

NORTH CASCADES INSTITUTE

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2020 AND 2019



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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jones & Associates PLLC, CPAs

Jones & Associates PLLC, CPAs
June 11, 2021

**NORTH CASCADES INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 524,164	\$ 367,597
Short-term investments	247,128	246,725
Accounts receivable	24,869	120,127
Contributions and grants receivable	14,875	7,449
Inventory and other	258,220	168,784
Total current assets	1,069,256	910,682
Long-term investments	6,466,961	5,912,876
Property and equipment, net	850,074	948,308
	\$ 8,386,291	\$ 7,771,866
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 55,223	55,884
Accrued expenses	107,350	93,949
Deferred revenue and other	41,674	39,465
Forgiveable note payable, current	104,977	-
Line of credit	285,615	285,615
Total current liabilities	594,839	474,913
Forgiveable note payable, noncurrent	37,742	-
	632,581	474,913
 NET ASSETS		
Net assets without donor restrictions - undesignated	2,142,396	1,901,378
Net assets without donor restrictions - board designated	4,621,884	4,463,935
	6,764,280	6,365,313
Net assets with donor restrictions - purpose and time	348,706	313,697
Net assets with donor restrictions - perpetual	640,724	617,943
	989,430	931,640
	7,753,710	7,296,953
	\$ 8,386,291	\$ 7,771,866

**NORTH CASCADES INSTITUTE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

	Total	Without Donor Restrictions		With Donor Restrictions	
		Undesignated	Board Designated	Purpose and Time	Perpetual In Nature
SUPPORT AND REVENUE					
Contracts, tuition and fees, net	\$ 253,531	\$ 253,531	\$ -	\$ -	\$ -
Government grants	706,382	706,382	-	-	-
Contributions	460,337	223,685	-	213,871	22,781
In-kind contributions	121,082	121,082	-	-	-
NCELC Fund contribution	295,000	-	-	295,000	-
Foundation grants	412,800	168,300	-	244,500	-
Investment return	702,039	624,107	-	77,932	-
Bookstores, net	112,422	112,422	-	-	-
Rental income	23,904	23,904	-	-	-
	<u>3,087,497</u>	<u>2,233,413</u>	<u>-</u>	<u>831,303</u>	<u>22,781</u>
Net assets released from restrictions	-	796,294	-	(796,294)	-
Transfers of board designated funds	-	(157,949)	157,949	-	-
	<u>-</u>	<u>638,345</u>	<u>157,949</u>	<u>(796,294)</u>	<u>-</u>
 Total support and revenue	 <u>3,087,497</u>	 <u>2,871,758</u>	 <u>157,949</u>	 <u>35,009</u>	 <u>22,781</u>
EXPENSES					
Programs	2,173,266	2,173,266	-	-	-
Management and general	239,192	239,192	-	-	-
Fundraising	218,282	218,282	-	-	-
Total expenses	<u>2,630,740</u>	<u>2,630,740</u>	<u>-</u>	<u>-</u>	<u>-</u>
 CHANGE IN NET ASSETS	 456,757	 241,018	 157,949	 35,009	 22,781
NET ASSETS					
Beginning of the year	<u>7,296,953</u>	<u>1,901,378</u>	<u>4,463,935</u>	<u>313,697</u>	<u>617,943</u>
End of the year	<u>\$ 7,753,710</u>	<u>\$ 2,142,396</u>	<u>\$ 4,621,884</u>	<u>\$ 348,706</u>	<u>\$ 640,724</u>

