

**BIG CITY MOUNTAINEERS, INC.**

**Financial Statements**

**December 31, 2017**

(With Comparative Totals for December 31, 2016)



**BIG CITY MOUNTAINEERS, INC.**  
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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Big City Mountaineers, Inc.  
Golden, Colorado

We have audited the accompanying financial statements of Big City Mountaineers, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big City Mountaineers, Inc., as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States.

## **Report on Summarized Comparative Information**

Big City Mountaineers, Inc.'s 2016 financial statements were audited by Bauerle and Company, P.C, who merged with Wipfli LLP as of February 1, 2018, and whose report dated April 28, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived

*Wipfli LLP*

Wipfli LLP  
Denver, Colorado

April 24, 2018

# BIG CITY MOUNTAINEERS, INC.

## Statements of Financial Position December 31, 2017 (With Summarized Totals for December 31, 2016)

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 313,540	\$ 117,717
Investments	9,941	54,447
Contributions and grants receivable	176,692	87,326
Prepaid expenses and other	3,170	13,580
Inventory	267,636	263,150
Property and equipment, net	119,225	216,882
Investments - Endowment	103,091	98,147
	<hr/>	<hr/>
Total Assets	<u>\$ 993,295</u>	<u>\$ 851,249</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 7,507	\$ 2,257
Accrued payroll liabilities	39,606	14,977
Deferred rent	2,928	4,392
	<hr/>	<hr/>
Total Liabilities	<u>50,041</u>	<u>21,626</u>
Net Assets		
Unrestricted		
Undesignated	394,076	237,798
Investment in property and equipment	119,225	216,882
	<hr/>	<hr/>
	513,301	454,680
Temporarily Restricted	329,953	274,943
Permanently Restricted	100,000	100,000
	<hr/>	<hr/>
Total Net Assets	<u>943,254</u>	<u>829,623</u>
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 993,295</u>	<u>\$ 851,249</u>

The accompanying notes are an integral part of the financial statements.

# BIG CITY MOUNTAINEERS, INC.

## Statements of Activities Year Ended December 31, 2017 (With Summarized Totals for the Year Ended December 31, 2016)

	2017			2016	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	<u>Totals</u>
<b>Support and Revenue</b>					
Contributions and grants	\$ 570,943	\$ 213,752	\$ -	\$ 784,695	\$ 695,726
Program income	25,388	-	-	25,388	38,380
In-kind contributions	397,362	-	-	397,362	72,066
Investment income	3,031	19,614	-	22,645	7,458
Insurance gain from casualty loss	77,287	-	-	77,287	-
	<u>1,074,011</u>	<u>233,366</u>	<u>-</u>	<u>1,307,377</u>	<u>813,630</u>
Summit for Someone and other events					
Contributions	266,110	-	-	266,110	177,918
In-kind contributions	177,434	-	-	177,434	137,237
Less: Climber and other expenses	(332,911)	-	-	(332,911)	(289,596)
	<u>110,633</u>	<u>-</u>	<u>-</u>	<u>110,633</u>	<u>25,559</u>
Net assets released from restrictions	<u>178,356</u>	<u>(178,356)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>1,363,000</u>	<u>55,010</u>	<u>-</u>	<u>1,418,010</u>	<u>839,189</u>
<b>Expenses</b>					
Program Services	<u>1,080,144</u>	<u>-</u>	<u>-</u>	<u>1,080,144</u>	<u>587,699</u>
Supporting Services:					
General and administrative	91,928	-	-	91,928	77,404
Fundraising	132,307	-	-	132,307	151,924
Total Supporting Services	<u>224,235</u>	<u>-</u>	<u>-</u>	<u>224,235</u>	<u>229,328</u>
Total Expenses	<u>1,304,379</u>	<u>-</u>	<u>-</u>	<u>1,304,379</u>	<u>817,027</u>
<b>Change in Net Assets</b>	58,621	55,010	-	113,631	22,162
NET ASSETS, Beginning of Year	<u>454,680</u>	<u>274,943</u>	<u>100,000</u>	<u>829,623</u>	<u>807,461</u>
NET ASSETS, End of Year	<u>\$ 513,301</u>	<u>\$ 329,953</u>	<u>\$ 100,000</u>	<u>\$ 943,254</u>	<u>\$ 829,623</u>

The accompanying notes are an integral part of the financial statements.

