

NORTH CASCADES INSTITUTE

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2025 AND 2024



NORTH CASCADES INSTITUTE

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

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INDEPENDENT AUDITOR'S REPORT

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, 2025 and 2024, and the related statements of activities, functional expenses 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, 2025 and 2024 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 audits. 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 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.

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.

Auditors' 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.

Jacobson Jarvis & Co, PLLC

Jacobson Jarvis & Co, PLLC
Seattle, Washington
May 6, 2026

NORTH CASCADES INSTITUTE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2025 AND 2024

<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
Current Assets		
Cash and cash equivalents	\$ 333,717	\$ 446,890
Short-term investments	104,995	149,118
Accounts receivable	122,863	68,644
Contributions and grants receivable	319	12,712
Inventory and other	304,438	341,211
Total Current Assets	<u>866,332</u>	<u>1,018,575</u>
Long-term Investments	8,299,040	7,538,630
Right of Use Asset - Operating Lease	38,689	96,722
Property and Equipment, net	652,708	580,647
	<u>\$ 9,856,769</u>	<u>\$ 9,234,574</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current Liabilities		
Accounts payable	\$ 22,602	\$ 40,634
Accrued expenses	249,664	205,997
Deferred revenue and other	42,280	59,517
Operating lease liability	41,156	59,955
Total Current Liabilities	<u>355,702</u>	<u>366,103</u>
Operating Lease Liability, less current portion	<u>-</u>	<u>41,156</u>
Total Liabilities	355,702	407,259
Net Assets		
Net assets without donor restrictions - undesignated	2,547,029	2,331,176
Net assets without donor restrictions - board designated	5,496,786	5,198,919
	<u>8,043,815</u>	<u>7,530,095</u>
Net assets with donor restrictions - purpose and time	356,919	249,453
Net assets with donor restrictions - perpetual	1,100,333	1,047,767
	<u>1,457,252</u>	<u>1,297,220</u>
Total Net Assets	<u>9,501,067</u>	<u>8,827,315</u>
	<u>\$ 9,856,769</u>	<u>\$ 9,234,574</u>

See notes to financial statements.

NORTH CASCADES INSTITUTE

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025					2024				
	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>			<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>		
	<u>Undesignated</u>	<u>Board Designated</u>	<u>Purpose and Time</u>	<u>Perpetual in Nature</u>	<u>Total</u>	<u>Undesignated</u>	<u>Board Designated</u>	<u>Purpose and Time</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Support and Revenue										
Contracts, tuition and fees, net of scholarships and discounts of \$476,948 and \$550,201	\$ 1,303,038	\$ -	\$ -	\$ -	\$ 1,303,038	\$ 1,269,454	\$ -	\$ -	\$ -	\$ 1,269,454
Government grants	385,302	-	409,000	-	794,302	307,410	-	-	-	307,410
Contributions	445,844	-	154,074	52,566	652,484	118,789	-	600,533	64,086	783,408
In-kind contributions	89,826	-	-	-	89,826	87,480	-	-	-	87,480
NCELC Fund contribution	-	-	70,716	-	70,716	-	-	260,000	-	260,000
Foundation grants	79,000	-	375,182	-	454,182	383,623	-	17,713	-	401,336
Investment return	782,230	-	125,806	-	908,036	627,646	-	99,817	-	727,463
Bookstores, net of cost of goods sold of \$909,233 and \$683,293	951,091	-	-	-	951,091	688,587	-	-	-	688,587
Rental income	63,606	-	-	-	63,606	68,414	-	-	-	68,414
Other income	7,955	-	-	-	7,955	4,311	-	-	-	4,311
	<u>4,107,892</u>	<u>-</u>	<u>1,134,778</u>	<u>52,566</u>	<u>5,295,236</u>	<u>3,555,714</u>	<u>-</u>	<u>978,063</u>	<u>64,086</u>	<u>4,597,863</u>
Net assets released from purpose restrictions	1,014,600	-	(1,014,600)	-	-	997,239	-	(997,239)	-	-
Net assets released from time restrictions	12,712	-	(12,712)	-	-	1,910	-	(1,910)	-	-
Transfers of board designated funds	(297,867)	297,867	-	-	-	(368,978)	368,978	-	-	-
	<u>729,445</u>	<u>297,867</u>	<u>(1,027,312)</u>	<u>-</u>	<u>-</u>	<u>630,171</u>	<u>368,978</u>	<u>(999,149)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	4,837,337	297,867	107,466	52,566	5,295,236	4,185,885	368,978	(21,086)	64,086	4,597,863
Expenses										
Program services	3,859,267	-	-	-	3,859,267	3,465,001	-	-	-	3,465,001
Management and general	437,469	-	-	-	437,469	444,552	-	-	-	444,552
Fundraising	324,748	-	-	-	324,748	299,493	-	-	-	299,493
Total Expenses	<u>4,621,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,621,484</u>	<u>4,209,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,209,046</u>
Change in Net Assets	215,853	297,867	107,466	52,566	673,752	(23,161)	368,978	(21,086)	64,086	388,817
Net Assets - Beginning of Year	<u>2,331,176</u>	<u>5,198,919</u>	<u>249,453</u>	<u>1,047,767</u>	<u>8,827,315</u>	<u>2,354,337</u>	<u>4,829,941</u>	<u>270,539</u>	<u>983,681</u>	<u>8,438,498</u>
Net Assets - End of Year	<u>\$ 2,547,029</u>	<u>\$ 5,496,786</u>	<u>\$ 356,919</u>	<u>\$ 1,100,333</u>	<u>\$ 9,501,067</u>	<u>\$ 2,331,176</u>	<u>\$ 5,198,919</u>	<u>\$ 249,453</u>	<u>\$ 1,047,767</u>	<u>\$ 8,827,315</u>

