

NORTH CASCADES INSTITUTE

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2018 AND 2017



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of North Cascades Institute (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Cascades Institute as of December 31, 2018 and 2017, 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.

Jones & Associates PLLC, CPAs

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July 3, 2019

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**NORTH CASCADES INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 331,832	\$ 416,780
Short-term investments	146,264	247,083
Accounts receivable	123,700	62,541
Contributions and grants receivable	221,055	24,550
Inventory and other	178,093	140,895
Total current assets	1,000,944	891,849
Long-term investments	5,334,283	5,901,286
Contributions and grants receivable, long-term	5,361	219,600
Property and equipment, net	811,036	567,531
	\$ 7,151,624	\$ 7,580,266
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 107,880	\$ 35,133
Accrued expenses	104,533	121,091
Deferred revenue and other	51,217	33,249
Line of credit	477,115	477,115
Total current liabilities	740,745	666,588
 NET ASSETS		
Net assets without donor restrictions - undesignated	1,239,617	1,615,607
Net assets without donor restrictions - board designated	4,204,272	4,382,752
	5,443,889	5,998,359
Net assets with donor restrictions - purpose and time	411,372	519,958
Net assets with donor restrictions - perpetual	555,618	395,361
	966,990	915,319
	6,410,879	6,913,678
	\$ 7,151,624	\$ 7,580,266

**NORTH CASCADES INSTITUTE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	Total	Without Donor Restrictions		With Donor Restrictions	
		Undesignated	Board Designated	Purpose and Time	Perpetual In Nature
SUPPORT AND REVENUE					
Contracts, tuition and fees, net	\$ 1,588,706	\$ 1,588,706	\$ -	\$ -	\$ -
Government grants	366,709	366,709	-	-	-
Contributions	525,895	144,332	-	221,306	160,257
In-kind contributions	286,667	286,667	-	-	-
NCELC Fund contribution	325,000	-	-	325,000	-
Foundation grants	272,500	28,000	-	244,500	-
Investment return	(400,407)	(371,473)	-	(28,934)	-
Bookstores, net	280,051	280,051	-	-	-
Rental income	35,458	35,458	-	-	-
	<u>3,280,579</u>	<u>2,358,450</u>	<u>-</u>	<u>761,872</u>	<u>160,257</u>
Net assets released from restrictions	-	870,458	-	(870,458)	-
Transfers of board designated funds	-	178,480	(178,480)	-	-
	<u>-</u>	<u>1,048,938</u>	<u>(178,480)</u>	<u>(870,458)</u>	<u>-</u>
Total support and revenue	<u>3,280,579</u>	<u>3,407,388</u>	<u>(178,480)</u>	<u>(108,586)</u>	<u>160,257</u>
EXPENSES					
Programs	3,243,552	3,243,552	-	-	-
Management and general	269,816	269,816	-	-	-
Fundraising	270,010	270,010	-	-	-
Total expenses	<u>3,783,378</u>	<u>3,783,378</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	(502,799)	(375,990)	(178,480)	(108,586)	160,257
NET ASSETS					
Beginning of the year	6,913,678	1,615,607	4,382,752	519,958	395,361
End of the year	<u>\$ 6,410,879</u>	<u>\$ 1,239,617</u>	<u>\$ 4,204,272</u>	<u>\$ 411,372</u>	<u>\$ 555,618</u>