**BIG CITY MOUNTAINEERS, INC.**

**Statements of Functional Expenses  
Year Ended December 31, 2017  
(With Summarized Totals for the Year Ended December 31, 2016)**

	Program Services	Supporting Services			Year Ended December 31, 2017	Year Ended December 31, 2016
		General and Administrative	Fund-Raising	Total		
Salaries and benefits	\$ 491,284	\$ 19,967	\$ 68,733	\$ 88,700	\$ 579,984	\$ 483,161
Program expenses	234,438	-	-	-	234,438	146,472
Professional fees	113,605	39,624	44,538	84,162	197,767	23,616
Promotion and advertising	109,566	941	1,377	2,318	111,884	15,009
Occupancy	69,018	5,676	5,676	11,352	80,370	53,713
Office expenses	27,220	25,389	8,949	34,338	61,558	57,820
Travel and entertainment	30,647	-	3,034	3,034	33,681	30,361
Depreciation	4,366	331	-	331	4,697	6,875
<b>Total</b>	<b>\$ 1,080,144</b>	<b>\$ 91,928</b>	<b>\$ 132,307</b>	<b>\$ 224,235</b>	<b>\$ 1,304,379</b>	<b>\$ 817,027</b>

The accompanying notes are an integral part of the financial statements.

# BIG CITY MOUNTAINEERS, INC.

## Statements of Cash Flows Year Ended December 31, 2017 (With Summarized Totals for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 113,631	\$ 22,162
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	4,697	6,875
Insurance gain from casualty loss	(77,287)	-
Investment income	(22,645)	(7,458)
(Increase) decrease in:		
Contributions and grants receivable	(89,366)	(37,026)
Prepaid expenses and other	10,410	(848)
Inventory	(4,486)	(17,593)
Increase (decrease) in:		
Accounts payable	5,250	(22,088)
Accrued payroll liabilities	24,629	4,927
Deferred revenue	(1,464)	589
Net Cash Used in Operating Activities	<u>(36,631)</u>	<u>(50,460)</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	-	(3,358)
Proceeds from insurance gain from casualty loss	170,247	-
Proceeds from sale of investments	62,207	-
Purchase of investments	-	(49,822)
Net Cash Provided by (Used in) Investing Activities	<u>232,454</u>	<u>(53,180)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	195,823	(103,640)
CASH AND CASH EQUIVALENTS, beginning of year	<u>117,717</u>	<u>221,357</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 313,540</u></u>	<u><u>\$ 117,717</u></u>

The accompanying notes are an integral part of the financial statements.

## **1. Organization and Summary of Significant Accounting Policies**

### **Organization**

Big City Mountaineers, Inc. (BCM) is a nonprofit organization incorporated in the State of Florida and operating in Colorado, Washington, Oregon, California, Minnesota, Wisconsin, Massachusetts, and Florida. BCM offers under-resourced youth the following:

#### **Weeklong Expeditions:**

BCM's core program is a weeklong wilderness mentoring expedition that instills critical life skills in under-resourced teens. BCM has a one-to-one ratio of adult mentors to teens, which helps teens reach their full potential and benefit from the wilderness experience. Our adult mentors come from diverse backgrounds and have a wide range of life experiences. These mentors as role models, help teens become better equipped to make critical career, educational and healthy lifestyle decisions.