NORTH CASCADES INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2025

	Program Services							Support Services			
	Environmental Learning Center	Mountain School	Adult and Family	Youth Leadership	Conferences	Retail	Skagit Tours	Total Program	Management and General	Fund-raising	Total
Wages, taxes and benefits	\$ 603,231	\$ 680,696	\$ 350,110	\$ 342,538	\$ 221,470	\$ 440,930	\$ 137,776	\$ 2,776,751	\$ 330,634	\$ 275,916	\$ 3,383,301
Office and occupancy	102,801	91,127	38,997	8,860	31,259	27,735	7,062	307,841	4,978	13,492	326,311
Supplies and materials	72,625	63,817	28,350	15,056	20,111	5,901	3,202	209,062	3,117	1,406	213,585
Professional services	21,034	11,944	18,632	8,592	3,309	10,384	2,565	76,460	54,648	5,309	136,417
Depreciation and amortization	35,400	27,483	11,654	538	9,834	2,527	1,520	88,956	7,163	-	96,119
In-kind personnel, facilities and goods	31,744	25,558	12,402	2,445	9,154	-	1,251	82,554	3,750	3,522	89,826
Credit card fees	-	1,577	9,103	1,383	5,562	60,982	6,232	84,839	128	971	85,938
Marketing and development	5,417	4,650	12,279	3,454	3,119	33,100	2,677	64,696	4,446	16,095	85,237
Communications	18,823	8,392	4,809	4,517	2,742	6,466	1,639	47,388	5,094	4,208	56,690
Vehicles	14,984	13,032	5,463	6,848	4,681	59	5,696	50,763	-	1,250	52,013
Insurance	5,125	11,339	7,143	5,417	3,284	1,806	2,008	36,122	12,336	-	48,458
Travel	10,951	6,748	3,524	3,427	2,018	6,231	936	33,835	11,175	2,579	47,589
	922,135	946,363	502,466	403,075	316,543	596,121	172,564	3,859,267	437,469	324,748	4,621,484
Expenses netted with revenues:											
Scholarships and discounts	-	153,101	-	323,847	-	-	-	476,948	-	-	476,948
Cost of goods sold	-	-	-	-	-	909,233	-	909,233	-	-	909,233
Total Expenses	\$ 922,135	\$ 1,099,464	\$ 502,466	\$ 726,922	\$ 316,543	\$ 1,505,354	\$ 172,564	\$ 5,245,448	\$ 437,469	\$ 324,748	\$ 6,007,665

