

**NORTH CASCADES
INSTITUTE**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2011 AND 2010



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Cascades Institute
Sedro-Woolley, Washington

We have audited the accompanying statements of financial position of North Cascades Institute as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Institute's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Cascades Institute as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Jones & Associates LLC, CPAs

Jones & Associates LLC, CPAs
May 5, 2012

TEL 206.525.5170
FAX 206.525.0678
1701 NE 104th Street
Seattle, WA 98125-7646
www.judyjonescpa.com

**NORTH CASCADES INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010**

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 307,471	\$ 267,294
Operating reserve	1,674,180	1,597,758
Receivables, net	106,845	609,878
Prepays and other	107,270	74,235
Investments	2,384,711	2,079,105
Property and equipment, net	256,809	221,904
	\$ 4,837,286	\$ 4,850,174
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 38,039	\$ 36,862
Accrued expenses	53,967	50,496
Deferred revenue and other	20,606	16,996
	112,612	104,354
NET ASSETS		
Unrestricted		
Undesignated	546,461	335,473
Board designated - operating reserve	1,600,000	1,500,000
Board designated - conservation education fund	2,000,000	2,000,000
Board designated - endowment	90,000	90,000
	4,236,461	3,925,473
Temporarily restricted	298,213	660,347
Permanently restricted endowment	190,000	160,000
	4,724,674	4,745,820
	\$ 4,837,286	\$ 4,850,174

**NORTH CASCADES INSTITUTE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Tuition and fees, net	\$ 364,319	\$ -	\$ -	\$ 364,319
NCELC Fund (Seattle Foundation)	-	300,000	-	300,000
Government grants	297,171	-	-	297,171
Foundation grants	171,899	241,667	-	413,566
Contributions	16,853	193,702	30,000	240,555
Contracts, net	648,343	-	-	648,343
In-kind contributions	364,286	-	-	364,286
Investment return	27,675	2,644	-	30,319
Special events, net	17,149	-	-	17,149
Bookstores (retail/outreach), net	118,053	-	-	118,053
	<u>2,025,748</u>	<u>738,013</u>	<u>30,000</u>	<u>2,793,761</u>
Net assets released from restriction				
Program restrictions	557,740	(557,740)	-	-
Time restrictions (pledges)	542,407	(542,407)	-	-
	<u>1,100,147</u>	<u>(1,100,147)</u>	<u>-</u>	<u>-</u>
 Total support and revenue	 <u>3,125,895</u>	 <u>(362,134)</u>	 <u>30,000</u>	 <u>2,793,761</u>
EXPENSES				
Programs	2,476,591	-	-	2,476,591
Management and general	219,598	-	-	219,598
Fund-raising	118,718	-	-	118,718
Total expenses	<u>2,814,907</u>	<u>-</u>	<u>-</u>	<u>2,814,907</u>
 CHANGE IN NET ASSETS	 310,988	 (362,134)	 30,000	 (21,146)
NET ASSETS				
Beginning of the year	3,925,473	660,347	160,000	4,745,820
End of the year	<u>\$ 4,236,461</u>	<u>\$ 298,213</u>	<u>\$ 190,000</u>	<u>\$ 4,724,674</u>