**NORTH CASCADES INSTITUTE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	Total	Without Donor Restrictions		With Donor Restrictions	
		Undesignated	Board Designated	Purpose and Time	Perpetual In Nature
SUPPORT AND REVENUE					
Contracts, tuition and fees, net	\$ 1,569,795	\$ 1,569,795	\$ -	\$ -	\$ -
Government grants	327,453	327,453	-	-	-
Contributions	411,471	157,618	-	224,353	29,500
In-kind contributions	236,191	236,191	-	-	-
NCELC Fund contribution	325,000	-	-	325,000	-
Foundation grants	508,702	-	-	508,702	-
Investment return	818,510	760,340	-	58,170	-
Bookstores, net	234,930	234,930	-	-	-
Rental income	28,718	28,718	-	-	-
Other income	4,331	4,331	-	-	-
	<u>4,465,101</u>	<u>3,319,376</u>	<u>-</u>	<u>1,116,225</u>	<u>29,500</u>
Net assets released from restrictions	-	954,815	-	(954,815)	-
Transfers of board designated funds	-	(379,840)	379,840	-	-
	<u>-</u>	<u>574,975</u>	<u>379,840</u>	<u>(954,815)</u>	<u>-</u>
Total support and revenue	<u>4,465,101</u>	<u>3,894,351</u>	<u>379,840</u>	<u>161,410</u>	<u>29,500</u>
EXPENSES					
Programs	2,851,747	2,851,747	-	-	-
Management and general	217,784	217,784	-	-	-
Fundraising	274,911	274,911	-	-	-
Total expenses	<u>3,344,442</u>	<u>3,344,442</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	1,120,659	549,909	379,840	161,410	29,500
NET ASSETS					
Beginning of the year	<u>5,793,019</u>	<u>1,065,698</u>	<u>4,002,912</u>	<u>358,548</u>	<u>365,861</u>
End of the year	<u>\$ 6,913,678</u>	<u>\$ 1,615,607</u>	<u>\$ 4,382,752</u>	<u>\$ 519,958</u>	<u>\$ 395,361</u>

**NORTH CASCADES INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services							Support Services			Total	
	ELC	School	Graduate	Adult and Family	Youth	Conferences	Retail and Outreach	Skagit Tours and Other	Total Program	Management and General		Fund-raising
Wages, taxes and benefits	\$ 672,050	\$ 430,384	\$ 223,630	\$ 160,010	\$ 198,447	\$ 83,320	\$ 138,993	\$ 101,581	\$ 2,008,415	\$ 195,415	\$ 228,423	\$ 2,432,253
Supplies and materials	230,800	13,370	17,276	3,563	23,941	1,952	5,327	9,222	305,451	558	3,117	309,126
In-kind personnel, facilities and goods	81,463	99,980	12,135	16,620	51,769	11,400	-	6,020	279,387	7,281	-	286,668
Office and occupancy	153,473	21,853	9,836	7,974	7,820	4,015	18,414	5,899	229,284	3,516	8,216	241,016
Professional services	7,625	12,897	7,643	21,180	16,441	2,275	2,345	10,402	80,808	22,067	1,104	103,979
Depreciation and amortization	70,486	-	-	-	-	-	2,387	-	72,873	26,025	-	98,898
Marketing and development	4,853	6,174	5,248	18,544	3,491	1,026	15,289	2,840	57,465	6,661	17,589	81,715
Travel	9,586	15,809	10,516	6,129	9,411	4,374	6,338	3,488	65,651	1,485	7,238	74,374
Vehicles	46,847	-	-	-	2,450	-	-	2,714	52,011	839	1,678	54,528
Credit card fees	-	1,238	2,403	6,917	516	3,443	19,965	3,805	38,287	40	326	38,653
Communications	10,584	3,541	1,416	1,416	1,180	947	3,018	708	22,810	683	2,319	25,812
Insurance	2,141	2,855	1,427	1,427	2,855	1,427	714	1,428	14,274	5,246	-	19,520
Interest	16,836	-	-	-	-	-	-	-	16,836	-	-	16,836
Total expenses	1,306,744	608,101	291,530	243,780	318,321	114,179	212,790	148,107	3,243,552	269,816	270,010	3,783,378
Scholarships and discounts	-	503,696	15,750	1,766	348,857	-	-	-	870,069	-	-	870,069
Cost of goods sold	-	-	-	-	-	-	384,128	-	384,128	-	-	384,128
Total functional expenses	\$ 1,306,744	\$ 1,111,797	\$ 307,280	\$ 245,546	\$ 667,178	\$ 114,179	\$ 596,918	\$ 148,107	\$ 4,497,749	\$ 269,816	\$ 270,010	\$ 5,037,575

See accompanying notes to financial statements.