NORTH CASCADES INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2024

	Program Services								Support Services			
	Environmental Learning Center	Mountain School	Adult and Family	Youth Leadership	Conferences	Retail	Skagit Tours	Community	Total Program	Management and General	Fund-raising	Total
Wages, taxes and benefits	\$ 374,427	\$ 768,299	\$ 388,611	\$ 323,273	\$ 177,115	\$ 342,042	\$ 110,031	\$ 2,757	\$ 2,486,555	\$ 302,889	\$ 256,239	\$ 3,045,683
Office and occupancy	41,739	108,523	47,781	9,456	20,788	23,059	6,586	737	258,669	7,289	12,513	278,471
Supplies and materials	32,632	86,830	37,288	14,211	15,256	3,301	3,519	1,869	194,906	3,428	1,847	200,181
Professional services	19,835	12,360	21,626	8,645	9,057	8,049	1,890	19	81,481	86,514	5,570	173,565
Depreciation and amortization	15,522	35,867	15,961	878	6,758	3,407	1,659	278	80,330	10,527	-	90,857
In-kind personnel, facilities and goods	14,248	36,273	19,057	1,960	7,284	-	1,562	314	80,698	3,782	-	84,480
Credit card fees	59	284	9,586	895	4,690	46,754	5,501	-	67,769	171	801	68,741
Marketing and development	5,752	5,801	14,798	3,185	835	31,370	3,154	12	64,907	4,298	14,212	83,417
Communications	11,740	8,571	4,653	3,839	1,952	3,673	1,140	38	35,606	3,391	2,953	41,950
Vehicles	4,627	16,060	7,059	5,657	2,979	-	11,103	128	47,613	40	1,200	48,853
Insurance	1,956	11,660	7,073	4,703	2,568	1,568	1,782	43	31,353	9,517	-	40,870
Travel	8,688	7,261	4,105	4,719	1,451	8,017	844	29	35,114	12,706	4,158	51,978
	<u>531,225</u>	<u>1,097,789</u>	<u>577,598</u>	<u>381,421</u>	<u>250,733</u>	<u>471,240</u>	<u>148,771</u>	<u>6,224</u>	<u>3,465,001</u>	<u>444,552</u>	<u>299,493</u>	<u>4,209,046</u>
Expenses netted with revenues:												
Scholarships and discounts	-	197,531	-	352,670	-	-	-	-	550,201	-	-	550,201
Cost of goods sold	-	-	-	-	-	683,293	-	-	683,293	-	-	683,293
Total Expenses	<u>\$ 531,225</u>	<u>\$ 1,295,320</u>	<u>\$ 577,598</u>	<u>\$ 734,091</u>	<u>\$ 250,733</u>	<u>\$ 1,154,533</u>	<u>\$ 148,771</u>	<u>\$ 6,224</u>	<u>\$ 4,698,495</u>	<u>\$ 444,552</u>	<u>\$ 299,493</u>	<u>\$ 5,442,540</u>

NORTH CASCADES INSTITUTE

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Cash received from:		
Contracts, tuition, fees and other	\$ 3,233,223	\$ 2,709,747
Donors and grantors	1,860,055	2,075,310
Cash paid for:		
Personnel	(3,339,634)	(3,010,649)
Services and supplies	<u>(1,944,652)</u>	<u>(1,705,090)</u>
Net Cash (Used) Provided by Operating Activities	(191,008)	69,318
Cash Flows from Investing Activities		
Purchases of investments	(597,528)	(402,988)
Proceeds from sales of investments	789,277	545,550
Purchases of property and equipment	<u>(166,480)</u>	<u>(13,170)</u>
Net Cash Provided by Investing Activities	25,269	129,392
Cash Flows from Financing Activities		
Cash received for endowment	<u>52,566</u>	<u>64,086</u>
Changes in Cash and Cash Equivalents	(113,173)	262,796
Cash and Cash Equivalents - beginning of year	<u>446,890</u>	<u>184,094</u>
Cash and Cash Equivalents - end of year	<u>\$ 333,717</u>	<u>\$ 446,890</u>

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – North Cascades Institute (the "Institute") is a not-for-profit organization operating in the North Cascades region of Washington State. Founded in 1986 to provide education about the natural history and culture of the Pacific Northwest, North Cascades Institute’s mission is to “Inspire environmental stewardship through transformative learning experiences in nature”.