The weeklong expeditions:

- Provide wilderness mentoring opportunities to under-resourced youth ages 13 to 18
- Cultivate relationships between youth and caring adult mentors
- Offer our unique one-to-one ratio of adults to youth
- Improve self-awareness and personal responsibility
- Promote group development and effective communication
- Partner with youth development agencies to better address the ongoing needs of under-resourced youth
- Deliver safe wilderness expeditions led by professional field instructors

Youth served in 2017:

- 45% are from single parent or guardian-led households
- 82% qualify for free/reduced lunch
- 23% have experienced violence at school
- 20% have experienced gang activity
- 41% are Hispanic/Latino(a), 21% African American, 17% Caucasian, 11% are Native American, 7% Asian American/Pacific Islander, and 3% are Middle Eastern/North African/Other

#### **Single Day Programs:**

Single-day outings are outdoor activities in local parks, including hiking, canoeing, and indoor rock climbing. Single-day outings are used both before and after weeklong expeditions to begin and continue relationships between youth and adult mentors.

#### **Overnight Programs (Colorado Only):**

Through 24-hour camping experiences, BCM Overnight Camps provide youth, ages 8 to 12, with a safe and supportive environment to develop a sense of self, understanding of their place in the natural world, a passion for lifelong learning, and awareness of healthy lifestyles. Activities at BCM Overnight Camp emphasize team-building and outdoor education to teach citizenship and teamwork. These activities allow campers to learn critical life skills using the outdoors as a unique context for these lessons.

## **1. Organization and Summary of Significant Accounting Policies (continued)**

### **Peer Leadership Program:**

The Peer Leadership program provides an opportunity for BCM alumni to assist adult mentors in the field on our weeklong wilderness mentoring programs. This provides BCM alumni with an opportunity to gain leadership and facilitation training in the field, and helps alumni to assume increasing responsibility in our programs.

### **Summit for Someone:**

Summit for Someone (SFS) is a BCM fundraising program. SFS allows individuals to summit iconic peaks in North America or create their own custom challenge in the outdoors. Individuals raise funds for BCM while participating in their climb or custom challenge. A portion of the funds may be used to pay for participants expenses in an SFS climb. Direct climber expenses and any in-kind expenses related to the SFS program have been netted against the related support and revenue on the Statements of Activities.

### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

### ***Basis of Presentation***

The accompanying financial statements include statements of financial position that presents the amounts for each of the three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. These net assets are classified based on the existence or absence of donor-imposed restrictions and statements of activities that reflect the changes in those categories of net assets.

Unrestricted Net Assets – Accounts for all unrestricted resources over which the Board of Directors has discretionary control to use in carrying on the operations of BCM in accordance with the limitations of its charter and bylaws. The principal sources of unrestricted resources are contributions and grants, and investment income. Decreases in unrestricted resources generally result from expenses incurred for program and supporting services conducted by BCM.

Temporarily Restricted Net Assets – Accounts for those resources currently available for use, but expendable only for operating purposes specified by the donor or grantor. Items which increase this net asset category are contributions and grants, or other similar sources for which donor-imposed restrictions have not been met.

Permanently Restricted Net Assets - Accounts for those resources subject to donor-imposed restrictions stipulating that the corpus be held in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the investment return on these assets.

## **1. Organization and Summary of Significant Accounting Policies (continued)**

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of 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.

### ***Functional Allocation of Expenses***

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

### ***Income Taxes***

BCM is a nonprofit corporation and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements contain no provision for income taxes. In addition, contributions to BCM qualify for the charitable contribution deduction under Section 170(b)(1)(A) and BCM has been classified as an organization that is not a private foundation under Section 509(a)(2).

BCM applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. After evaluating the tax positions, none are considered to be uncertain; therefore, no amounts have been recognized as of December 31, 2017 and 2016. If incurred, interest and penalties associated with tax positions would be recorded in the period assessed as miscellaneous administrative expense. No interest or penalties have been assessed as of December 31, 2017 and 2016.

### ***Concentration of Credit Risk***

BCM maintains two bank accounts at one institution, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The funds in these accounts may, at times, exceed the amounts insured by the FDIC.

BCM receives substantially all of its revenues from public support. A significant reduction in the level of such support, if it were to occur, may have an adverse effect on BCM's programs and activities.

### ***Cash and Cash Equivalents***

For purposes of the statements of cash flows, BCM considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents exclude permanently restricted cash and cash equivalents.

