

**NORTH CASCADES INSTITUTE**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2021 AND 2020**



## INDEPENDENT AUDITORS' REPORT

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

### **Opinion**

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, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Cascades Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Cascades Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 North Cascades Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Cascades Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Jones & Associates PLLC, CPAs*

Jones & Associates PLLC, CPAs  
July 7, 2022

**NORTH CASCADES INSTITUTE  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 461,412	\$ 524,164
Short-term investments	247,333	247,128
Accounts receivable	69,949	24,869
Contributions and grants receivable	11,409	14,875
Inventory and other	217,252	258,220
Total current assets	1,007,355	1,069,256
Long-term investments	8,210,591	6,466,961
Property and equipment, net	805,539	850,074
	\$ 10,023,485	\$ 8,386,291
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 28,863	\$ 55,223
Accrued expenses	143,302	107,350
Deferred revenue and other	61,191	41,674
Forgivable note payable, current	38,577	104,977
Line of credit	285,615	285,615
Total current liabilities	557,548	594,839
Forgivable note payable, noncurrent	-	37,742
	557,548	632,581
 <b>NET ASSETS</b>		
Net assets without donor restrictions - undesignated	2,985,274	2,142,396
Net assets without donor restrictions - board designated	5,221,582	4,621,884
	8,206,856	6,764,280
Net assets with donor restrictions - purpose and time	426,409	348,706
Net assets with donor restrictions - perpetual	832,672	640,724
	1,259,081	989,430
	9,465,937	7,753,710
	\$ 10,023,485	\$ 8,386,291

**NORTH CASCADES INSTITUTE  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

	Total	Without Donor Restrictions		With Donor Restrictions	
		Undesignated	Board Designated	Purpose and Time	Perpetual In Nature
<b>SUPPORT AND REVENUE</b>					
Contracts, tuition and fees, net	\$ 640,881	\$ 640,881	\$ -	\$ -	\$ -
Government grants	1,581,203	1,581,203	-	-	-
Contributions	588,671	139,725	-	256,998	191,948
In-kind contributions	87,294	87,294	-	-	-
NCELC Fund contribution	295,000	-	-	295,000	-
Foundation grants	333,884	139,500	-	194,384	-
Investment return	920,980	822,699	-	98,281	-
Bookstores, net	371,933	371,933	-	-	-
Rental income	42,656	42,656	-	-	-
	<u>4,862,502</u>	<u>3,825,891</u>	<u>-</u>	<u>844,663</u>	<u>191,948</u>
Net assets released from restrictions	-	766,960	-	(766,960)	-
Transfers of board designated funds	-	(599,698)	599,698	-	-
	<u>-</u>	<u>167,262</u>	<u>599,698</u>	<u>(766,960)</u>	<u>-</u>
Total support and revenue	<u>4,862,502</u>	<u>3,993,153</u>	<u>599,698</u>	<u>77,703</u>	<u>191,948</u>
<b>EXPENSES</b>					
Programs	2,466,414	2,466,414	-	-	-
Management and general	279,741	279,741	-	-	-
Fundraising	404,120	404,120	-	-	-
Total expenses	<u>3,150,275</u>	<u>3,150,275</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	1,712,227	842,878	599,698	77,703	191,948
<b>NET ASSETS</b>					
Beginning 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>
End of the year	<u>\$ 9,465,937</u>	<u>\$ 2,985,274</u>	<u>\$ 5,221,582</u>	<u>\$ 426,409</u>	<u>\$ 832,672</u>