Organizational Programs and Geographic Reach: North Cascades Institute provides environmental education programs that connect people with the landscapes, ecosystems, and communities of the North Cascades region. Many programs take place on federally managed public lands through long-standing partnerships with the National Park Service and the U.S. Forest Service.

In 2025, the Institute generated 11,706 Learner Days, serving 8,478 participants through youth, adult, family, and community education programs based at the Environmental Learning Center and across the North Cascades region.

North Cascades Environmental Learning Center (the “Environmental Learning Center” or the “Learning Center”) is a residential educational campus located on Diablo Lake in North Cascades National Park. Established in 2005 in partnership with the National Park Service and Seattle City Light, the Learning Center serves as the primary site for the Institute’s residential programming. The campus includes a natural history library, classrooms, dining facilities, an amphitheater, overnight accommodations for up to 92 participants and 18 staff, and access to surrounding trail systems within the North Cascades ecosystem.

Mountain School is an immersive environmental education program for 5th and 6th grade students at the Environmental Learning Center that has served regional schools since 1990. Participating schools represent rural, suburban, and urban districts across Northwest Washington, and approximately 51% of participating students qualified for free or reduced-price lunch. In 2025, the program generated 4,779 Learner Days, serving 1,593 students, teachers, and parent chaperones from 15 school districts across four counties. Tuition was subsidized for 100% of students.

Youth Leadership engages local teens in multi-day Youth Leadership Adventures backpacking and canoe-camping experiences in North Cascades National Park and Mt. Baker-Snoqualmie National Forest, integrating outdoor skills, leadership development, and climate education. In addition to backcountry expeditions, the program offers complementary programming in partnership with community organizations.

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

In 2025, the program generated 910 Learner Days, serving 76 expedition participants across 9 backcountry trips and reaching an additional 136 students through complementary programming. Tuition was subsidized for 100% of participants, with 86% receiving additional scholarship support. Participant demographics included 56% of students participating in an outdoor program for the first time and 54% of backcountry participants identifying as students of color.

Adult and Family Education includes Family Getaways, Base Camp Learning and Lodging, Field Seminars, Online Classes, and Skagit Tours. Programs engage adults and families in place-based learning experiences in the North Cascades region, as well as further afield through online instruction.

In 2025, these programs generated 6,790 Learner Days, serving 6,176 participants through residential, field-based, and online offerings. Online programs extended participation beyond Washington State to 89 attendees from 19 different states and British Columbia, Canada.

Conferences and Retreats - The Institute provides custom educational programs, lodging, and meals at the Environmental Learning Center for conferences, retreats, workshops, and related gatherings serving nonprofit organizations, educational institutions, and community groups. In 2025, conference and retreat programs generated 1,740 Learner Days, serving 497 participants from 17 organizations across 22 programs. Participating organizations included National Geographic Lindblad Expeditions, the Upper Skagit Indian Tribe, Remote Medical Training, the Appalachian Mountain Club, the Sierra Club, and others.

Community Programs:

The Nature of Writing Speaker Series features presentations from leading authors sharing their new publications at bookstores in Bellingham and Seattle. In 2025, we co-hosted 3000 attendees across 38 author events.

Weekend for All is a weekend program designed to create space for participants from diverse backgrounds to engage in facilitated outdoor experiences centered on reflection and community. In 2025, the program generated 168 Learner Days and served 56 participants.

We also hosted 14 participants with the Kulshan Creek Community Neighborhood Program, generating 28 Learner Days.

Retail Operations - The Institute operates seven retail locations in and around North Cascades National Park and Mt. Baker-Snoqualmie National Forest in partnership with the National Park Service. Retail operations provide educational materials to park visitors and support Institute and National Park Service programs.

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

In 2025, seven retail locations served approximately 180,000 visitors from across the United States and international destinations, generating \$1,860,324 in gross sales. Retail activity does not generate Learner Days but represents a significant point of engagement with the public.

Basis of presentation

The Institute presents its financial statements on an accrual basis of accounting in accordance with FASB Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. Under FASB ASC 958, the Institute is required to report information regarding its financial position and activities based on the absence or existence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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. 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.

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and all balances are expected to be collected in less than a year.

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 net realizable value. 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

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2025 and 2024.

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.

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are recorded as revenue and corresponding expense at the estimated fair value at the date the facilities are utilized. This policy does not apply to the Environmental Learning Center facilities described in Note I, which are accounted for as part of a collaborative arrangement rather than as donated facilities.

