenue	167,188	157,066
Total current liabilities	885,845	925,207
Long-term liabilities		
Contingent contribution (Note 10)	600,000	600,000
Total liabilities	1,485,845	1,525,207
 NET ASSETS		
Net assets without donor restrictions		
Undesignated	8,470,323	9,131,662
Board designated	3,425,835	3,341,243
	11,896,158	12,472,905
Net assets with donor restrictions	444,603	329,386
Total net assets	12,340,761	12,802,291
Total liabilities and net assets	\$ 13,826,606	\$ 14,327,498

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
	8,022,813	-	199,449	8,222,262
Net asset releases/transfers:				
Board designated transfers	(84,592)	84,592	-	-
Net assets released from restriction	84,232	-	(84,232)	-
	(360)	84,592	(84,232)	-
Total support and revenue	8,022,453	84,592	115,217	8,222,262
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	8,802,859	-	-	8,802,859
CHANGE IN NET ASSETS FROM OPERATIONS	(780,406)	84,592	115,217	(580,597)
NONOPERATING				
Investment return	119,067	-	-	119,067
Total nonoperating	119,067	-	-	119,067
TOTAL CHANGE IN NET ASSETS	(661,339)	84,592	115,217	(461,530)
NET ASSETS				
Beginning of the year	9,131,662	3,341,243	329,386	12,802,291
End of the year	\$ 8,470,323	\$ 3,425,835	\$ 444,603	\$ 12,340,761

See accompanying notes to consolidated financial statements.

THE MOUNTAINEERS
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Board Designated		
SUPPORT AND REVENUE				
Book sales	\$ 3,666,068	\$ -	\$ -	\$ 3,666,068
Course fees	1,359,115	-	-	1,359,115
Membership dues and fees	669,358	-	-	669,358
Lodge sales	225,289	-	-	225,289
Room rentals	204,362	-	-	204,362
Other revenue	81,970	-	-	81,970
Ticket sales	278,635	-	-	278,635
Book royalties	40,795	-	-	40,795
Food and sundry sales	17,267	-	-	17,267
Grants and contributions	1,009,888	-	250,263	1,260,151
Special events, net	304,706	-	-	304,706
	7,857,453	-	250,263	8,107,716
Net asset releases/transfers:				
Net assets released from restriction	424,223	-	(424,223)	-
	8,281,676	-	(173,960)	8,107,716
OPERATING EXPENSES				
Program services	7,402,502	-	-	7,402,502
Management and general	733,899	-	-	733,899
Fundraising	526,548	-	-	526,548
Total operating expenses	8,662,949	-	-	8,662,949
CHANGE IN NET ASSETS FROM OPERATIONS	(381,273)	-	(173,960)	(555,233)
NONOPERATING				
Contributions restricted for the purchase of capital assets	-	-	26,268	26,268
Gain on sale of property	1,000	-	-	1,000
Investment return	318,977	-	-	318,977
Total nonoperating	319,977	-	26,268	346,245
TOTAL CHANGE IN NET ASSETS	(61,296)	-	(147,692)	(208,988)
NET ASSETS				
Beginning of the year	9,192,958	3,341,243	477,078	13,011,279
End of the year	\$ 9,131,662	\$ 3,341,243	\$ 329,386	\$ 12,802,291

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
Travel	383,940	17,975	16,265	418,180	1,910	5,580	425,670
Occupancy	301,707	110,196	549	412,452	3,838	3,857	420,147
Depreciation	274,192	4,866	-	279,058	185	77	279,320
Advertising and promotion	22,919	219,379	-	242,298	-	3,051	245,349
Program supplies	241,201	-	-	241,201	35	2,877	244,113
Recognition and development	207,293	-	-	207,293	-	24,906	232,199
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
Information technology	53,982	31,302	-	85,284	11,413	10,758	107,455
Publication	-	-	95,017	95,017	-	-	95,017
Printing	64,461	-	-	64,461	943	16,611	82,015
Miscellaneous	19,910	25,587	2,650	48,147	22,131	1,144	71,422
Bad debts	-	37,328	-	37,328	-	-	37,328
Staff development	-	-	30,179	30,179	2,396	-	32,575
Public events	2,650	-	23,864	26,514	1,801	2	28,317
Conferences and meetings	-	25,036	454	25,490	1,833	6	27,329
Shipping supplies	-	18,495	-	18,495	-	-	18,495
Fieldwork	-	-	10,000	10,000	-	-	10,000
	<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 STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018