**NORTH CASCADES INSTITUTE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Tuition and fees, net	\$ 336,639	\$ -	\$ -	\$ 336,639
NCELC Fund (Seattle Foundation)	-	400,000	-	400,000
Government grants	340,615	-	-	340,615
Foundation grants	34,938	453,000	-	487,938
Contributions	136,018	74,271	120,000	330,289
Contracts, net	467,409	-	-	467,409
In-kind contributions	351,613	-	-	351,613
Investment return	203,987	13,605	-	217,592
Special events, net	3,953	-	-	3,953
Bookstores (retail/outreach), net	73,255	-	-	73,255
	<u>1,948,427</u>	<u>940,876</u>	<u>120,000</u>	<u>3,009,303</u>
Net assets released from restriction				
Program restrictions	688,926	(688,926)	-	-
Time restrictions (pledges)	342,957	(342,957)	-	-
Change in classification	-	(40,000)	40,000	-
	<u>1,031,883</u>	<u>(1,071,883)</u>	<u>40,000</u>	<u>-</u>
 Total support and revenue	 <u>2,980,310</u>	 <u>(131,007)</u>	 <u>160,000</u>	 <u>3,009,303</u>
EXPENSES				
Programs	2,301,100	-	-	2,301,100
Management and general	200,996	-	-	200,996
Fund-raising	95,665	-	-	95,665
Total expenses	<u>2,597,761</u>	<u>-</u>	<u>-</u>	<u>2,597,761</u>
 CHANGE IN NET ASSETS	 382,549	 (131,007)	 160,000	 411,542
NET ASSETS				
Beginning of the year	3,542,924	791,354	-	4,334,278
End of the year	<u>\$ 3,925,473</u>	<u>\$ 660,347</u>	<u>\$ 160,000</u>	<u>\$ 4,745,820</u>

**NORTH CASCADES INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011**

	Program	Support Services		Total
		Management and General	Fund- raising	
Wages, taxes and benefits	\$ 1,465,075	\$ 164,990	\$ 103,516	\$ 1,733,581
Supplies and materials	555,576	13,707	5,811	575,094
Office and occupancy	126,169	8,935	-	135,104
Marketing and development	49,645	6,411	9,391	65,447
Depreciation	103,561	11,919	-	115,480
Professional services	62,238	2,780	-	65,018
Vehicles	38,561	-	-	38,561
Communications	26,788	1,567	-	28,355
Insurance	16,416	420	-	16,836
Travel	20,988	4,260	-	25,248
Other	11,574	4,609	-	16,183
	<u>\$ 2,476,591</u>	<u>\$ 219,598</u>	<u>\$ 118,718</u>	<u>\$ 2,814,907</u>

**NORTH CASCADES INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010**

	Program	Support Services		Total
		Management and General	Fund- raising	
Wages, taxes and benefits	\$ 1,220,556	\$ 145,494	\$ 88,148	\$ 1,454,198
Supplies and materials	594,048	5,706	3,932	603,686
Office and occupancy	247,168	7,778	-	254,946
Marketing and development	48,069	16,657	3,585	68,311
Depreciation	55,980	7,503	-	63,483
Professional services	44,708	4,824	-	49,532
Vehicles	43,566	-	-	43,566
Communications	22,465	490	-	22,955
Insurance	10,049	5,006	-	15,055
Travel	9,252	2,565	-	11,817
Other	5,239	4,973	-	10,212
	<u>\$ 2,301,100</u>	<u>\$ 200,996</u>	<u>\$ 95,665</u>	<u>\$ 2,597,761</u>

**NORTH CASCADES INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from program service activities	\$ 1,134,325	\$ 843,449
Cash received from contributions and grants	1,741,474	1,610,252
Cash received from investment income	91,966	99,631
Cash paid to employees and suppliers	(2,363,528)	(2,174,239)
	604,237	379,093
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(443,675)	(359,957)
Purchase of property and equipment	(150,385)	(67,616)
	(594,060)	(427,573)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment	30,000	120,000
	30,000	120,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	40,177	71,520
CASH AND CASH EQUIVALENTS		
Beginning of the year	267,294	195,774
End of the year	\$ 307,471	\$ 267,294

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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

Nature of Activities – North Cascades Institute (the Institute) is a not-for-profit organization operating in the North Cascades region of northwest Washington State. The Institute was founded in 1986 to provide education about the natural history and culture of the Pacific Northwest. The Institute’s mission is to conserve and restore Northwest environments through education. Institute programs serve people of all ages and include:

Youth and School Programs:

- **Mountain School** is a grade 4-12 residential (two nights/three days) program where students, their teachers and parent chaperones come to the North Cascades Environmental Learning Center to learn about the ecosystems, geology and natural and cultural history of the region in which they live.
- **Summer Youth Programs** provide outdoor learning experiences for youth ages 14-19, including multi-day wilderness canoe trips for underserved youth in Seattle and Skagit and Whatcom counties, outdoor activities for Hispanic communities in the Skagit Valley and Cascades Climate Challenge, a three week intensive science, policy and leadership program for regional youth.