Donated personal services

Donated personal services are recognized as revenue and corresponding expense at the estimated fair value at the date of service 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.

Functional allocation of expenses

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 three methods: (a) payroll expenses are allocated using a percentage allocation (b) split based on pre-determined percentages based on estimates of time and effort (c) when known, allocations are made to specific programs or functions, at the time the expense is incurred.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Internal Revenue Service has recognized the Institute as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation.

Reclassifications

Certain reclassifications have been made to the 2024 financial statements in order for them to conform to the 2025 presentation. These reclassifications had no effect on net assets or the change in net assets as of or for the year ended December 31, 2024.

NOTE B - LIQUIDITY

The Institute receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Institute manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

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.

	<u>2025</u>	<u>2024</u>
Financial Assets		
Cash and cash equivalents	\$ 333,717	\$ 446,890
Short-term investments	104,995	149,118
Long-term investments	8,299,040	7,538,630
Accounts and contributions receivable	<u>123,182</u>	<u>81,356</u>
Total financial assets	8,860,934	8,215,994
Less those unavailable for general expenditures within one year:		
Restricted by donors for purpose	(1,456,933)	(1,284,508)
Board designated endowment	(2,931,786)	(2,738,919)
Board reserve fund (unavailable without Board approval)	<u>(2,565,000)</u>	<u>(2,460,000)</u>
Financial assets available within one year	<u>\$ 1,907,215</u>	<u>\$ 1,732,567</u>

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE C - FAIR VALUE MEASUREMENTS

The following tables summarize the valuation of the Institute's investments in the fair value hierarchy.

December 31, 2025	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 277,518	\$ -	\$ -	\$ 277,518
Bond mutual funds	2,878,060	-	-	2,878,060
Equity mutual funds	5,143,462	-	-	5,143,462
	<u>\$ 8,299,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,299,040</u>
December 31, 2024	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 144,160	\$ -	\$ -	\$ 144,160
Bond mutual funds	2,538,964	-	-	2,538,964
Equity mutual funds	4,855,506	-	-	4,855,506
	<u>\$ 7,538,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,538,630</u>

Assets and liabilities, carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. The Institute also uses fair value concepts to test various long-lived assets for impairment.

NOTE D - 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 I). 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. The contract ended as of April 2026 but continues in place until a new contract is approved.

For the years ended December 31, 2025 and 2024, \$97,817 and \$114,215 was received for maintenance, respectively. For the years ended December 31, 2025 and 2024, \$56,633 and \$54,978 was received for wildlife education programs, respectively. For the years ended December 31, 2025 and 2024, \$53,330 and \$35,172 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, 2025, the wildlife education award is estimated to be \$59,700 and funds are expected to be received during 2026. At December 31, 2025, the vehicle leases award is estimated to be \$56,200 and funds are expected to be received during 2026. 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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE E - 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. Initially, the interest rate was the greater of a defined adjusted LIBOR rate or 2%. In June of 2023, the LIBOR panel ceased to continue and per the agreement, the line of credit interest rate defaults to Adjusted 30-Day SOFR Average which was 4.27% at December 31, 2025. The line of credit is secured by all cash and investments of the Institute not subject to donor restrictions. As of December 31, 2025 and 2024, there was no balance outstanding on the line of credit.

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2025</u>	<u>2024</u>
Buildings	\$ 876,658	\$ 870,384
Equipment	503,709	518,195
Program equipment	146,053	146,053
Furniture	241,715	238,457
Vehicles	278,372	168,498
Leasehold improvements	136,994	136,994
	2,183,501	2,078,581
Less: accumulated depreciation and amortization	(1,692,987)	(1,620,419)
	490,514	458,162
Construction in progress	49,387	9,678
Land	112,807	112,807
	\$ 652,708	\$ 580,647

NOTE G - 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:

	<u>2025</u>	<u>2024</u>
Restricted for a specified purpose or passage of time:		
Mountain school	\$ 102,500	\$ 100,000
Unappropriated endowment investment return	155,673	69,166
Youth Leadership	81,500	50,000
Environmental Learning Center	16,927	17,575
Pledges to be used over future periods	319	12,712
	356,919	249,453
Perpetual in nature:		
Endowment	1,100,333	1,047,767
Total net assets with donor restrictions	\$ 1,457,252	\$ 1,297,220

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE H - 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:

	<u>2025</u>	<u>2024</u>
Board designated endowment	\$ 2,931,786	\$2,738,919
Operating reserve	<u>2,565,000</u>	<u>2,460,000</u>
	<u>\$ 5,496,786</u>	<u>\$5,198,919</u>

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

NOTE I - 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. The current agreement expired in April 2025 and is currently being renegotiated. During the period between the end of the current agreement and before a new agreement goes into place the terms of the current license continue as an annual extension.