	Program Services	Support Services		Total
		Management and General	Fundraising	
Salaries and benefits	\$ 2,231,050	\$ 402,076	\$ 389,000	\$ 3,022,126
Cost of books sold	2,418,700	-	-	2,418,700
Professional fees	504,063	124,050	53,487	681,600
Travel	237,585	5,182	3,407	246,174
Occupancy	421,994	2,988	3,715	428,697
Depreciation	221,685	99,631	112	321,428
Advertising and promotion	235,890	9,316	3,002	248,208
Program supplies	221,479	214	410	222,103
Recognition and development	187,596	1,864	11,936	201,396
Office expenses	106,992	26,611	26,143	159,746
Postage	169,536	78	-	169,614
Insurance	83,861	26,057	-	109,918
Information technology	93,678	8,519	15,469	117,666
Printing	71,501	558	16,701	88,760
Miscellaneous	157,782	15,128	375	173,285
Conferences and meetings	27,400	1,827	2,791	32,018
Fieldwork	11,710	9,800	-	21,510
Total functional expenses	7,402,502	733,899	526,548	8,662,949
Direct benefits to donors	-	-	194,530	194,530
Total expenses	\$ 7,402,502	\$ 733,899	\$ 721,078	\$ 8,857,479

See accompanying notes to consolidated financial statements.

THE MOUNTAINEERS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from programs	\$ 6,851,462	\$ 6,643,647
Cash received from grants and contributions	1,035,432	1,264,342
Cash received from other revenue	172,495	205,563
Cash paid to employees and suppliers	(9,086,933)	(8,490,118)
	(1,027,544)	(376,566)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(164,227)	(284,757)
Purchase of investments	(266,757)	(59,057)
Proceeds from sale of investments	200,000	-
Proceeds from sale of property and equipment	-	1,000
Proceeds from note receivable	463,538	353,891
	232,554	11,077
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions receivable restricted for the purchase of capital assets	-	26,268
Proceeds from contingent contribution	-	600,000
	-	626,268
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 (794,990)	 260,779
CASH AND CASH EQUIVALENTS		
Beginning of the year	1,637,675	1,376,896
End of the year	\$ 842,685	\$ 1,637,675

THE MOUNTAINEERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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, 2019 and 2018.

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, 2019 AND 2018

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, 2019 and 2018, 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 \$53,449 and \$75,099 as of September 30, 2019 and 2018, 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 \$214,439 and \$240,127 as of September 30, 2019 and 2018, respectively.

THE MOUNTAINEERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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, 2019 AND 2018

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

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 \$138,147 and \$93,427 for the years ended September 30, 2019 and 2018, respectively.

Reclassifications – Certain reclassifications have been made to the 2018 consolidated financial statement presentation to correspond to the current year’s format. Total net assets and changes in net assets are unchanged due to these reclassifications.

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 Pronouncement – On August 18, 2016, the FASB issued Accounting Standards update ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances the required disclosures. Significant changes include presenting only two classes of net assets; adding disclosures around liquidity and the availability of resources; and providing additional information about expenses. The Organization has adopted the ASU for the year ended September 30, 2019, and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

THE MOUNTAINEERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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, 2019:

Financial Assets	
Cash and cash equivalents	\$ 842,685
Investments	2,958,486
Accounts receivable	585,669
Pledges receivable	<u>124,000</u>
Total financial assets	4,510,840
Less net assets without donor restriction designated for use on long term purposes	<u>(2,958,486)</u>
Financial assets available within one year	<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 is looking into establishing a line of credit with the bank.

Note 3 – Investments

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

	<u>2019</u>	<u>2018</u>
Mutual funds		
Short-term	\$ 1,000,929	\$ 846,747
Foreign large blend	284,263	330,973
Large blend	<u>1,673,294</u>	<u>1,691,448</u>
	<u><u>\$ 2,958,486</u></u>	<u><u>\$ 2,869,168</u></u>

THE MOUNTAINEERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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:

	2019	2018
Buildings and improvements	\$ 6,519,327	\$ 6,305,652
Furniture, fixtures, and equipment	1,795,379	1,787,338
	<u>8,314,706</u>	<u>8,092,990</u>
Less accumulated depreciation	(3,586,408)	(3,311,366)
	4,728,298	4,781,624
Land	5,014	5,014
Construction in progress	154,947	216,714
	<u>\$ 4,888,259</u>	<u>\$ 5,003,352</u>