Adult Education:

- **Adult Learning Center Programs and Retreats and Field Excursions** bring together adult learners with naturalists, scientists, writers and artists in field courses that explore the natural and cultural history of the Pacific Northwest.
- **Family Programs** bring together families to the Learning Center where they build bonds in nature through adventures on the lake and trails, games, arts and crafts, storytelling and scientific explorations.
- **Volunteer Stewardship Programs** recruit and train volunteers to educate thousands of visitors to the Skagit River and Mount Baker about bald eagles, salmon, native plants and mountain ecosystems.
- **Retail/Outreach Initiative** provides visitor services through retail sales at six National Park bookstores, along with naturalist activities and volunteer opportunities. Revenue supports ecosystem-based youth education programs.

The M.Ed. Graduate Program prepares a new generation of leaders for careers in environmental education, natural resource management and nonprofit leadership. In collaboration with Huxley College of the Environment at Western Washington University, the program offers a Masters of Education in Environmental Education, a professional residency at North Cascades Institute and a certificate in Nonprofit Leadership and Administration.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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

North Cascades Environmental Learning Center (the Learning Center) a hub of discovery for all ages in one of the wildest, most biologically diverse landscapes in North America. The Learning Center, which opened in 2005, is situated on Diablo Lake in North Cascades National Park. The Learning Center includes a natural history library, aquatic and terrestrial classrooms, dining hall, amphitheater, overnight accommodations for 92 participants and 14 staff, outdoor learning rooms and access to trails. In 2008, the Learning Center was awarded LEED® Silver certification by the U.S. Green Building Council for high levels of achievement in sustainability and integration with natural systems.

Basis of Accounting and Presentation – The financial statements of the Institute have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Institute considers all checking and savings accounts and unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Investments – The Institute carries investments in marketable securities with readily determinable fair values and investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Receivables – Receivables consist primarily of program service amounts due and from pledges due from donors. All balances are unsecured. Unconditional promises to give are recognized as revenues or gains in the period received. Pledges receivable are reported net of an unamortized discount in 2010. No allowance for uncollectible balances has been established by management based upon the Institute's historical experience in the collection of balances due.

Property and Equipment – Purchased property and equipment with a cost of over \$1,000 and a useful life greater than one year are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over a period of 3 to 10 years.

Revenue Recognition – Contributions, contracts and grants are recorded as increases in unrestricted or temporarily restricted net assets, depending on the existence and/or nature of any donor restrictions. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Tuition revenue is recognized in the period in which the related educational instruction is performed. Accordingly, fees received for future instruction are deferred until the instruction commences.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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

Donated Goods – Donations of goods include materials and equipment and are recorded as revenue and corresponding expense at the estimated fair value at the date of donation.

Donated Facilities – Donated facilities include support from North Cascades National Park (water and septic) and Seattle City Light (electricity), as well as campsites and services such as boat transportation and are recorded as revenue and corresponding expense.

Donated Services – 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 Institute.

Volunteers also provide valuable services throughout the years that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates – Management uses estimates and assumptions in preparing 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 Institute is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Institute qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(ii) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Institute files information and tax returns in the U.S. federal jurisdiction, and state and local jurisdictions. The Institute is subject to U.S. federal, state and local examinations by tax authorities for the current year and certain prior years based on applicable laws and regulations.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 2 – Cash Flow Information

The following reconciles the change in net assets to net cash provided by operating activities for the years ended December 31:

	2011	2010
Change in net assets	\$ (21,146)	\$ 411,542
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	115,480	63,483
Unrealized (gain) loss on investments	61,647	(117,961)
Contributions restricted for endowment	(30,000)	(120,000)
Change in:		
Receivables, net	503,033	134,503
Prepays and other	(33,035)	(23,417)
Accounts payable	1,177	(13,894)
Accrued expenses	3,471	45,737
Deferred revenue and other	3,610	(900)
	\$ 604,237	\$ 379,093

Note 3 – Investments

Investment return consists of the following at December 31:

	2011	2010
Interest and dividends	\$ 86,714	\$ 92,971
Realized gain	31,657	23,410
Unrealized gain (loss)	(61,647)	117,961
Investment fees	(26,405)	(16,750)
	\$ 30,319	\$ 217,592

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 3 – Investments (continued)

The Institute 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 (*certificates of deposit are included in level 2 as they are considered to not have quoted prices in active markets*);

- 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.

The following table summarizes the valuation of the Institute’s operating reserves and investments under the FASB ASC 820-10 fair value hierarchy at December 31, 2011:

	Level 1	Level 2	Level 3	Total
Cash equivalents and money market funds	\$ 327,946	\$ -	\$ -	\$ 327,946
Certificates of deposit	-	1,346,234	-	1,346,234
Fixed income	700,303	-	-	700,303
Equity funds	1,684,408	-	-	1,684,408
	<u>\$2,712,657</u>	<u>\$1,346,234</u>	<u>\$ -</u>	<u>\$ 4,058,891</u>

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 3 – Investments (continued)

The following table summarizes the valuation of the Institute’s financial operating reserves and investments under the FASB ASC 820-10 fair value hierarchy at December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents and money market funds	\$ 731,689	\$ -	\$ -	\$ 731,689
Certificates of deposit	-	1,090,000	-	1,090,000
Fixed income	569,818	-	-	569,818
Equity funds	1,285,356	-	-	1,285,356
	<u>\$2,586,863</u>	<u>\$1,090,000</u>	<u>\$ -</u>	<u>\$ 3,676,863</u>

Note 4 – Receivables

The Institute raises funds to support its programs and operations. Some of its funding is in the form of multiple year pledges. Pledges to be received in longer than one year are discounted at 4% in 2010. Accounts and pledges receivable include the following at December 31:

	<u>2011</u>	<u>2010</u>
Accounts/grants receivable due in less than a year	\$ 39,145	\$ 57,981
Pledges receivable due in less than a year	55,300	526,800
Pledges receivable due in one to five years	11,500	27,700
Pledges receivable due in more than five years	900	-
	<u>106,845</u>	<u>612,481</u>
Less discount to net present value	-	(2,603)
	<u>\$ 106,845</u>	<u>\$ 609,878</u>

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 5 – Property and Equipment

Property and equipment consists of the following at December 31:

	2011	2010
Equipment	\$ 280,372	\$ 205,475
Program equipment	67,320	67,320
Furniture	159,579	149,795
Vehicles	151,005	97,035
Leasehold improvements	90,226	77,991
Assets held for sale	-	500
	<u>748,502</u>	<u>598,116</u>
Less: accumulated depreciation	(491,693)	(376,212)
	<u>\$ 256,809</u>	<u>\$ 221,904</u>

Note 6 – Board Designated Net Assets

The Board of Directors of the Institute has designated \$2,000,000 as a conservation education fund to be used for development of future educational programs. The Board of Directors also designated approximately six months of the annual budget as an operating reserve.

Note 7 – Temporarily Restricted Net Assets

Donor temporarily restricted net assets are included in cash and cash equivalents and receivables and are available for the following purposes at December 31:

	2011	2010
Environmental Learning Center	\$ 39,264	\$ 35,345
Youth and school programs	150,000	59,500
Community and neighborhood programs	55,000	-
Pledges to be used over future periods	37,700	551,897
Unappropriated endowment investment return	16,249	13,605
	<u>\$ 298,213</u>	<u>\$ 660,347</u>

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 8 – Endowment

Nature of Endowments and Applicable Laws - Permanently restricted net assets consist of a donor restricted endowment in which the investment return is to be used for general operations. Additionally, the Board of Directors designated unrestricted net assets to supplement the endowment. Since the Board designated amount resulted from an internal designation and is not donor-restricted, it is classified and reported within unrestricted net assets. The endowment funds are included in investments on the statement of financial position.