**NORTH CASCADES INSTITUTE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

	Total	Without Donor Restrictions		With Donor Restrictions	
		Undesignated	Board Designated	Purpose and Time	Perpetual In Nature
SUPPORT AND REVENUE					
Contracts, tuition and fees, net	\$ 1,482,185	\$ 1,482,185	\$ -	\$ -	\$ -
Government grants	443,070	443,070	-	-	-
Contributions	437,559	116,837	-	258,397	62,325
In-kind contributions	271,475	271,475	-	-	-
NCELC Fund contribution	295,000	-	-	295,000	-
Foundation grants	325,238	38,238	-	287,000	-
Investment return	972,796	887,547	-	85,249	-
Bookstores, net	309,247	309,247	-	-	-
Rental income	51,269	51,269	-	-	-
	<u>4,587,839</u>	<u>3,599,868</u>	<u>-</u>	<u>925,646</u>	<u>62,325</u>
Net assets released from restrictions	-	1,023,321	-	(1,023,321)	-
Transfers of board designated funds	-	(259,663)	259,663	-	-
	<u>-</u>	<u>763,658</u>	<u>259,663</u>	<u>(1,023,321)</u>	<u>-</u>
 Total support and revenue	 <u>4,587,839</u>	 <u>4,363,526</u>	 <u>259,663</u>	 <u>(97,675)</u>	 <u>62,325</u>
EXPENSES					
Programs	3,261,238	3,261,238	-	-	-
Management and general	217,952	217,952	-	-	-
Fundraising	222,575	222,575	-	-	-
Total expenses	<u>3,701,765</u>	<u>3,701,765</u>	<u>-</u>	<u>-</u>	<u>-</u>
 CHANGE IN NET ASSETS	 886,074	 661,761	 259,663	 (97,675)	 62,325
NET ASSETS					
Beginning 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>
End of the year	<u>\$ 7,296,953</u>	<u>\$ 1,901,378</u>	<u>\$ 4,463,935</u>	<u>\$ 313,697</u>	<u>\$ 617,943</u>

**NORTH CASCADES INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	Program Services							Support Services				
	ELC	School	Graduate	Adult and Family	Youth	Conferences	Retail and Outreach	Skagit Tours and Other	Total Program	Management and General	Fund-raising	Total
Wages, taxes and benefits	\$ 617,307	\$ 340,562	\$ 3,889	\$ 127,916	\$ 127,143	\$ 93,982	\$ 179,642	\$ 133,976	\$ 1,624,417	\$ 144,512	\$ 197,692	\$ 1,966,621
Office and occupancy	97,612	10,978	78	3,993	3,617	2,676	11,484	4,396	134,834	1,457	6,077	142,368
Depreciation and amortization	78,097	3,438	36	1,352	1,132	1,341	7,555	1,300	94,251	16,232	-	110,483
Professional services	14,627	28,654	115	5,837	5,988	2,922	3,824	4,262	66,229	17,184	895	84,308
In-kind personnel, facilities and goods	58,930	484	-	-	1,243	-	-	22,600	83,257	-	325	83,582
Supplies and materials	42,275	7,632	110	1,009	3,968	316	5,876	3,769	64,955	-	1,316	66,271
Marketing and development	3,302	2,576	20	8,630	1,505	537	674	1,488	18,732	31,942	10,193	60,867
Communications	13,839	3,046	32	1,198	1,525	1,188	3,024	1,161	25,013	-	424	25,437
Travel	1,427	2,139	489	387	835	253	2,562	924	9,016	14,201	1,360	24,577
Credit card fees	341	453	104	4,020	21	1,378	10,197	59	16,573	5,538	-	22,111
Insurance	3,991	2,369	-	1,122	2,369	1,122	499	998	12,470	8,126	-	20,596
Vehicles	14,812	-	-	-	50	-	29	-	14,891	-	-	14,891
Interest	7,437	397	4	156	131	155	198	150	8,628	-	-	8,628
Total expenses	953,997	402,728	4,877	155,620	149,527	105,870	225,564	175,083	2,173,266	239,192	218,282	2,630,740
Scholarships and discounts	-	41,088	-	25	137,801	-	-	-	178,914	-	-	178,914
Cost of goods sold	-	-	-	-	-	-	111,730	-	111,730	-	-	111,730
Total functional expenses	\$ 953,997	\$ 443,816	\$ 4,877	\$ 155,645	\$ 287,328	\$ 105,870	\$ 337,294	\$ 175,083	\$ 2,463,910	\$ 239,192	\$ 218,282	\$ 2,921,384

See accompanying notes to financial statements.