**NORTH CASCADES INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	Programs	Support Services		Total
		Management and General	Fund- raising	
Wages, taxes and benefits	\$ 1,875,157	\$ 172,327	\$ 238,997	\$ 2,286,481
Supplies and materials	254,359	433	2,619	257,411
In-kind personnel, facilities and goods	228,705	7,486	-	236,191
Office and occupancy	179,098	3,325	8,534	190,957
Professional services	47,076	22,745	1,238	71,059
Depreciation and amortization	69,545	3,477	-	73,022
Marketing and development	47,891	1,921	13,099	62,911
Travel	32,902	-	6,146	39,048
Vehicles	39,656	1,762	2,644	44,062
Credit card fees	31,956	-	103	32,059
Communications	21,452	632	1,531	23,615
Insurance	13,384	3,676	-	17,060
Interest	10,566	-	-	10,566
Total expenses	2,851,747	217,784	274,911	3,344,442
Scholarships and discounts	819,198	-	-	819,198
Cost of goods sold	343,927	-	-	343,927
Total functional expenses	\$ 4,014,872	\$ 217,784	\$ 274,911	\$ 4,507,567

**NORTH CASCADES INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contracts, tuition, fees and other	\$ 1,861,024	\$ 1,847,328
Cash received from contributions and grants	1,501,199	1,334,533
Cash received from investment income	181,339	297,750
Cash paid to employees and suppliers	(3,378,822)	(2,987,151)
	<u>164,740</u>	<u>492,460</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(227,262)	(752,820)
Proceeds from sales of investments	313,338	419,259
Purchase of property and equipment	(342,403)	(207,336)
	<u>(256,327)</u>	<u>(540,897)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on line of credit	-	160,000
Cash received for endowment	6,639	47,460
	<u>6,639</u>	<u>207,460</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(84,948)	159,023
CASH AND CASH EQUIVALENTS		
Beginning of the year	<u>416,780</u>	<u>257,757</u>
End of the year	<u>\$ 331,832</u>	<u>\$ 416,780</u>

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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 inspire and empower environmental stewardship for all through transformative experiences in nature. Institute programs serve people of all ages and include:

North Cascades Environmental Learning Center (the Environmental Learning Center or the Learning Center) is 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.

Youth and School Programs:

- **School Programs** provide K-12 students and their teachers opportunities to participate in outdoor learning experiences that enhance classroom based learning and connect students to place and community. Mountain School is an overnight residential education program serving diverse schools. Students stay at the Environmental Learning Center to connect to the natural world through hands-on interdisciplinary activities in science, math, art, social studies and conservation. Snow School is a day-long outdoor winter learning adventure combining applied science education with snowshoe-powered exploration at the Mt. Baker Ski Area. Forest School students use inquiry, observation and reflection to investigate themes of habitats, adaptations and interdependence at the Gordon Carter site on Lake Whatcom.
- **Youth Leadership Adventures** fosters conservation values, community engagement, and appreciation for our public lands in underserved high school students. Summer offers Youth Leadership Adventures, week-long wilderness trips to empower the next generation of conservation leaders. Other opportunities include Youth Ambassadors and community programs.

Adult and Family Education:

- **Adult and Family Programs** take place at the Learning Center and throughout the region bringing together interested learners with talented naturalists, scientists, writers and artists to experience and explore the natural and cultural history of the Pacific Northwest. Family groups gather at the Learning Center to build bonds and create lasting memories through shared adventures on the lake and trails, games, arts and crafts, storytelling and scientific explorations.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

Adult and Family Education (continued):