Note 6 – Net Assets Without Donor Restrictions

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

	2019	2018
Board-Designated Net Assets		
Long-term building fund	\$ 2,958,486	\$ 2,869,168
Outdoor centers	467,349	472,075
	<u>3,425,835</u>	<u>3,341,243</u>
Undesignated Net Assets		
Net assets invested in property and equipment	4,888,259	5,003,352
Snoqualmie property sale proceeds	1,399,328	1,399,328
Undesignated net assets	2,182,736	2,728,982
	<u>8,470,323</u>	<u>9,131,662</u>
Total net assets without restrictions	<u>\$ 11,896,158</u>	<u>\$ 12,472,905</u>

THE MOUNTAINEERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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:

	2019	2018
Capital projects	\$ 197,054	\$ 197,054
Restricted for use in a future year	103,525	-
Publications and films	69,758	68,066
Outdoor centers	64,266	64,266
Climbing scholarship	10,000	-
	<u>\$ 444,603</u>	<u>\$ 329,386</u>

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 \$238,984 and \$309,878 for the years ended September 30, 2019 and 2018, respectively. Offsets provided from the City of Seattle totaled \$86,802 in each of the years ended September 30, 2019 and 2018.

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

2020	\$ 243,462
2021	248,075
2022	252,827
2023	262,953
2024	98,671
Thereafter	1,476,773
	<u>\$ 2,582,761</u>

THE MOUNTAINEERS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

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 \$48,137 and \$41,985 for the years ended September 30, 2019 and 2018, respectively.

Note 10 – 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, 2019 and 2018, \$600,000 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 11 – Concentrations

For the year ended September 30, 2018, approximately 36% of total contributions were received from one donor. There were no such concentrations for the year ended September 30, 2019.

Note 12 – Subsequent Events

Subsequent events were evaluated through September 10, 2020, which is the date the consolidated financial statements were available to be issued.

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. 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. On April 21, 2020, the Organization received a \$652,300 Paycheck Protection Program loan. This loan has an interest rate of 1% and is due April 21, 2022, although up to the full balance of the loan may be forgiven if the proceeds are used for payroll and other allowable expenses. As the COVID-19 outbreak continues, we will continue to monitor the impact on employees, program participants, donors, partners and other stakeholders, and take further appropriate actions as deemed necessary.

SUPPLEMENTAL INFORMATION

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	2,556,677	2,523,048	5,079,725	139,443	-	5,219,168
Long-term assets						
Investments	2,958,486	-	2,958,486	-	-	2,958,486
Author advances, net	-	246,129	246,129	-	-	246,129
Intangible assets, net	-	-	-	514,564	-	514,564
Property and equipment, net	4,846,973	41,286	4,888,259	-	-	4,888,259
Total assets	\$ 10,362,136	\$ 2,810,463	\$ 13,172,599	\$ 654,007	\$ -	\$ 13,826,606
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	411,571	474,274	885,845	-	-	885,845
Long-term liabilities						
Contingent contribution (Note 10)	-	-	-	600,000	-	600,000
Total liabilities	411,571	474,274	885,845	600,000	-	1,485,845
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
	9,575,720	2,336,189	11,911,909	(15,751)	-	11,896,158
Net assets with donor restrictions						
	374,845	-	374,845	69,758	-	444,603
Total net assets	9,950,565	2,336,189	12,286,754	54,007	-	12,340,761
Total liabilities and net assets	\$ 10,362,136	\$ 2,810,463	\$ 13,172,599	\$ 654,007	\$ -	\$ 13,826,606