NORTH CASCADES INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	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	\$ 700,515	\$ 572,246	\$ 166,929	\$ 174,945	\$ 173,391	\$ 115,580	\$ 176,143	\$ 104,837	\$ 2,184,586	\$ 159,037	\$ 190,318	\$ 2,533,941
Office and occupancy	107,956	15,546	4,002	4,645	3,573	2,504	10,997	2,763	151,986	1,739	5,028	158,753
Depreciation and amortization	73,839	6,895	1,485	2,222	1,314	1,801	3,872	908	92,336	18,092	-	110,428
Professional services	12,695	21,750	3,929	20,695	7,092	3,484	3,004	3,745	76,394	24,890	1,128	102,412
In-kind personnel, facilities and goods	79,070	140,510	8,264	5,720	17,953	9,715	1,064	716	263,012	4,230	4,233	271,475
Supplies and materials	212,829	16,745	3,266	3,549	14,871	3,984	5,652	10,365	271,261	-	2,046	273,307
Marketing and development	3,037	7,332	1,647	19,096	2,160	1,437	6,331	1,870	42,910	1,591	16,815	61,316
Communications	10,446	4,521	1,003	1,457	1,213	1,181	3,559	596	23,976	-	436	24,412
Travel	4,183	15,922	4,622	4,479	6,518	3,464	4,953	1,911	46,052	870	2,556	49,478
Credit card fees	-	719	619	5,752	441	4,988	24,851	3,863	41,233	137	15	41,385
Insurance	2,094	2,791	1,396	1,396	2,791	1,396	698	1,396	13,958	7,366	-	21,324
Vehicles	33,336	-	-	-	-	-	-	2,360	35,696	-	-	35,696
Interest	17,000	361	78	116	69	94	72	48.0	17,838	-	-	17,838
Total expenses	1,257,000	805,338	197,240	244,072	231,386	149,628	241,196	135,378	3,261,238	217,952	222,575	3,701,765
Scholarships and discounts	-	474,827	12,303	-	201,349	-	-	-	688,479	-	-	688,479
Cost of goods sold	-	-	-	-	-	-	411,098	-	411,098	-	-	411,098
Total functional expenses	\$ 1,257,000	\$ 1,280,165	\$ 209,543	\$ 244,072	\$ 432,735	\$ 149,628	\$ 652,294	\$ 135,378	\$ 4,360,815	\$ 217,952	\$ 222,575	\$ 4,801,342

See accompanying notes to financial statements.

NORTH CASCADES INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contracts, tuition, fees and other	\$ 487,324	\$ 1,834,522
Cash received from contributions and grants	1,838,812	1,639,648
Cash received from investment income	725,538	190,781
Cash paid to employees and suppliers	(2,450,871)	(3,373,133)
	600,803	291,818
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,972,067)	(197,650)
Proceeds from sales of investments	1,394,080	300,611
Purchase of property and equipment	(37,249)	(247,700)
	(615,236)	(144,739)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	-	(191,500)
Proceeds from forgivable note payable	142,719	-
Cash received for endowment	28,281	80,186
	171,000	(111,314)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	156,567	35,765
 CASH AND CASH EQUIVALENTS		
Beginning of the year	367,597	331,832
End of the year	\$ 524,164	\$ 367,597

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

Nature of Activities – North Cascades Institute (the Institute) is a not-for-profit Institute 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 environmental stewardship through transformative learning 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.
- **Connections** is an in-person outdoor program created during 2020's school closures to give elementary school students in Blaine, Mount Baker, and Bellingham school districts a chance to gather with their peers, receive free meals and help with school work, and learn about the natural world.
- **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.

Adult and Family Education:

- **Adult Classes and Field Excursions, Family Getaways, Base Camps, Skagit Tours, Online Classes**, and community events bring new audiences to the public lands of the North Cascades to learn, recreate, and be inspired.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

Adult and Family Education (continued):

- **Conferences and Retreats** Custom educational programs, lodging and meals at the Environmental Learning Center inspire reflection and connection to the natural world as well as to each other. We welcome conferences, events, retreats, workshops, trainings, reunions and other gatherings.
- **Community and Neighborhood** programs involve a broad variety of groups, ages, partnering Institutes and program types. Education activities are integrated into all programs to augment the projects and engage the participants. In 2020 the Institute and its partners created family nature bags that were handed out to 50 families in the spring and winter. They included items like binoculars, bird guides and wreath-making materials. Programs in 2020 included: Kulshan Creek Neighborhood Youth Program in Mount Vernon.
- **Bookstores** provide visitor services through retail sales. The Institute operates six retail stores around North Cascades National Park. Over 75,000 customers purchase books, maps, apparel and gifts to help them learn about the North Cascades. This partnership reaches larger, broader audiences to positively affect their lives through a deeper connection with nature.