- **Conferences and Retreats** take place throughout the year at the Learning Center and include trainings and special events. Participants work with Institute staff to tailor learning experiences to meet the needs of their group. Each group receives guided naturalist opportunities and participates in learning about the Institute’s foodshed program. The Institute’s foodshed program educates the public about food systems and the environmental and health benefits of eating locally sourced food.
- **Community and Neighborhood** programs involve a broad variety of groups, ages, partnering organizations and program types. Education activities are integrated into all programs to augment the projects and engage the participants. Projects range from invasive plant removal, trail maintenance, seed collection, monitoring/inventories of flora and fauna, and habitat restoration and cleanup. Programs include: Concrete Summer Learning Adventure in Concrete, WA, Kulshan Creek Neighborhood Youth Program in Mount Vernon, WA and Youth Ambassadors in Concrete, WA and Mount Vernon, WA.
- **Skagit Tours** are interpretive tours of the Upper Skagit Valley offered by boat, bus, and on foot in partnership with Seattle City Light and North Cascades National Park.
- **Bookstores** provide visitor services through retail sales at six National Park bookstores, along with naturalist activities. The bookstores offer products that help educate visitors and inspire them to experience, enjoy, interpret, share and remember their experience in the North Cascades. Revenue supports youth education programs.
- **The M.Ed. Graduate Program** is offered in collaboration with Huxley College of the Environment (Western Washington University) and includes a year-long professional residency at the North Cascades Environmental Learning Center. Graduate students learn, teach, study and work in all aspects of the Institute and its programs. Students earn certificates in Nonprofit Leadership and Administration and Northwest Natural History while adding valuable work skills and experience to their graduate degree.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

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 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 Board has designated certain otherwise net assets without donor restrictions as a Board designated endowment and a Board designated operating reserve fund. These funds are approved by the Board to be held for specific purposes and require Board approval to designate for any other purpose.

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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Institute considers all checking accounts and unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. Deposits with a single financial institution occasionally exceed federally insured limits, which subject the Institute to a concentration of deposit risk. The Institute has not experienced losses due to this concentration.

Accounts Receivable – Accounts receivable consist of amounts due from contracts, tuition and fees earned. All balances are unsecured and expected to be collected within the next fiscal year. No allowance for uncollectible balances has been established by management based upon the Institute's historical experience in the collection of balances due.

Contributions and Grants Receivable – Contributions and grants receivable are recognized in the period the pledge is received and consist of outstanding promises to give from a variety of individuals and foundations. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are initially recorded at fair value, which is measured at the present value of their future cash flows. No allowance for uncollectible balances has been established by management based upon the Institute's historical experience in the collection of balances due.

Inventory and Other – Inventory consists primarily of the costs relating to books and other retail items and is stated at the lower of cost or market. Cost is determined using average cost basis, which approximates the first-in, first-out method. Other items include prepaid expenses for medical and business insurance.

Investments – The Institute carries investments with readily determinable fair values 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.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

Fair Value Measurements – Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Accounting standards establish a hierarchy for measuring fair value that gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1 Unadjusted quoted prices for identical assets or liabilities in active markets.

- Level 2 Quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or other inputs that can be corroborated by observable market data.

- Level 3 Inputs that are not observable that reflect management’s assumptions and estimates.

Fair value measurements apply to the Institute investments in government backed securities, corporate bonds, bond mutual funds, and equity mutual funds, which are classified within level 1 of the fair value hierarchy.

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 three to 15 years.

Revenue Recognition – Contributions and foundation grants are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Contracts, tuition and fees revenues are recognized in the period in which the related educational instruction is performed. Accordingly, fees received for future instruction are deferred until the instruction commences.

Revenues from government grants are recognized when the qualified expense is incurred and are subject to audit and retroactive adjustment made by the funding agencies. The adjustments would be recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. There were no government audits or adjustments during the years ended December 31, 2018 and 2017.

The Institute recognizes revenue for sales of goods at the bookstores when products are sold at the point of sale.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

Donated Goods – Donations of goods include materials, equipment and advertising 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. The allocation of expenses was done using one of the following four methods: (a) payroll expenses are allocated according to the timesheet provided each payroll period by all employees with the exception of full-time employees who use a percentage allocation (b) split based on pre-determined percentages based on estimates of time and effort (c) split based on pre-determined percentages based on square footage or (d) when known, allocations are made to specific programs or functions, at the time the expense is incurred.