NOTE J - 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

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE J - 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 deficiencies of this nature at December 31, 2025. As of December 31, 2024, an endowment with donor restrictions was deficient due to unfavorable market fluctuations that occurred during 2022.

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE J - ENDOWMENT (Continued)

Endowment net assets composition by type of fund as of December 31, 2025 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose and Time	Perpetual	
Restricted for a specified purpose or passage of time:				
Youth Leadership Fund (Ginny Darvill)	\$ -	\$ 42,441	\$ 170,000	\$ 212,441
Saul Weisberg Catalyst Fund	-	9,925	205,507	215,432
Nugent Family Fund	-	8,870	113,000	121,870
Campbell - Dalton Fund	-	19,469	116,653	136,122
Darby Foundation Scholarship Fund	-	17,559	80,000	97,559
Weisberg Family Fund	-	7,644	69,021	76,665
Andrew Goodwill Murphy Memorial Fund	-	4,729	63,110	67,839
Mac & Linda MacGregor Fund	-	6,735	55,000	61,735
North Cascades Conservation Council Founders Fund	-	10,998	40,000	50,998
Cook - Sullivan Fund	-	6,485	32,500	38,985
Brian Scheuch Memorial Fund	-	3,263	30,905	34,168
Schweickart Family Scholarship Fund	-	2,775	40,000	42,775
Gary Peterson Memorial Fund	-	5,718	26,268	31,986
John Miles Scholarship Fund	-	5,170	23,811	28,981
Jean Gorton Memorial Fund	-	2,801	22,058	24,859
Bates Family Fund	-	1,091	12,500	13,591
Board designated endowment funds:				
Conservation Education Fund	1,920,815	-	-	1,920,815
Nugent Family Fund	614,661	-	-	614,661
Saul Weisberg Catalyst Fund	375,292	-	-	375,292
John Miles Scholarship Fund	21,018	-	-	21,018
	<u>\$ 2,931,786</u>	<u>\$ 155,673</u>	<u>\$ 1,100,333</u>	<u>\$ 4,187,792</u>

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE J - ENDOWMENT (Continued)

Endowment net assets composition by type of fund as of December 31, 2024 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose and Time	Perpetual	
Restricted for a specified purpose or passage of time:				
Youth Leadership Fund (Ginny Darvill)	\$ -	\$ 29,041	\$ 170,000	\$ 199,041
Saul Weisberg Catalyst Fund	-	(11,173)	203,757	192,584
Nugent Family Fund	-	1,175	113,000	114,175
Campbell - Dalton Fund	-	9,919	86,654	96,573
Darby Foundation Scholarship Fund	-	11,406	80,000	91,406
Weisberg Family Fund	-	3,136	64,021	67,157
Andrew Goodwill Murphy Memorial Fund	-	603	58,894	59,497
Mac & Linda MacGregor Fund	-	2,822	55,000	57,822
North Cascades Conservation Council Founders Fund	-	7,782	40,000	47,782
Cook - Sullivan Fund	-	4,036	31,500	35,536
Brian Scheuch Memorial Fund	-	1,089	30,305	31,394
Schweickart Family Scholarship Fund	-	816	30,000	30,816
Gary Peterson Memorial Fund	-	3,700	26,268	29,968
John Miles Scholarship Fund	-	3,342	23,811	27,153
Jean Gorton Memorial Fund	-	1,230	22,057	23,287
Bates Family Fund	-	242	12,500	12,742
Board designated endowment funds:				
Conservation Education Fund	1,803,690	-	-	1,803,690
Nugent Family Fund	577,181	-	-	577,181
Saul Weisberg Catalyst Fund	338,312	-	-	338,312
John Miles Scholarship Fund	19,736	-	-	19,736
	<u>\$ 2,738,919</u>	<u>\$ 69,166</u>	<u>\$ 1,047,767</u>	<u>\$ 3,855,852</u>