The Board of Directors of the Institute has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes 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 the appreciation of investments, (6) other resources of the Institute, and (7) the Institute's investment policies.

Investment and Spending Policies - The Institute has adopted an investment policy for assets held in its endowment fund, conservation education fund (Note 6), and operating reserves. The goal of the policy is to realize an after-cost real rate of return that provides a steady stream of funding for programs while maintaining or increasing the purchasing power of investments over the long-term.

Under the Institute's spending policy, the amount available for spending each year (the spending allocation) is equal to 4.0% of the average market value of investments over the trailing 36 months. In the event the spending allocation is not fully expended in any fiscal year, it remains available for spending in future years.

As it relates to the new endowment fund established in 2010, the Institute is currently reinvesting all earnings of that fund while it modifies these policies to ensure compliance with UPMIFA.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 8 – Endowment (continued)

Endowment net assets composition by type of fund as of December 31, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 16,249	\$ 190,000	\$ 206,249
Board designated endowment funds	90,000	-	-	90,000
	<u>\$ 90,000</u>	<u>\$ 16,249</u>	<u>\$ 190,000</u>	<u>\$ 296,249</u>

Endowment net assets composition by type of fund as of December 31, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 13,605	\$ 160,000	\$ 173,605
Board designated endowment funds	90,000	-	-	90,000
	<u>\$ 90,000</u>	<u>\$ 13,605</u>	<u>\$ 160,000</u>	<u>\$ 263,605</u>

Changes in endowment net assets as of December 31, 2011 and 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, 12/31/2009	\$ -	\$ -	\$ -	\$ -
Contributions	90,000	-	120,000	210,000
Change in classification	-	-	40,000	40,000
Investment income, net of fees	-	4,766	-	4,766
Net appreciation	-	8,839	-	8,839
Amounts appropriated	-	-	-	-
Endowment net assets, 12/31/2010	90,000	13,605	160,000	263,605
Contributions	-	-	30,000	30,000
Investment income, net of fees	-	4,390	-	4,390
Net appreciation	-	(1,746)	-	(1,746)
Amounts appropriated	-	-	-	-
Endowment net assets, 12/31/2011	<u>\$ 90,000</u>	<u>\$ 16,249</u>	<u>\$ 190,000</u>	<u>\$ 296,249</u>

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 9 - North Cascades Environmental Learning Center

In 1991, the Institute entered into a partnership with the City of Seattle (Seattle City Light) and the National Park Service (North Cascades National Park) to develop and operate the North Cascades Environmental Learning Center (the Center). This residential education facility is located on Diablo Lake within the Ross Lake National Recreation Area. The Learning Center is the result of the license approved in 1995 by the Federal Energy Regulatory Commission that includes environmental education as one element of mitigation for the Skagit Hydroelectric Project. Seattle City Light was required to provide mitigation for the licensing of the three Seattle City Light dams on the Skagit River.

Note 10 – NCELC Fund

During 2005, Seattle City Light transferred \$4,812,954 to the North Cascades Environmental Learning Center Fund (the Fund), a donor advised fund held by the Seattle Foundation (the Foundation) to be used for general operating support, including programs and maintenance at the Center over the next 20 years. The funds held in the investment pool are managed by the Foundation. The Foundation exercises variance power on the funds it holds, therefore, the endowment asset is not recognized on the Institute's financial records. The Foundation was established in 1946 and since its formation has managed funds for many not-for-profit organizations in the Puget Sound area. Realized and unrealized gains/losses from securities in the investment pool are allocated to the individual accounts based on the relationship of the fair value of each account to the total fair value of the pooled investment accounts, as adjusted for additions to/deductions from those accounts. The Foundation's assets are principally in trusts from which income is distributed to the participating organizations. The Fund's Oversight Committee, composed of representatives from the Institute, the National Park Service and Seattle City Light, makes an annual recommendation to the Foundation for the distribution of funds to the Institute. The Institute withdrew \$300,000 and \$400,000 during the years ended December 31, 2011 and 2010, respectively. The balance of the Fund as of December 31, 2011 and 2010 was \$2,710,571 and \$3,092,684, respectively.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 11 – Donated Services and Facilities