### ***Investments***

BCM carries investments in marketable securities with readily determinable fair values at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the Statements of Activities.

**1. Organization and Summary of Significant Accounting Policies (continued)**

***Contributions and Grants Receivable***

Accounts receivable are stated at the amount management expects to collect from outstanding balances.

***Allowance for Uncollectible Contributions and Grants Receivable***

BCM uses the allowance method to record uncollectible contributions and grants receivable. The allowance is based on prior years' experience and management's analysis of specific contributions and grants made. Management has determined that all contributions and grants are collectible as of December 31, 2017 and 2016.

***Inventory***

Inventory consists of items such as clothing, camping supplies, food items, and other materials that have been purchased by or donated to BCM. Purchased inventory is recorded at the lower of cost or realizable value. Donated inventory is recorded at the fair market value, discounted if large quantities are received, on the date of donation.

***Property and Equipment***

Property and equipment are stated at cost or at the estimated fair value at the date of donation. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, 30 years for property, and 3 to 7 years for equipment and furniture. All assets with a useful life of more than 1 year and a cost of more than \$1,000, are capitalized.

***Promotion and Advertising***

Promotion and advertising costs totaled \$111,884 and \$15,009, for the years ended December 31, 2017 and 2016, respectively. Promotion and advertising costs are expensed as incurred.

***Recognition of Revenues and Support***

Unconditional promises to give cash and other assets to BCM are reported at fair value at the date the promise is received. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Unrestricted gift and grant support is reflected as revenue in the year of receipt.

Revenues and support that are restricted by the donor, grantor, or other outside party for particular operating purposes are reported as temporarily restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions for support of future operations and fundraising activities are recorded as temporarily restricted support in the year the contribution is made.

## **1. Organization and Summary of Significant Accounting Policies (continued)**

### ***Summarized Financial Information***

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

### ***Subsequent Events***

In accordance with the *Subsequent Events* Topic of FASB ASC, management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. BCM's financial statements were available to be issued on April 24, 2018, and this is the date through which subsequent events were evaluated.

### ***New Accounting Pronouncements***

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. This ASU is meant to eliminate diversity in practice and increase comparability among not-for-profit entities. The FASB believes that certain requirements of the ASU will increase transparency around a not-for-profit's available financial resources and flexibility. This ASU is effective for fiscal years beginning after December 15, 2017; however, early adoption of this ASU is permitted. Management is currently evaluating the potential impact of this ASU on BCM's financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605 Revenue Recognition, and most industry specific guidance. When adopted, the amendments in the ASU must be applied using either a full or modified retrospective method. ASU No. 2014-09 is effective for nonpublic companies for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of the provisions of ASC 606 on its financial statements.

**BIG CITY MOUNTAINEERS, INC.**  
**Notes to Financial Statements**  
December 31, 2017 and 2016

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**2. Property and Equipment**

Property and equipment consist of the following at December 31, 2017 and 2016:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Land	\$ 104,024	\$ 104,024
Buildings	11,166	111,664
Program equipment	24,069	24,069
Furniture and equipment	5,347	5,347
Computer equipment and software	<u>-</u>	<u>39,662</u>
	144,606	284,766
Less accumulated depreciation	<u>(25,381)</u>	<u>(67,884)</u>
Net Property and Equipment	<u>\$ 119,225</u>	<u>\$ 216,882</u>

In May 2015, certain real property (land and a building located in Minnesota) were donated to BCM. The land and building were valued at appraised value. The property is subject to a conservation easement granted to the Minnesota Land Trust in October 2006. The property is also subject to restrictions on future sale.

In June 2017, the building located on the Minnesota property was destroyed by fire. The net book value of the building was \$92,960 at the time of the loss. BCM received insurance proceeds in the amount of \$170,247, and recorded a gain in the amount of \$77,287, on the building.