**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
<b>SUPPORT AND REVENUE</b>					
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>
<b>EXPENSES</b>					
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
<b>NET ASSETS</b>					
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 FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	Program Services							Support Services			
	ELC	School	Adult and Family	Youth	Conferences	Retail and Outreach	Skagit Tours and Other	Total Program	Management and General	Fund-raising	Total
Wages, taxes and benefits	\$ 492,685	\$ 240,945	\$ 304,781	\$ 231,748	\$ 154,478	\$ 206,285	\$ 177,305	\$ 1,808,227	\$ 103,540	\$ 334,155	\$ 2,245,922
In-kind personnel, facilities and goods	27,495	6,017	11,483	9,903	5,752	3,636	4,193	68,479	91,450	9,126	169,055
Office and occupancy	61,729	6,393	30,191	3,935	20,147	3,166	6,460	132,021	3,205	4,041	139,267
Professional services	12,245	5,636	14,409	5,921	2,258	3,409	34,079	77,957	21,307	20,968	120,232
Supplies and materials	34,905	4,113	16,111	20,418	10,897	4,602	11,008	102,054	1,353	7,419	110,826
Depreciation and amortization	43,833	2,113	19,596	935	13,883	10,717	2,911	93,988	11,683	1,451	107,122
Travel	11,252	4,349	3,461	4,712	1,324	3,721	8,545	37,364	34,976	6,564	78,904
Marketing and development	1,424	1,905	13,136	1,873	992	14,096	2,223	35,649	2,070	16,519	54,238
Credit card fees	-	268	8,687	1,021	1,585	26,197	2,649	40,407	72	517	40,996
Vehicles	13,130	438	6,977	736	5,047	-	792	27,120	730	1,400	29,250
Communications	9,313	1,385	3,429	1,506	2,095	1,378	2,374	21,480	1,821	1,960	25,261
Insurance	2,974	2,467	2,947	2,381	2,571	794	1,742	15,876	5,707	-	21,583
Interest	5,792	-	-	-	-	-	-	5,792	1,827	-	7,619
Total expenses	716,777	276,029	435,208	285,089	221,029	278,001	254,281	2,466,414	279,741	404,120	3,150,275
Scholarships and discounts	-	77,105	47	258,594	-	-	-	335,746	-	-	335,746
Cost of goods sold	-	-	-	-	-	385,744	-	385,744	-	-	385,744
Total functional expenses	\$ 716,777	\$ 353,134	\$ 435,255	\$ 543,683	\$ 221,029	\$ 663,745	\$ 254,281	\$ 3,187,904	\$ 279,741	\$ 404,120	\$ 3,871,765

*See accompanying notes to financial statements.*

**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	150.0	8,628	-	-	8,628
<b>Total expenses</b>	<b>953,997</b>	<b>402,728</b>	<b>4,877</b>	<b>155,620</b>	<b>149,527</b>	<b>105,870</b>	<b>225,564</b>	<b>175,083</b>	<b>2,173,266</b>	<b>239,192</b>	<b>218,282</b>	<b>2,630,740</b>
Scholarships and discounts	-	41,088	-	25	137,801	-	-	-	178,914	-	-	178,914
Cost of goods sold	-	-	-	-	-	-	111,730	-	111,730	-	-	111,730
<b>Total functional expenses</b>	<b>\$ 953,997</b>	<b>\$ 443,816</b>	<b>\$ 4,877</b>	<b>\$ 155,645</b>	<b>\$ 287,328</b>	<b>\$ 105,870</b>	<b>\$ 337,294</b>	<b>\$ 175,083</b>	<b>\$ 2,463,910</b>	<b>\$ 239,192</b>	<b>\$ 218,282</b>	<b>\$ 2,921,384</b>

*See accompanying notes to financial statements.*



**NORTH CASCADES INSTITUTE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contracts, tuition, fees and other	\$ 1,029,907	\$ 487,324
Cash received from contributions and grants	2,610,276	1,514,631
Cash received from investment income	388,843	725,538
Cash paid to employees and suppliers	(2,905,299)	(2,450,871)
	<u>1,123,727</u>	<u>276,622</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(1,266,659)	(1,972,067)
Proceeds from sales of investments	54,961	1,394,080
Purchase of property and equipment	(62,587)	(37,249)
	<u>(1,274,285)</u>	<u>(615,236)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from forgivable notes payable	-	466,900
Principal payment on note payable	(104,142)	-
Cash received for endowment	191,948	28,281
	<u>87,806</u>	<u>495,181</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(62,752)</b>	<b>156,567</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of the year	524,164	367,597
End of the year	<u>\$ 461,412</u>	<u>\$ 524,164</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Note forgiveness	<u>\$ 289,378</u>	<u>\$ 324,181</u>

**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 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. Opened in 2005, the Learning Center 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.