The following materials, services and facilities were donated to the Institute for the following purposes during the years ended December 31:

<u>Purpose</u>	<u>2011</u>	<u>2010</u>
Youth and school programs	\$ 256,682	\$ 228,769
Adult and family education	37,671	23,532
Environmental Learning Center	61,948	60,485
Management and general	7,985	38,827
	<u>\$ 364,286</u>	<u>\$ 351,613</u>
 <u>Source</u>		
Volunteers and graduate students	\$ 301,543	\$ 244,297
Facilities and equipment	62,743	107,316
	<u>\$ 364,286</u>	<u>\$ 351,613</u>

Note 12 – Revenues and Related Costs

Certain revenues are shown in the statement of activities net of costs that directly relate to each source of revenue. The net revenues are as follows for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Gross tuition and fees	\$ 771,830	\$ 676,959
Less: cost of scholarships and discounts	(407,511)	(340,320)
	<u>\$ 364,319</u>	<u>\$ 336,639</u>
 Gross Mountain School contracts	 \$ 985,698	 \$ 740,574
Less: cost of scholarships and discounts	(337,355)	(273,165)
	<u>\$ 648,343</u>	<u>\$ 467,409</u>
 Gross bookstores (retail/outreach) sales	 \$ 292,721	 \$ 233,662
Less: cost of sales	(174,668)	(160,407)
	<u>\$ 118,053</u>	<u>\$ 73,255</u>

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 13 – Joint Costs

The Institute's newsletters and annual catalog focus on educational outreach, with a small section that asks for contributions to help support the Institute's operations. The costs of these materials were allocated between the various programs, administrative and fund-raising activities, as is allowed for joint cost recognition. Joint costs were allocated as follows during the years ended December 31:

	2011	2010
Youth and school programs	\$ 1,847	\$ 1,853
Adult education	7,387	13,338
Graduate program	1,231	1,853
Environmental Learning Center	616	371
Management and general	616	554
Fund-raising	615	556
	<u>\$ 12,312</u>	<u>\$ 18,525</u>

Note 14 – Operating Lease

The Institute leases office and storage space from the North Cascades National Park Service under an annual operating lease. The facilities are located within the complex occupied by North Cascades National Park Headquarters and the Mt. Baker-Snoqualmie National Forest, USDA-Forest Service. Lease payments are based on square footage of space used and include costs of utilities. Total lease costs for the years ended December 31, 2011 and 2010 total \$44,836 and \$44,719, respectively.

Note 15 – Pension Plan

The Institute sponsors a defined contribution 403(b) retirement plan (the Plan) for all regular employees. Eligibility begins after one year of continuous employment. Employer plan contributions are 3% of annual earnings, plus an additional 4% match of employee contributions, resulting in a maximum employer contribution of 7%. Employees are fully vested at the time of eligibility. Total contributions to the Plan during 2011 and 2010 total \$66,901 and \$58,317, respectively.

Note 16 – Cooperative Agreements

The Institute operates under a renewable five-year *Cooperative Agreement* with the National Park Service. This agreement provides the basis of the Institute's operations within the North Cascades National Park (the Park). The Institute also operated six bookstores (retail/outreach) in the Park under five-year *Cooperating Association Agreements*. Additionally, the Institute has signed a series of participating agreements with the Mt. Baker-Snoqualmie National Forest, which provides the basis of the Institute's operations within the National Forest.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 17 — Subsequent Events

Subsequent events were evaluated through May 5, 2012, which is the date the financial statements were available to be evaluated.