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**3. Investments**

At December 31, 2017 and 2016, investments were comprised of the following:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Large Blend Equity Funds	\$ 106,203	\$ 114,749
Fixed income funds	<u>6,829</u>	<u>37,845</u>
Total Investments	<u>\$ 113,032</u>	<u>\$ 152,594</u>
 <u>Per Statements of Financial Position</u>		
Endowment investments	\$ 103,091	\$ 98,147
Investments	<u>9,941</u>	<u>54,447</u>
Total Investments	<u>\$ 113,032</u>	<u>\$ 152,594</u>

**BIG CITY MOUNTAINEERS, INC.**  
**Notes to Financial Statements**  
December 31, 2017 and 2016

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**3. Investments (continued)**

Investment income consists of the following for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 7,138	\$ 5,037
Realized and unrealized gains on investments, net	17,467	4,065
Management fees	<u>(1,960)</u>	<u>(1,644)</u>
Total Investment Income	<u>\$ 22,645</u>	<u>\$ 7,458</u>

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**4. Lines of Credit**

In November 2015, BCM executed an unsecured Revolving Loan and Credit Agreement with a board member (Lender). The Lender agreed to loan up to \$75,000 to BCM on an as-needed basis. On July 1, 2016, the loan and credit agreement was terminated.

On August 19, 2016, BCM obtained a line of credit with a financial institution for borrowings of up to \$100,000 at an interest rate of 4.25%. The line of credit is due on August 19, 2018. As of December 31, 2017 and 2016, there was no outstanding balance on the line of credit. The line of credit is secured by the land and building located in Minnesota (Note 2). In June 2017, the building securing the loan was destroyed by fire. In April 2018, the financial institution terminated the line of credit. BCM is currently in the process of seeking a new line of credit using the land as security.

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**5. Endowment**

The State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 1, 2008. BCM's Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor restricted endowment funds absent explicit donor stipulations to the contrary. As a consequence, BCM classifies as permanently restricted net assets: (a) the original value of the gifts donated to the endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by BCM in a manner consistent with the standard of prudence prescribed by UPMIFA.

**BIG CITY MOUNTAINEERS, INC.**  
**Notes to Financial Statements**  
December 31, 2017 and 2016

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**5. Endowment (continued)**

The Board acknowledges that donors to an endowment fund intend that the principal of the endowment fund shall be preserved in perpetuity. In making a determination to appropriate or accumulate, the Organization shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- (1) The duration and preservation of the fund
- (2) The purpose of the Organization and the donor-restricted endowment fund
- (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 Organization resources
- (7) The investment policies of the Organization

Changes in the endowment net assets were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance – December 31, 2015	\$ (6,108)	\$ -	\$ 100,000	\$ 93,892
Investment income, net	-	4,255	-	4,255
Appropriation of endowment assets for expenditures	<u>4,255</u>	<u>(4,255)</u>	<u>-</u>	<u>-</u>
Balance – December 31, 2016	<u>(1,853)</u>	<u>-</u>	<u>100,000</u>	<u>98,147</u>
Investment income, net	16,523	3,091	-	19,614
Appropriation of endowment assets for expenditures	<u>(14,670)</u>	<u>-</u>	<u>-</u>	<u>(14,670)</u>
Balance – December 31, 2017	<u>\$ -</u>	<u>\$ 3,091</u>	<u>\$ 100,000</u>	<u>\$ 103,091</u>

*Funds with Deficiencies*

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with Generally Accepted Accounting Principles, deficiencies of this nature are reported in unrestricted net assets. As of December 31, 2017, there were no such deficiencies. At December 31, 2016, deficiencies amounted to \$1,853.