**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. Spring Mountain School was canceled due to the pandemic; however, a hybrid Mountain School model was introduced in the fall that provided local schools with a combination of an online orientation along with an in-person day trip to either the Environmental Learning Center or a park close to the students’ school. Snow and Forest Schools were canceled.
- **Connections** provides Whatcom County students opportunities to explore, learn, and connect with each other outdoors near their school. Connections began during the school closures last fall when nonprofits banded together to address academic inequities magnified by the pandemic, and continues to address community needs as in-person learning returns.
- **Youth Leadership Adventures** fosters conservation values, community engagement, and appreciation for our public lands in underserved high school students. Through immersion in an alpine environment shaped by glaciers, local teenagers are inspired to manifest a hopeful, joyful, and sustainable future for the North Cascades ecosystem and the people who are part of it.

**Adult and Family Education:**

- **Adult Classes and Field Excursions, Family Getaways, Base Camps, Skagit Tours, Online Classes, and Stewardship Weekends** bring new audiences to the public lands of the North Cascades to learn, recreate, and be inspired through community and multimedia events, such as educational videos, streaming literary and poetry readings.
- **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.

**NORTH CASCADES INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

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

- **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 2021 the Institute participated in Kulshan Creek Neighborhood Youth Program events in Mount Vernon.
- **Bookstores** provide visitor services through retail sales. The Institute operates six retail stores around North Cascades National Park. In 2021, a record number of customers purchased 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 and the programs of the Institute.

**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

**NORTH CASCADES INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

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

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.

**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.

**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

**NORTH CASCADES INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

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

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, 2021 and 2020.

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.

**Donated Personal Services** – Donated personal 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.

**NORTH CASCADES INSTITUTE  
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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies** (continued)

**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 July 7, 2022, which is the date the financial statements were available to be issued.

**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:

	2021	2020
Financial Assets		
Cash and cash equivalents	\$ 461,412	\$ 524,164
Investments	8,457,924	6,714,089
Accounts and contributions receivable	81,358	39,744
Total financial assets	<u>9,000,694</u>	<u>7,277,997</u>
Less those unavailable for general expenditures within one year:		
Receivable balances to be collected in future years	-	-
Restricted by donors with perpetual restrictions	(832,672)	(640,724)
Board designated endowment	(3,221,582)	(2,621,884)
Board reserve fund (unavailable without Board approval)	<u>(2,000,000)</u>	<u>(2,000,000)</u>
	<u>(6,054,254)</u>	<u>(5,262,608)</u>
Financial assets available within one year	<u>\$ 2,946,440</u>	<u>\$ 2,015,389</u>

**NORTH CASCADES INSTITUTE  
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**Note 2 – Liquidity and Availability (continued)**

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:

	2021	2020
Cash equivalents and money market funds	\$ 342,653	\$ 366,417
Government backed securities	41,496	42,548
Corporate bonds	145,769	91,191
Bond mutual funds	2,521,069	1,687,195
Equity mutual funds	5,159,604	4,279,610
	<u>\$ 8,210,591</u>	<u>\$ 6,466,961</u>

**Note 4 – 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, 2021 and 2020, \$64,610 and \$101,830 was received for maintenance, respectively. For the years ended December 31, 2021 and 2020, \$45,157 and \$44,367 was received for wildlife education programs, respectively. For the years ended December 31, 2021 and 2020, \$28,889 and \$48,879 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, 2021, the remainder of the wildlife education award is estimated to be \$143,400 and funds will be received through 2024. At December 31, 2021, the remainder of the vehicle leases award is estimated to be \$91,740 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.

