

Big City Mountaineers, Inc.

Financial Statements

December 31, 2019

(Together with Independent Auditor's Report)



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BIG CITY MOUNTAINEERS, INC.
Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S 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, 2019, 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.

Auditor's 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, 2019, 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

We have previously audited Big City Mountaineers, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP
Denver, Colorado

May 5, 2020

BIG CITY MOUNTAINEERS, INC.

Statements of Financial Position December 31, 2019 (With Comparative Totals for December 31, 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 568,615	\$ 466,939
Short-term investments	52,302	19,434
Contributions and grants receivable	61,109	190,444
Prepaid expenses and other	6,229	4,970
Inventory	347,876	309,281
Property and equipment, net	127,433	115,984
Investments - Endowment	114,108	92,004
	<hr/>	<hr/>
Total Assets	<u>\$ 1,277,672</u>	<u>\$ 1,199,056</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 7,835	\$ 9,845
Accrued payroll liabilities	37,238	56,559
	<hr/>	<hr/>
Total Liabilities	<u>45,073</u>	<u>66,404</u>
Net Assets		
Net assets without donor restrictions:		
Undesignated	814,478	596,607
Investment in property and equipment	127,433	115,984
	<hr/>	<hr/>
	941,911	712,591
Net assets with donor restrictions	<u>290,688</u>	<u>420,061</u>
Total Net Assets	<u>1,232,599</u>	<u>1,132,652</u>
Total Liabilities and Net Assets	<u>\$ 1,277,672</u>	<u>\$ 1,199,056</u>

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

BIG CITY MOUNTAINEERS, INC.

Statements of Activities Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
Support and Revenue				
Contributions and grants	\$ 810,374	\$ 61,109	\$ 871,483	\$ 956,031
Government grants	32,334	-	32,334	22,142
Program and other income	22,386	-	22,386	26,420
In-kind contributions	333,031	-	333,031	338,963
Investment income (loss)	134	24,972	25,106	(11,522)
Net assets released from restrictions	215,454	(215,454)	-	-
	<u>1,413,713</u>	<u>(129,373)</u>	<u>1,284,340</u>	<u>1,332,034</u>
Summit for Someone and other events				
Contributions	219,649	-	219,649	242,441
In-kind contributions	56,602	-	56,602	172,245
Less: Climber and other expenses	(269,680)	-	(269,680)	(356,819)
	<u>6,571</u>	<u>-</u>	<u>6,571</u>	<u>57,867</u>
Total Support and Revenue	<u>1,420,284</u>	<u>(129,373)</u>	<u>1,290,911</u>	<u>1,389,901</u>
Expenses				
Program Services	995,914	-	995,914	992,821
Supporting Services:				
General and administrative	58,096	-	58,096	79,058
Fundraising	136,954	-	136,954	128,624
Total Supporting Services	<u>195,050</u>	<u>-</u>	<u>195,050</u>	<u>207,682</u>
Total Expenses	<u>1,190,964</u>	<u>-</u>	<u>1,190,964</u>	<u>1,200,503</u>
Change in Net Assets	229,320	(129,373)	99,947	189,398
NET ASSETS, Beginning of Year	<u>712,591</u>	<u>420,061</u>	<u>1,132,652</u>	<u>943,254</u>
NET ASSETS, End of Year	<u>\$ 941,911</u>	<u>\$ 290,688</u>	<u>\$ 1,232,599</u>	<u>\$ 1,132,652</u>

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

BIG CITY MOUNTAINEERS, INC.

Statements of Functional Expenses Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

	Program Services	Supporting Services			Year Ended December 31, 2019	Year Ended December 31, 2018
		General and Administrative	Fund- Raising	Total		
Salaries and benefits	\$ 464,409	\$ 14,603	\$ 64,410	\$ 79,013	\$ 543,422	\$ 583,105
Program expenses	228,341	-	-	-	228,341	130,517
Promotion and advertising	96,172	14,175	14,396	28,571	124,743	190,653
Professional fees	64,853	18,938	16,289	35,227	100,080	127,940
Occupancy	61,763	3,280	3,280	6,560	68,323	64,753
Office expenses	53,167	6,409	21,304	27,713	80,880	73,532
Travel and entertainment	26,112	597	17,275	17,872	43,984	28,357
Depreciation	1,097	94	-	94	1,191	1,646
Total Expenses by Function	995,914	58,096	136,954	195,050	1,190,964	1,200,503
Expenses included with revenues on the statements of activities: Climber and other expenses	269,680	-	-	-	269,680	356,819
Total Expenses	\$ 1,265,594	\$ 58,096	\$ 136,954	\$ 195,050	\$ 1,460,644	\$ 1,557,322

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

BIG CITY MOUNTAINEERS, INC.