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.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

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.

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 two to 15 years.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

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. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. For conditional contributions and grants with donor restriction, it is the Institute’s policy to recognize restricted conditional contributions in the net asset without donor restrictions class if the restrictions have been met in the same year.

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, 2020 and 2019.

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

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

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

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.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

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 Institute other than a private foundation under Section 509(a)(1).

Subsequent Events – The Institute evaluated subsequent events through June 11, 2021, which is the date the financial statements were available to be issued.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 2 – Liquidity and Availability

Financial assets available for general expenditure within one year of the statements of financial position date are as follows at December 31:

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 524,164	\$ 367,597
Investments	6,714,089	6,159,601
Accounts and contributions receivable	39,744	127,576
Total financial assets	7,277,997	6,654,774
Less those unavailable for general expenditures within one year:		
Receivable balances to be collected in future years	-	(5,500)
Restricted by donors with perpetual restrictions	(640,724)	(617,943)
Board designated endowment	(2,621,884)	(2,463,935)
Board reserve fund (unavailable without Board approval)	(2,000,000)	(2,000,000)
	(5,262,608)	(5,087,378)
Financial assets available within one year	\$ 2,015,389	\$ 1,567,396

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 – Long-Term Investments

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

	2020	2019
Cash equivalents and money market funds	\$ 366,417	\$ 233,934
Government backed securities	42,548	42,221
Corporate bonds	91,191	87,266
Bond mutual funds	1,687,195	1,767,040
Equity mutual funds	4,279,610	3,782,415
	\$ 6,466,961	\$ 5,912,876

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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:

	2020	2019
General pledges receivable due in less than a year	\$ 14,875	\$ 1,949
Endowment pledges receivable due in less than one year	-	5,500
	\$ 14,875	\$ 7,449

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 – Conditional Grants

In April 1991, the Institute entered into a contract with the National Park Service and the City of Seattle to develop and operate the Environmental Learning Center. See Note 12. This contract provides for \$500,000 in funds for maintenance of the grounds and facilities, \$600,000 for wildlife education programs at the Institute, and \$565,000 for vehicles leased from the City of Seattle. Each amount is stated in 1990 dollars, adjusted by the second half CPI-U index for the Seattle metropolitan area. Amounts are paid annually or quarterly to the Institute in accordance with the contract, contingent on the provision of payment calculations and support for expenses incurred. For the years ended December 31, 2020 and 2019, \$101,830 and \$103,967 was received for maintenance, respectively. For the years ended December 31, 2020 and 2019, \$44,367 and \$43,234 was received for wildlife education programs, respectively. For the years ended December 31, 2020 and 2019, \$48,879 and \$73,797 was received for vehicle leases, respectively. The remainder that the Institute will receive for maintenance cannot be reasonably determined given reimbursable costs are incurred by each party and the total amount to be spent each year is determined by the three parties. At December 31, 2020, the remainder of the wildlife education award is estimated to be \$188,797 and funds will be received through 2024. At December 31, 2020, the remainder of the vehicle leases award is estimated to be \$120,782 and funds will be received through 2024. As the remaining amounts represent conditional promises to give, these portions of the awards will not be recognized as revenue until the grantor conditions are met.

In 2020, the Institute received notice of a multi-year grant award for \$350,000, of which \$87,500 was received in the year ended December 31, 2019 and \$78,750 was received in the year ended December 31, 2020. The remainder of the total award of \$183,750 will be distributed in future years contingent on the Institute’s completion of terms and conditions set forth in the grant. As the \$183,750 remainder represents a conditional promise to give, this portion of the award will not be recognized as revenue until the grantor conditions are met.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 6 – Property and Equipment

Property and equipment consists of the following at December 31:

	2020	2019
Buildings	\$ 870,385	\$ 870,385
Equipment	542,613	505,364
Program equipment	82,919	82,919
Furniture	227,984	227,984
Vehicles	168,498	168,498
Leasehold improvements	135,909	135,909
	<u>2,028,308</u>	<u>1,991,059</u>
Less: accumulated depreciation and amortization	<u>(1,291,041)</u>	<u>(1,180,558)</u>
	737,267	810,501
Land	112,807	137,807
	<u>\$ 850,074</u>	<u>\$ 948,308</u>