**NORTH CASCADES INSTITUTE  
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**Note 4 – Conditional Grants (continued)**

In 2020, the Institute received notice of a multi-year grant award for \$350,000, of which \$78,750 was received in the year ended December 31, 2020 and \$61,250 was received in the year ended December 31, 2021. The remainder of the total award of \$122,500 will be distributed in future years contingent on the Institute’s completion of terms and conditions set forth in the grant. As the \$122,500 remainder represents a conditional promise to give, this portion of the award will not be recognized as revenue until the grantor conditions are met.

In 2021, the Institute received a multi-year grant award for \$150,000, of which \$72,399 was received in the year ended December 31, 2021. The remainder of the total award of \$77,601 will be distributed in future years contingent on the Institute’s completion of terms and conditions set forth in the grant. As the \$77,601 remainder represents a conditional promise to give, this portion of the award will not be recognized as revenue until the grantor conditions are met.

**Note 5 – Property and Equipment**

Property and equipment consists of the following at December 31:

	2021	2020
Buildings	\$ 870,384	\$ 870,385
Equipment	554,633	542,613
Program equipment	132,136	82,919
Furniture	227,984	227,984
Vehicles	168,498	168,498
Leasehold improvements	135,909	135,909
	<u>2,089,544</u>	<u>2,028,308</u>
Less: accumulated depreciation and amortization	<u>(1,396,812)</u>	<u>(1,291,041)</u>
	692,732	737,267
Land	112,807	112,807
	<u>\$ 805,539</u>	<u>\$ 850,074</u>



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**Note 6 – 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 not forgiven is due in monthly installments of \$9,633 beginning in February 2021. The balance due as of December 31, 2021 and 2020, was \$38,577 and \$104,977, respectively. The remaining balance of \$38,577 is scheduled to be paid in the year ended December 31, 2022.

The Institute entered into an additional Small Business Administration Paycheck Protection Program note payable with a bank on February 22, 2021, for \$289,378. The note was forgiven in full in the year ended December 31, 2021.

**Note 7 – 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, 2021 and 2020, respectively. The line of credit is secured by all cash and investments of the Institute not subject to donor restrictions.

**Note 8 – 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:

	2021	2020
Board designated endowment	\$ 3,221,582	\$ 2,621,884
Operating reserve	2,000,000	2,000,000
	<u>\$ 5,221,582</u>	<u>\$ 4,621,884</u>

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

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**Note 9 – 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:

	2021	2020
Restricted for a specified purpose or passage of time:		
Youth and school programs	\$ 186,600	\$ 171,550
Unappropriated endowment investment return	193,770	127,511
Community and neighborhood	2,500	2,500
Environmental Learning Center	19,350	32,270
Mountain school	12,780	-
Pledges to be used over future periods	11,409	14,875
	426,409	348,706
Perpetual in nature:		
Endowment	832,672	640,724
Total net assets with donor restrictions	\$ 1,259,081	\$ 989,430

**Note 10 – 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 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

**NORTH CASCADES INSTITUTE  
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**Note 10 – Endowment** (continued)

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, 2021 and 2020.

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**Note 10 – Endowment** (continued)

Endowment net assets composition by type of fund as of December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose and Time	Perpetual	
<b>Donor Restricted Endowment Funds</b>				
North Cascades Conservation Council Founders Fund	\$ -	\$ 16,173	\$ 40,000	\$ 56,173
Youth Leadership Fund (Ginny Darvill)	-	63,996	170,000	233,996
John Miles Scholarship Fund	-	6,530	23,811	30,341
Darby Foundation Scholarship Fund	-	24,217	80,000	104,217
Weisberg Family Fund	-	14,388	57,021	71,409
Cook - Sullivan Fund	-	7,615	26,500	34,115
Gary Peterson Memorial Fund	-	7,217	26,268	33,485
Brian Scheuch Memorial Fund	-	5,863	27,505	33,368
Nugent Family Fund	-	16,899	100,000	116,899
Andrew Goodwill Murphy Memorial Fund	-	8,065	46,973	55,038
Campbell - Dalton Fund	-	9,727	45,639	55,366
Jean Gorton Memorial Fund	-	3,727	22,058	25,785
Saul Weisberg Catalyst Fund	-	9,353	166,897	176,250
<b>Board Designated Endowment Funds</b>				
Conservation Education Fund	2,103,658	-	-	2,103,658
Nugent Family Fund	673,170	-	-	673,170
John Miles Scholarship Fund	22,333	-	-	22,333
Saul Weisberg Catalyst Fund	422,421	-	-	422,421
	<u>\$3,221,582</u>	<u>\$ 193,770</u>	<u>\$ 832,672</u>	<u>\$4,248,024</u>