Statements of Cash Flows Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 99,947	\$ 189,398
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,191	1,646
Loss on disposal of property and equipment	-	1,595
Investment (income) loss	(25,106)	11,522
Changes in operating assets and liabilities:		
Contributions and grants receivable	129,335	(13,752)
Prepaid expenses and other	(1,259)	(1,800)
Inventory	(38,595)	(41,645)
Accounts payable	(2,010)	(590)
Accrued payroll liabilities	(19,321)	16,953
	144,182	163,327
Net Cash Flows From Operating Activities		
Cash Flows From Investing Activities		
Purchase of property and equipment	(12,640)	-
Proceeds from sale of investments	10,067	72
Purchase of investments	(39,933)	(10,000)
	(42,506)	(9,928)
Net Cash Flows From Investing Activities		
Net Change in Cash and Cash Equivalents	101,676	153,399
CASH AND CASH EQUIVALENTS, beginning of year	466,939	313,540
CASH AND CASH EQUIVALENTS, end of year	\$ 568,615	\$ 466,939

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

1. Organization and Summary of Significant Accounting Policies

Big City Mountaineers, Inc. (BCM) is a nonprofit organization incorporated in the state of Florida. Headquartered in Golden, Colorado. BCM provides free – fully outfitted and professionally led – backpacking trips, paddling expeditions, and camps for youth from disinvested and unfairly marginalized communities so they can access all the physical, mental, and spiritual benefits of being connected to nature. BCM operates and serves youth in Colorado, Washington, Oregon, California, Minnesota, Wisconsin, Massachusetts, and Florida. BCM offers youth the following:

Weeklong Expeditions:

BCM's core program is a weeklong wilderness mentoring expedition that instills critical life skills in under-resourced youth. 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 youth 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 a 1-to-1, adult-to-youth ratio crucial to effective youth mentorship
- Improve self-esteem, sense of responsibility, group communication, and decision-making skills in the youth we serve
- Partner with youth development agencies to better address the ongoing needs of under-resourced youth
- Deliver safe wilderness expeditions led by professional field instructors

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 foster relationships between youth and adult mentors.

Overnight Programs:

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, awareness of healthy lifestyles, and respect for the great outdoors. 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)

Youth served in 2019:

- 45% are from single parent or guardian-led households
- 73% qualify for free/reduced lunch
- 14% have experienced violence at school
- 8% have experienced gang activity
- 42% are Hispanic/Latino, 24% African American, 13% Caucasian, 2% are Native American, 10% Asian American/Pacific Islander, and 9% are Middle Eastern/North African/Other

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 Presentation

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

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of BCM 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 restrictions.

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 explicit 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.

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 (GAAP) 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. Salaries and fringes are allocated based upon estimations of time and effort. Indirect costs such as occupancy and office related expenses are allocated based upon time spent, utilization, and square footage.

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, 2019 and 2018.

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.

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, dividends, interest, and investment management fees, which are included in investment income, are reported in investment income (loss) on the Statements of Activities.

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

Contributions and Grants Receivable

Contributions and grants receivable are unconditional promises to give in future periods. BCM uses the allowance method to determine uncollectible contributions and grants receivable. The allowance is based on prior years' experience and management's analysis of specific receivables. Management has determined that all amounts are collectible as of December 31, 2019 and 2018.

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.

Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, 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 restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

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

Grant Revenue

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards That Are Contributions - Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant Awards That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Promotion and Advertising

Promotion and advertising costs totaled \$124,743 and \$190,653, for the years ended December 31, 2019 and 2018, respectively. Promotion and advertising costs are expensed as incurred.

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 GAAP. Accordingly, such information should be read in conjunction with BCM's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Change in Accounting Policy

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 - Revenue From Contracts with Customers (Topic 606). The amendments in this ASU, along with numerous clarifications and modifications, require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. BCM adopted this guidance as of January 1, 2019 and applied Topic 606 on a modified retrospective basis. The adoption of this guidance had no effect on BCM's recognition of revenue from contracts with customers.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in ASU No. 2018-08 assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and in determining whether a contribution transaction is conditional. BCM adopted this guidance as of January 1, 2019, with no effect on its recognition of contributions and grants received.

BIG CITY MOUNTAINEERS, INC.
Notes to Financial Statements
December 31, 2019 and 2018

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following:

<u>As of December 31,</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 568,615	\$ 466,939
Short-term Investments	52,302	19,434
Contributions and grants receivable	<u>61,109</u>	<u>190,444</u>
Total financial assets	<u>682,026</u>	<u>676,817</u>
Less:		
Restricted contributions included in cash and cash equivalents	(115,471)	(137,613)
Contributions and grants receivable restricted for specific purposes	<u>-</u>	<u>(68,000)</u>
	<u>(115,471)</u>	<u>(205,613)</u>
Total financial assets available for general expenditure	<u>\$ 566,555</u>	<u>\$ 471,204</u>

BCM does not have a formal liquidity policy. According to the investment policy, cash is to be employed productively by investing in short-term equivalents to provide for liquidity and to optimize returns within the constraints defined in the policy.