Note 7 – Forgivable Note Payable

The Institute entered into a Small Business Administration Paycheck Protection Program note payable with a bank on April 29, 2020 for \$466,900 with a maturity date of April 29, 2022, if conditions are not met. The note is unsecured with an interest rate of 1%. The note can be forgiven if the Organization meets certain criteria and applies for forgiveness with the Small Business Administration. In the year ended December 31, 2020 \$324,181 of the balance was forgiven. The remaining balance of \$142,719 is due in monthly installments of \$9,633 beginning in February 2021. \$104,977 is scheduled to be paid in the year ended December 31, 2021 and the remaining \$37,742 is scheduled to be paid in the year ended December 31, 2022.

Note 8 – 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 2.00% and 3.20% at December 31, 2020 and 2019, 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, 2020 AND 2019**

Note 9 – 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:

	2020	2019
Board designated endowment	\$ 2,621,884	\$ 2,463,935
Operating reserve	2,000,000	2,000,000
	\$ 4,621,884	\$ 4,463,935

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

Note 10 – 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:

	2020	2019
Restricted for a specified purpose or passage of time:		
Youth and school programs	\$ 171,550	\$ 177,088
Unappropriated endowment investment return	127,511	77,950
Community and neighborhood	2,500	30,000
Environmental Learning Center	32,270	21,210
Pledges to be used over future periods	14,875	7,449
	348,706	313,697
Perpetual in nature:		
Endowment	640,724	617,943
Total net assets with donor restrictions	\$ 989,430	\$ 931,640

Note 11 – 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.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 11 – Endowment (continued)

The Board of Directors of the Institute has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation 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, 2020 and 2019.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 11 – Endowment (continued)

Endowment net assets composition by type of fund as of December 31, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose and Time	Perpetual	
Donor Restricted Endowment Funds				
North Cascades Conservation Council Founders Fund	\$ -	\$ 12,477	\$ 40,000	\$ 52,477
Youth Leadership Fund (Ginny Darvill)	-	48,600	170,000	218,600
John Miles Scholarship Fund	-	4,532	23,811	28,343
Darby Foundation Scholarship Fund	-	17,360	80,000	97,360
Weisberg Family Fund	-	9,441	50,021	59,462
Cook & Sullivan Fund	-	5,198	25,000	30,198
Gary Peterson Memorial Fund	-	5,017	26,268	31,285
Brian Scheuch's Memorial Fund	-	3,551	25,904	29,455
Nugent Family Fund	-	9,204	100,000	109,204
Andrew Goodwill Murphy Memorial Fund	-	4,381	46,023	50,404
Campbell and Dalton Fund	-	5,720	31,639	37,359
Jean Gorton Memorial Fund	-	2,030	22,058	24,088
Board Designated Endowment Funds				
Conservation Education Fund	1,970,428	-	-	1,970,428
Nugent Family Fund	630,537	-	-	630,537
John Miles Memorial Fund	20,919	-	-	20,919
	<u>\$2,621,884</u>	<u>\$ 127,511</u>	<u>\$ 640,724</u>	<u>\$3,390,119</u>

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 11 – Endowment (continued)

Endowment net assets composition by type of fund as of December 31, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose and Time	Perpetual	
Donor Restricted Endowment Funds				
North Cascades Conservation Council Founders Fund	\$ -	\$ 9,166	\$ 40,000	\$ 49,166
Youth Leadership Fund (Ginny Darvill)	-	34,805	170,000	204,805
John Miles Scholarship Fund	-	2,728	23,811	26,539
Darby Foundation Scholarship Fund	-	11,209	80,000	91,209
Weisberg Family Fund	-	5,480	45,080	50,560
Cook & Sullivan Fund	-	3,049	15,000	18,049
Gary Peterson Memorial Fund	-	3,095	26,238	29,333
Brian Scheuch's Memorial Fund	-	1,450	20,805	22,255
Nugent Family Fund	-	2,275	100,000	102,275
Andrew Goodwill Murphy Memorial Fund	-	1,104	43,313	44,417
Campbell and Dalton Fund	-	3,087	31,639	34,726
Jean Gorton Memorial Fund	-	502	22,057	22,559
Board Designated Endowment Funds				
Conservation Education Fund	1,851,725	-	-	1,851,725
Nugent Family Fund	592,552	-	-	592,552
John Miles Memorial Fund	19,658	-	-	19,658
	<u>\$2,463,935</u>	<u>\$ 77,950</u>	<u>\$ 617,943</u>	<u>\$3,159,828</u>