THE MOUNTAINEERS
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018

	Mountaineers Programs	Mountaineers Books	Total Mountaineers	Braided River	Eliminations	Consolidated Total
ASSETS						
Current assets						
Cash and cash equivalents	\$ 895,421	\$ 127,222	\$ 1,022,643	\$ 615,032	\$ -	\$ 1,637,675
Accounts receivable, net	1,008,753	202,512	1,211,265	-	(534,487)	676,778
Pledges receivable	8,550	-	8,550	-	-	8,550
Current portion of note receivable	463,538	-	463,538	-	-	463,538
Current portion of author advances, net	-	100,437	100,437	-	-	100,437
Book inventories	64,384	2,980,173	3,044,557	-	-	3,044,557
Prepaid expenses and other current assets	163,537	64,475	228,012	-	-	228,012
Total current assets	2,604,183	3,474,819	6,079,002	615,032	(534,487)	6,159,547
Long-term assets						
Investments	2,869,168	-	2,869,168	-	-	2,869,168
Author advances, net	-	295,431	295,431	-	-	295,431
Property and equipment, net	4,956,938	46,414	5,003,352	-	-	5,003,352
Total assets	<u>\$ 10,430,289</u>	<u>\$ 3,816,664</u>	<u>\$ 14,246,953</u>	<u>\$ 615,032</u>	<u>\$ (534,487)</u>	<u>\$ 14,327,498</u>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Current liabilities						
Accounts payable	\$ 80,040	\$ 875,995	\$ 956,035	\$ -	\$ (534,487)	\$ 421,548
Accrued liabilities	174,826	77,612	252,438	-	-	252,438
Royalties payable	-	94,155	94,155	-	-	94,155
Deferred revenue	157,066	-	157,066	-	-	157,066
Total current liabilities	411,932	1,047,762	1,459,694	-	(534,487)	925,207
Long-term liabilities						
Contingent contribution (Note 10)	-	-	-	600,000	-	600,000
Total liabilities	<u>411,932</u>	<u>1,047,762</u>	<u>1,459,694</u>	<u>600,000</u>	<u>(534,487)</u>	<u>1,525,207</u>
NET ASSETS						
Net assets without donor restrictions						
Undesignated	6,415,794	2,722,873	9,138,667	(7,005)	-	9,131,662
Board designated	3,341,243	-	3,341,243	-	-	3,341,243
	9,757,037	2,722,873	12,479,910	(7,005)	-	12,472,905
Net assets with donor restrictions						
	261,320	46,029	307,349	22,037	-	329,386
Total net assets	10,018,357	2,768,902	12,787,259	15,032	-	12,802,291
Total liabilities and net assets	<u>\$ 10,430,289</u>	<u>\$ 3,816,664</u>	<u>\$ 14,246,953</u>	<u>\$ 615,032</u>	<u>\$ (534,487)</u>	<u>\$ 14,327,498</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>

THE MOUNTAINEERS
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

	Mountaineers Programs	Mountaineers Books	Total Mountaineers	Braided River	Eliminations	Consolidated Total
SUPPORT AND REVENUE						
Book sales	\$ 61,766	\$ 3,642,445	\$ 3,704,211	\$ -	\$ (38,143)	\$ 3,666,068
Course fees	1,359,115	-	1,359,115	-	-	1,359,115
Membership dues and fees	669,358	-	669,358	-	-	669,358
Lodge sales	225,289	-	225,289	-	-	225,289
Room rentals	204,362	-	204,362	-	-	204,362
Other revenue	81,970	-	81,970	-	-	81,970
Ticket sales	278,635	-	278,635	-	-	278,635
Book royalties	-	40,795	40,795	-	-	40,795
Food and sundry sales	17,267	-	17,267	-	-	17,267
Grants and contributions	1,115,558	51,845	1,167,403	92,748	-	1,260,151
Grants from Braided River	-	165,408	165,408	-	(165,408)	-
Special events, net	304,706	-	304,706	-	-	304,706
Total support and revenue	<u>4,318,026</u>	<u>3,900,493</u>	<u>8,218,519</u>	<u>92,748</u>	<u>(203,551)</u>	<u>8,107,716</u>
OPERATING EXPENSES						
Program services	3,477,410	3,902,058	7,379,468	226,585	(203,551)	7,402,502
Management and general	560,849	149,621	710,470	23,429	-	733,899
Fundraising	485,768	40,780	526,548	-	-	526,548
Total operating expenses	<u>4,524,027</u>	<u>4,092,459</u>	<u>8,616,486</u>	<u>250,014</u>	<u>(203,551)</u>	<u>8,662,949</u>
CHANGE IN NET ASSETS FROM OPERATIONS						
	<u>(206,001)</u>	<u>(191,966)</u>	<u>(397,967)</u>	<u>(157,266)</u>	<u>-</u>	<u>(555,233)</u>
NONOPERATING						
Contributions restricted for the purchase of capital assets	26,268	-	26,268	-	-	26,268
Gain on sale of property	1,000	-	1,000	-	-	1,000
Investment return	318,977	-	318,977	-	-	318,977
Total nonoperating	<u>346,245</u>	<u>-</u>	<u>346,245</u>	<u>-</u>	<u>-</u>	<u>346,245</u>
TOTAL CHANGE IN NET ASSETS						
	140,244	(191,966)	(51,722)	(157,266)	-	(208,988)
NET ASSETS						
Beginning of the year	9,878,113	2,960,868	12,838,981	172,298	-	13,011,279
End of the year	<u>\$ 10,018,357</u>	<u>\$ 2,768,902</u>	<u>\$ 12,787,259</u>	<u>\$ 15,032</u>	<u>\$ -</u>	<u>\$ 12,802,291</u>