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).

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

New Accounting Pronouncement – On August 18, 2016, the Financial Accounting Standards Board 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 December 31, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

Subsequent Events – Subsequent events were evaluated through July 3, 2019, which is the date the financial statements were available to be evaluated.

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 December 31, 2018:

Financial Assets	
Cash and cash equivalents	\$ 331,832
Investments	5,480,547
Accounts and contributions receivable	350,116
Total financial assets	<u>6,162,495</u>
Less those unavailable for general expenditures within one year:	
Receivable balances to be collected in future years	(5,361)
Restricted by donors with perpetual restrictions	(555,618)
Board designated endowment	(2,204,272)
Board reserve fund (unavailable without Board approval)	(2,000,000)
	<u>(4,765,251)</u>
Financial assets available within one year	<u><u>\$ 1,397,244</u></u>

The Institute's financial assets have seasonal variations during the year attributed to the timing of receipt of program and contribution payments. The Institute has an operating reserve that the governing board has dedicated with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need. Distress or a liquidity need could result from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

Note 3 – Investments

The Institute's investments consist of the following at December 31:

	2018	2017
Cash equivalents and money market funds	\$ 455,580	\$ 357,153
Government backed securities	166,455	167,610
Corporate bonds	80,528	84,715
Bond mutual funds	1,431,224	1,471,930
Equity mutual funds	3,346,760	4,066,961
	<u>\$ 5,480,547</u>	<u>\$ 6,148,369</u>

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

Note 4 – Contributions and Grants Receivable

The Institute raises funds to support its programs and operations. Some of its funding is in the form of multiple year pledges. Contributions and grants receivable include the following at December 31:

	2018	2017
General pledges receivable due in less than a year	\$ 197,694	\$ 14,550
Endowment pledges receivable due in less than one year	-	10,000
General pledges receivable due in one to five years	5,361	199,600
Endowment pledges receivable due in one to five years	23,361	20,000
	<u>\$ 226,416</u>	<u>\$ 244,150</u>

Endowment pledges receivable due in less than one year are required by the donor to be invested for long-term purposes when received, and therefore are included in long-term receivables on the statement of financial position.

Note 5 – Property and Equipment

Property and equipment consists of the following at December 31:

	2018	2017
Buildings	\$ 663,958	\$ 381,598
Equipment	474,443	426,544
Program equipment	82,919	81,739
Furniture	219,342	210,298
Vehicles	166,788	166,788
Leasehold improvements	135,909	133,989
	<u>1,743,359</u>	<u>1,400,956</u>
Less: accumulated depreciation and amortization	<u>(1,070,130)</u>	<u>(971,232)</u>
	673,229	429,724
Land	137,807	137,807
	<u>\$ 811,036</u>	<u>\$ 567,531</u>

Note 6 – Line of Credit

The Institute maintains a line of credit with a bank with a maximum borrowing amount of \$2,000,000. The line of credit is due on demand, and bears interest at the greater of a defined adjusted LIBOR rate, or 2%, resulting in a rate of 3.85% and 2.86% at December 31, 2018 and 2017, respectively. The line of credit is secured by all cash and investments of the Institute not subject to donor restrictions.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

Note 7 – Net Assets Without Donor Restrictions – Board Designated

Net assets without donor restrictions designated by the Board for specific purposes are included in cash and cash equivalents, investments and receivables and are available for the following purposes at December 31:

	2018	2017
Board designated endowment	\$ 2,204,272	\$ 2,482,752
Operating reserve	2,000,000	1,900,000
	<u>\$ 4,204,272</u>	<u>\$ 4,382,752</u>

The Board of Directors has designated approximately six months of the annual budget as an operating reserve.