**BIG CITY MOUNTAINEERS, INC.**  
**Notes to Financial Statements**  
December 31, 2017 and 2016

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**6. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Capital additions	\$ 116,170	\$ 107,617
Program expansion	34,000	80,000
Contributions and grants receivable	176,692	87,326
Endowment investment income	<u>3,091</u>	<u>-</u>
Total Temporarily Restricted Net Assets	<u>\$ 329,953</u>	<u>\$ 274,943</u>

Cash and investments available for operations is computed as follows at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cash	\$ 313,540	\$ 117,717
Investments	<u>9,941</u>	<u>54,447</u>
	323,481	172,164
Less restricted net assets for capital additions	<u>(116,170)</u>	<u>(107,617)</u>
Cash and Investments Available for Operations	<u>\$ 207,311</u>	<u>\$ 64,547</u>

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**7. In-Kind Contributions**

BCM receives donations of clothing, camping gear, food items, and other materials for use in its programs. Such gifts are recorded at their estimated fair value, discounted for large quantities received, at the date of donation. Donated materials and services are reflected in the statements of activities as unrestricted contributions unless restricted by the donor for a specific purpose. Amounts used during the year are included in Program Services expense in the Statements of Activities or in the Summit for Someone expense. Amounts remaining at year end are included in inventory on the Statements of Financial Position or are included in property and equipment and depreciated over the asset's estimated useful life.

Donated materials and services consist of the following for the year ended December 31, 2017 and 2016:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Advertising	\$ 173,501	\$ 116,265
Website redesign and development services	155,002	-
Professional Services and rents	28,837	3,640
Gear and equipment	<u>217,456</u>	<u>89,398</u>
	574,796	209,303
Less: SFS Gifts-in-kind	<u>(177,434)</u>	<u>(137,237)</u>
Net In-Kind Contributions	<u>\$ 397,362</u>	<u>\$ 72,066</u>

## **7. In-Kind Contributions (continued)**

No amounts have been reflected in the statements for donated volunteer services because the criteria for recognition under generally accepted accounting principles have not been satisfied. However, a substantial number of volunteers have donated significant amounts of their time to develop BCM's programs and fundraising events.

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## **8. Operating Lease**

BCM leases its Golden office facility under an operating lease expiring on August 31, 2018. In accordance with generally accepted accounting principles, BCM is recognizing rent expense on a straight-line basis over the term of the lease. As a result of the difference between the calculated straight-line lease expense and cash payments made under the agreement, BCM has recorded rent payable of \$2,928 and \$4,392, at December 31, 2017 and 2016, respectively.

Future minimum lease payments under the operating lease with terms in excess of one year as of December 31, 2017, are

Year Ending December 31:	<u>Amount</u>
2018	<u>\$ 37,840</u>

Rent expense totaled \$56,760 and \$56,900 for the years ended December 31, 2017 and 2016, respectively.

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## **9. Retirement Plan**

In January 2017, BCM established an employee benefit plan under Section 401(k) of the Internal Revenue Service (the Plan). The Plan covers all employees aged twenty-one or older who have attained three months of service. Employees may elect to defer a portion of their compensation, subject to certain limits, as allowed under the Internal Revenue Code. The Plan is completely employee funded. BCM has elected to not make any employer contributions to the Plan.

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## **10. Fair Value Measurements**

The Organization has adopted the *Fair Value Measurements and Disclosures* Topic of FASB ASC, which among other things, requires enhanced disclosures about investments that are reported at fair value. The standard establishes a hierarchal framework that prioritizes the inputs used in measuring assets and liabilities at fair value.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reported date.

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**10. Fair Value Measurements (continued)**

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs that are unobservable and include situations where there is little, if any, market activity. The inputs into the determination of fair value require significant management judgment or estimation

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds: Fair value based on quoted price in an active market.

The carrying amount reported in the Statements of Financial Position for cash and cash equivalents, receivables, accounts payable, and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Information regarding the assets measured at fair value on a recurring basis is as follows:

<u>As of December 31, 2017:</u>	Fair Value Measurements Using			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Large blend equity funds	\$ 106,203	\$ -	\$ -	\$ 106,203
Fixed income funds	<u>6,829</u>	<u>-</u>	<u>-</u>	<u>6,829</u>
	<u>\$ 113,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,032</u>
 <u>As of December 31, 2016:</u>	 Fair Value Measurements Using			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Large blend equity funds	\$ 114,749	\$ -	\$ -	\$ 114,749
Fixed income funds	<u>37,845</u>	<u>-</u>	<u>-</u>	<u>37,845</u>
	<u>\$ 152,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,594</u>