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**Note 10 – 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	
<b>Donor Restricted Endowment Funds</b>				
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 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 - Dalton Fund	-	5,720	31,639	37,359
Jean Gorton Memorial Fund	-	2,030	22,058	24,088
<b>Board Designated Endowment Funds</b>				
Conservation Education Fund	1,970,428	-	-	1,970,428
Nugent Family Fund	630,537	-	-	630,537
John Miles Scholarship 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  
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**Note 10 – Endowment (continued)**

Changes in endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose and Time	Perpetual	
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	2,621,884	127,511	640,724	3,390,119
Contributions	400,000	-	191,948	591,948
Investment income, net of fees	133,436	41,459	-	174,895
Net realized and unrealized losses	182,893	56,823	-	239,716
Amounts appropriated for expenditure	(116,631)	(32,023)	-	(148,654)
Endowment net assets, 12/31/2021	<u>\$3,221,582</u>	<u>\$ 193,770</u>	<u>\$ 832,672</u>	<u>\$4,248,024</u>

**Note 11 – 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  
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**Note 12 – 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, 2021 and 2020, respectively. The balance of the Fund as of December 31, 2021 and 2020 is \$1,017,485 and \$1,166,312, respectively.

**Note 13 – Donated Services and Facilities**

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

	2021	2020
Other programs	\$ 50,750	\$ 2,052
Environmental Learning Center operations	28,338	96,430
Youth and School Programs	8,206	22,600
	\$ 87,294	\$ 121,082
Donated goods	\$ 50,750	\$ 2,052
Donated facilities and equipment usage	28,338	96,430
Donated personal services	8,206	22,600
	\$ 87,294	\$ 121,082

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**Note 14 – 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:

	2021	2020
Gross contracts, tuition and fees	\$ 976,627	\$ 432,445
Less: cost of scholarships and discounts	(335,746)	(178,914)
	<u>\$ 640,881</u>	<u>\$ 253,531</u>
Gross bookstores sales	\$ 757,677	\$ 224,152
Less: cost of goods sold	(385,744)	(111,730)
	<u>\$ 371,933</u>	<u>\$ 112,422</u>

**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, 2021 and 2020 were \$70,807 and \$71,119, respectively.

**Note 16 – Cooperative Agreements**

The Institute operates under an annually renewable *Cooperative Agreement* with the National Park Service that expires December 31, 2022. 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 ten-year *Cooperating Association Agreement* that expires December 31, 2032. 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 17 – Concentrations**

At December 31, 2021 and 2020, 82% and 86%, respectively, of accounts receivable was due from two organizations.



**NORTH CASCADES INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
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**Note 18 – Risks and Uncertainties**

In 2021, the Institute continued to be deeply affected by the COVID-19 pandemic. Impacts included reduced capacity at the North Cascades Environmental Learning Center for staff and program participants, School Programs cancellations (Spring Mountain, Snow and Forest School) and closed or reduced-hours at retail outlets. Institute operations and programming were modified to align with the evolving policies of our partners at the National Park Service, Seattle City Light, US Forest Service and local school districts.

Through the creativity and resiliency of Institute staff, many programs in the Summer and Fall were restarted at reduced capacity and with rigorous COVID-19 safety measures, including a vaccine requirement for staff and participants. Youth Leadership Adventures, Skagit Tours, Family Getaways, Adult in-person classes, Fall Mountain School, Base Camp and Conferences & Retreats were all able to partially reopen and welcome back students, teachers, families and small groups. At the start of the pandemic, we initiated Online Classes via Zoom, which continue to reach thousands of people around the country with unique virtual learning opportunities.