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE J - ENDOWMENT (Continued)

Changes in endowment net assets for the years ended December 31, 2025 and 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose and Time	Perpetual	
Endowment net assets, 12/31/2023	\$ 2,614,942	\$ 10,594	\$ 983,681	\$ 3,609,217
Contributions	-	-	64,086	64,086
Investment income, net of fees	70,094	25,381	-	95,475
Net realized and unrealized losses	181,835	74,436	-	256,271
Amounts appropriated for expenditure	<u>(127,952)</u>	<u>(41,245)</u>	-	<u>(169,197)</u>
Endowment net assets, 12/31/2024	2,738,919	69,166	1,047,767	3,855,852
Contributions	-	-	52,566	52,566
Investment income, net of fees	51,829	31,035	-	82,864
Net realized and unrealized gains	247,559	94,771	-	342,330
Amounts appropriated for expenditure	<u>(106,521)</u>	<u>(39,299)</u>	-	<u>(145,820)</u>
Endowment net assets, 12/31/2025	<u>\$ 2,931,786</u>	<u>\$ 155,673</u>	<u>\$ 1,100,333</u>	<u>\$ 4,187,792</u>

NOTE K - DONATED SERVICES AND FACILITIES

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

	<u>2025</u>	<u>2024</u>
Donated goods	\$ 6,842	\$ 150
Donated facilities and equipment usage	77,514	78,825
Donated personal services	5,470	8,505
	<u>\$ 89,826</u>	<u>\$ 87,480</u>

NOTE L - REVENUES AND RELATED COSTS

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

	<u>2025</u>	<u>2024</u>
Gross contracts, tuition and fees	\$ 1,779,986	\$ 1,819,655
Less: cost of scholarships and discounts	<u>(476,948)</u>	<u>(550,201)</u>
	<u>\$ 1,303,038</u>	<u>\$ 1,269,454</u>
Gross bookstores sales	\$ 1,860,324	\$ 1,371,880
Less: cost of goods sold	<u>(909,233)</u>	<u>(683,293)</u>
	<u>\$ 951,091</u>	<u>\$ 688,587</u>

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE M - 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 \$70,716 and \$260,000 from the Fund during the years ended December 31, 2025 and 2024, respectively. The Fund is now fully exhausted.

NOTE N - 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, 2025 and 2024 were \$95,144 and \$98,153, respectively.

NOTE O - COOPERATIVE AGREEMENTS

The Institute operates under an annually renewable Cooperative Agreement with the National Park Service that expired on December 31, 2024. The Institute continues to operate the Environmental Learning Center as partners with the North Cascades National Park Complex (the Park) and Seattle City Light through the 1996 FERC issued Settlement Agreement and MOU. 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.

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE P - CONCENTRATIONS

At December 31, 2025, 100% of accounts receivable was due from four organizations. At December 31, 2024, 100% of accounts receivable was due from three organizations.

NOTE Q - COMMITMENTS

Operating lease

The Institute has an operating lease for office space that was entered into in August 2021. Management elected to apply the short-term lease exception under Topic 842, Leases; therefore, leases with an initial term of twelve months or less are not recorded in the statements of financial position. Operating leases are included in Right of Use (ROU) assets and operating lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Institute's obligation to make lease payments arising from the lease. The discount rate represents the Institute's election of the risk-free rate. Nonlease components, such as payments required for common area maintenance, are not included in the lease liability and are expensed as incurred, which is reflected in office and occupancy in the statement of functional expenses.

The components of the lease costs for the years ended December 31 are as follows:

	<u>2025</u>	<u>2024</u>
Operating lease costs	\$ 59,752	\$ 62,159
Supplemental cash flow information:		
Weighted-average remaining lease term	0.7 years	
Weighted-average discount rate	3.00%	

Maturities of lease liabilities are as follows for the years ending December 31:

2026	\$ 41,524
Less present value discount	<u>(368)</u>
	<u>\$ 41,156</u>

NOTE R - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2025 through May 6, 2026, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2025, including the estimates inherent in the processing of financial statements.