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 11 – Endowment (continued)

Changes in endowment net assets for the years ended December 31, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose and Time	Perpetual	
Endowment net assets, 12/31/2018	\$2,204,272	\$ 19,590	\$ 555,618	\$2,779,480
Contributions	-	-	62,325	62,325
Investment income, net of fees	27,300	7,688	-	34,988
Net realized and unrealized losses	335,027	77,562	-	412,589
Amounts appropriated for expenditure	(102,664)	(26,890)	-	(129,554)
Endowment net assets, 12/31/2019	2,463,935	77,950	617,943	3,159,828
Contributions	-	-	22,781	22,781
Investment income, net of fees	276,476	80,543	-	357,019
Net realized and unrealized losses	(8,953)	(2,611)	-	(11,564)
Amounts appropriated for expenditure	(109,574)	(28,371)	-	(137,945)
Endowment net assets, 12/31/2020	<u>2,621,884</u>	<u>127,511</u>	<u>640,724</u>	<u>3,390,119</u>

Note 12 – 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, 2020 AND 2019**

Note 13 – 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 Institutes 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 Institutes. 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 \$295,000 from the Fund during the each years ended December 31, 2020 and 2019, respectively. The balance of the Fund as of December 31, 2020 and 2019 is \$1,361,878 and \$1,361,878, respectively.

Note 14 – Donated Services and Facilities

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

	2020	2019
Environmental Learning Center operations	\$ 96,430	\$ 28,012
Youth and School Programs	22,600	152,125
Other programs	2,052	80,215
Adult and Family Education	-	4,005
Graduate Program	-	7,118
	\$ 121,082	\$ 271,475
Donated services	\$ 22,600	\$ 159,609
Donated goods	2,052	34,408
Donated facilities and equipment usage	96,430	77,458
	\$ 121,082	\$ 271,475

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 15 – 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:

	2020	2019
Gross contracts, tuition and fees	\$ 432,445	\$ 2,170,664
Less: cost of scholarships and discounts	(178,914)	(688,479)
	<u>\$ 253,531</u>	<u>\$ 1,482,185</u>
Gross bookstores sales	\$ 224,152	\$ 720,345
Less: cost of goods sold	(111,730)	(411,098)
	<u>\$ 112,422</u>	<u>\$ 309,247</u>

Note 16 – 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, 2020 and 2019 were \$71,119 and \$85,787, respectively.

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, 2021. 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.

Note 18 – Concentrations

At December 31, 2020, 86% of accounts receivable was due from two organizations. At December 31, 2019, 37% of accounts receivable was due from a single organization.

**NORTH CASCADES INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

Note 19 – Risks and Uncertainties

In December 2019, a novel strain of coronavirus (COVID-19) was discovered. On March 11, 2020, the World Health Organization declared the outbreak to be a global pandemic. The extent of the impact of COVID-19 on the Institute’s programs and operations will depend on many factors. The Institute will track the duration and spread of the outbreak and its impact on employees, program participants, donors, partners, and other stakeholders, and take all appropriate actions.

Prior to March 2020, the Institute offered a suite of educational programs, as described in Note 1, to school groups and individuals of all ages. After the COVID-19 pandemic hit in March 2020, the Institute cancelled most in-person programs at the North Cascades Environmental Learning Center in order to protect the health and safety of the Institute’s staff and participants. This resulted in loss of anticipated revenue and the need for extensive staff furloughs and reductions in hours. The pandemic was expected to have a dramatic impact on the Institute’s budget. However, the Institute ended the year ended December 31, 2020 much stronger than initially expected due to careful management of budget, receiving a Paycheck Protection Loan from the Small Business Administration, and the incredible generosity of individual and foundation donors. One positive thing to come out of the cancellation of in-person programs was the opportunity to develop new ways of achieving the Institute’s mission through offering online and hybrid programming to engage our community in their “nature nearby.”