Note 8 – Net Assets With Donor Restrictions

Net assets with donor restrictions are included in cash and cash equivalents, investments and receivables and are available for the following purposes at December 31:

	2018	2017
Restricted for a specified purpose or passage of time:		
Graduate and staff housing	\$ 191,500	\$ 209,000
Youth and school programs	159,099	213,849
Environmental Learning Center	22,128	23,733
Unappropriated endowment investment return	19,590	69,976
Pledges to be used over future periods	11,555	3,400
Graduate program	7,500	-
	<u>411,372</u>	<u>519,958</u>
Perpetual in nature:		
Endowment	555,618	395,361
Total net assets with donor restrictions	<u>\$ 966,990</u>	<u>\$ 915,319</u>

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

Note 9 – Endowment

Nature of Endowments and Applicable Laws – Net assets with perpetual donor restrictions consist of an endowment with donor restrictions in which the investment return is to be used for general operations and scholarships. Additionally, the Board of Directors designated net assets without donor restrictions 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 net assets without donor restrictions. The endowment funds are included in long-term 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 net assets with perpetual donor restrictions (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 net assets with perpetual donor restrictions is classified as net assets with donor restrictions 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 funds. 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% 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.

Funds with Deficiencies – From time to time, the fair value of assets associated with individual endowment funds may fall below the total amount of the gifts made to the endowment by the donor. There were no endowment funds with deficiencies as of December 31, 2018 and 2017.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

Note 9 – Endowment (continued)

Endowment net assets composition by type of fund as of December 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose and Time	Perpetual	
Donor Restricted Endowment Funds				
North Cascades Conservation Council Founders Fund	\$ -	\$ 3,925	\$ 40,000	\$ 43,925
Youth Leadership Fund (Ginny Darvill)	-	12,974	170,000	182,974
John Miles Scholarship Fund	-	-	22,811	22,811
Darby Foundation Scholarship Fund	-	1,451	80,000	81,451
Weisberg Family Fund	-	-	39,250	39,250
Cook & Sullivan Fund	-	1,240	15,000	16,240
Brian Scheuch's Memorial Fund	-	-	12,548	12,548
Nugent Family Fund	-	-	100,000	100,000
Andrew Goodwill Murphy Memorial Fund	-	-	42,313	42,313
Campbell and Dalton Fund	-	-	11,639	11,639
Jean Gorton Memorial Fund	-	-	22,057	22,057
Board Designated Endowment Funds				
Conservation Education Fund	1,656,569	-	-	1,656,569
Nugent Family Fund	530,102	-	-	530,102
John Miles Memorial Fund	17,601	-	-	17,601
	<u>\$2,204,272</u>	<u>\$ 19,590</u>	<u>\$ 555,618</u>	<u>\$2,779,480</u>

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

Note 9 – Endowment (continued)

Endowment net assets composition by type of fund as of December 31, 2017 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose and Time	Perpetual	
Donor Restricted Endowment Funds				
North Cascades Conservation Council Founders Fund	\$ -	\$ 9,577	\$ 40,000	\$ 49,577
Youth Leadership Fund (Ginny Darvill)	-	36,518	170,000	206,518
John Miles Scholarship Fund	-	2,505	21,561	24,066
Darby Foundation Scholarship Fund	-	10,605	80,000	90,605
Weisberg Family Fund	-	4,179	33,800	37,979
Cook & Sullivan Fund	-	3,296	25,000	28,296
Gary Peterson Memorial Fund for Youth Leadership	-	3,296	25,000	28,296
Board Designated Endowment Funds				
Conservation Education Fund	1,865,854	-	-	1,865,854
Nugent Family Fund	597,073	-	-	597,073
John Miles Memorial Fund	19,825	-	-	19,825
	<u>\$2,482,752</u>	<u>\$ 69,976</u>	<u>\$ 395,361</u>	<u>\$2,948,089</u>

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

Note 9 – Endowment (continued)

Changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose and Time	Perpetual	
Endowment net assets, 12/31/2016	\$2,202,912	\$ 26,805	\$ 365,861	\$2,595,578
Contributions	-	-	29,500	29,500
Investment income, net of fees	111,148	21,161	-	132,309
Net realized and unrealized gains	194,396	37,009	-	231,405
Amounts appropriated for expenditure	(25,704)	(14,999)	-	(40,703)
Endowment net assets, 12/31/2017	2,482,752	69,976	395,361	2,948,089
Contributions	-	-	160,257	160,257
Investment income, net of fees	84,129	20,613	-	104,742
Net realized and unrealized losses	(270,764)	(49,547)	-	(320,311)
Amounts appropriated for expenditure	(91,845)	(21,452)	-	(113,297)
Endowment net assets, 12/31/2018	<u>\$2,204,272</u>	<u>\$ 19,590</u>	<u>\$ 555,618</u>	<u>\$2,779,480</u>

Note 10 – Environmental Learning Center

In April 1991, the Institute entered into a partnership (Memorandum of Agreement, FERC Settlement Agreements, Skagit River Hydroelectric Project 553) with the National Park Service (North Cascades National Park Service Complex), the City of Seattle (Seattle City Light) and North Cascades Conservation Council) to develop and operate the Environmental Learning Center. This residential education facility is located on Diablo Lake within the Ross Lake National Recreation Area. The Environmental 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.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

Note 11 – NCELC Fund

During 2005, Seattle City Light transferred \$4,812,954 to the North Cascades Environmental Learning Center Fund (NCELC Fund or 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 statements. 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 received \$325,000 from the Fund during each of the years ended December 31, 2018 and 2017. The balance of the Fund as of December 31, 2018 and 2017 is \$1,434,346 and \$1,876,902, respectively.

Note 12 – Donated Services and Facilities

Donated materials, services and facilities consist of the following for the years ended December 31:

	2018	2017
Youth and School Programs	\$ 151,749	\$ 103,126
Environmental Learning Center operations	81,463	68,379
Adult and Family Education	28,020	53,947
Graduate Program	12,135	10,739
Other programs	13,300	-
	<u>\$ 286,667</u>	<u>\$ 236,191</u>
Donated services	\$ 155,619	\$ 153,026
Donated goods	67,068	13,641
Donated facilities and equipment usage	63,980	69,524
	<u>\$ 286,667</u>	<u>\$ 236,191</u>

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

Note 13 – 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:

	2018	2017
Gross contracts, tuition and fees	\$ 2,458,775	\$ 2,388,993
Less: cost of scholarships and discounts	(870,069)	(819,198)
	<u>\$ 1,588,706</u>	<u>\$ 1,569,795</u>
Gross bookstores sales	\$ 664,179	\$ 578,857
Less: cost of goods sold	(384,128)	(343,927)
	<u>\$ 280,051</u>	<u>\$ 234,930</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 both the years ended December 31, 2018 and 2017 were \$54,974.

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 hired prior to August 1, 2013 are fully vested at time of eligibility. Employees hired on or after August 1, 2013 will be 1/3 vested at the beginning of their third year of employment, 2/3 vested at the beginning of their fourth year, and 100% vested at the beginning of their fifth year of employment. Total contributions to the Plan during the years ended December 31, 2018 and 2017 were \$72,972 and \$76,683, respectively.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

Note 16 – Program Expenses

Program expenses are attributable to the following programs for the years ended December 31:

	2018	2017
Environmental Learning Center	\$ 1,306,744	\$ 408,240
Youth and School Programs		
Mountain School	608,101	721,370
Youth Leadership Adventures	318,321	343,888
Adult and Family Education		
Adult and Family Programs	243,780	319,405
Conferences and Retreats	114,179	255,873
Community and Neighborhood	53,339	38,960
Skagit Tours	94,768	200,491
Bookstores	212,790	167,554
M.Ed. Graduate Program	291,530	395,966
	\$ 3,243,552	\$ 2,851,747

Note 17 – Cooperative Agreements

The Institute operates under a renewable five-year *Cooperative Agreement* with the National Park Service. The current agreement is effective until December 31, 2019. This agreement provides the basis of the Institute’s operations within the North Cascades National Park (the Park). The Institute also operates six bookstores (retail/outreach) in the Park under a five-year *Cooperating Association Agreement*. 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.