BCM also has two lines of credit available for cash flow needs up to \$96,500 as further described in Note 5.

3. Property and Equipment

Property and equipment consist of the following:

<u>As of December 31,</u>	<u>2019</u>	<u>2018</u>
Land	\$ 104,024	\$ 104,024
Buildings and improvements	23,807	11,166
Program equipment	24,069	24,069
Furniture and equipment	<u>2,500</u>	<u>2,500</u>
	154,400	141,759
Less: accumulated depreciation	<u>(26,967)</u>	<u>(25,775)</u>
Net Property and Equipment	<u>\$ 127,433</u>	<u>\$ 115,984</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.

BIG CITY MOUNTAINEERS, INC.
Notes to Financial Statements
December 31, 2019 and 2018

4. Investments

Investments are comprised of the following:

<u>As of December 31,</u>	<u>2019</u>	<u>2018</u>
Large Blend Equity Funds	\$ 130,148	\$ 97,775
Fixed income funds	<u>36,262</u>	<u>13,663</u>
Total Investments	<u>\$ 166,410</u>	<u>\$ 111,438</u>
 <u>Per Statements of Financial Position</u>		
Investments – Endowment	\$ 114,108	\$ 92,004
Short-term investments	<u>52,302</u>	<u>19,434</u>
Total Investments	<u>\$ 166,410</u>	<u>\$ 111,438</u>

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

Investment income (loss) consists of the following:

<u>Years Ending December 31,</u>	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 2,279	\$ 1,554
Realized and unrealized gains (losses) on investments, net	24,372	(11,647)
Management fees	<u>(1,545)</u>	<u>(1,429)</u>
Total Investment Income (Loss)	<u>\$ 25,106</u>	<u>\$ (11,522)</u>

5. Lines of Credit

On July 26, 2018, BCM obtained a line of credit with a financial institution for borrowings of up to \$71,500 at an interest rate equal to the prime rate plus 1.25% (6.0% as of December 31, 2019). The line of credit matures on July 26, 2020. As of December 31, 2019 and 2018, there was no outstanding balance on the line of credit. The line of credit is secured by a 1st Mortgage on real property located in Minnesota (Note 3).

On August 10, 2018, BCM obtained an unsecured line of credit with a financial institution for borrowings of up to \$25,000 at an interest rate equal to the prime rate plus 3% (7.75% as of December 31, 2019). The line of credit matures on August 25, 2020. As of December 31, 2019 and 2018, there was no outstanding balance on the line of credit.

6. 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 net assets with donor restrictions: (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 as permanent endowment is classified as accumulated earnings on the endowment until those amounts are appropriated for expenditure by BCM in a manner consistent with the standard of prudence prescribed by UPMIFA.

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:

Balance – December 31, 2017	\$ 103,091
Investment loss, net	<u>(11,087)</u>
Balance – December 31, 2018	92,004
Investment income, net	<u>22,104</u>
Balance – December 31, 2019	<u>\$ 114,108</u>

Funds with Deficiencies

From time to time, the endowment fund may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2018, funds with original gift values of \$100,000, fair values of \$92,004, and a deficiency of \$7,996 were reported in net assets with donor restrictions. There was no such deficiency at December 31, 2019.

BIG CITY MOUNTAINEERS, INC.
Notes to Financial Statements
December 31, 2019 and 2018

7. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

<u>As of December 31,</u>	<u>2019</u>	<u>2018</u>
<u>Subject to expenditure for specified purpose:</u>		
Capital additions	\$ 115,471	\$ 117,613
Program expansion	-	20,000
<u>Subject to the passage of time:</u>		
Grants and contribution receivable	61,109	190,444
<u>Endowment:</u>		
Endowment	100,000	100,000
Accumulated earnings on the endowment	14,108	-
Underwater endowments	<u>-</u>	<u>(7,996)</u>
 Total Net Assets With Donor Restrictions	 <u>\$ 290,688</u>	 <u>\$ 420,061</u>

Net assets totaling \$215,454 and \$227,470, were released from net assets with donor restrictions for the years ending December 31, 2019 and 2018, respectively, as a result of BCM incurring expenditures satisfying the related restricted purposes.

Cash and short-term investments available for operations is computed as follows:

<u>As of December 31,</u>	<u>2019</u>	<u>2018</u>
Cash	\$ 568,615	\$ 466,939
Short-term investments	<u>52,302</u>	<u>19,434</u>
	620,917	486,373
Less: restricted for capital additions	<u>(115,471)</u>	<u>(117,613)</u>
 Available for Operations	 <u>\$ 505,446</u>	 <u>\$ 368,760</u>

8. 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 contributions without restrictions 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.

BIG CITY MOUNTAINEERS, INC.
Notes to Financial Statements
December 31, 2019 and 2018

8. In-Kind Contributions (continued)

Donated materials and services consist of the following:

<u>Year Ended December 31,</u>	<u>2019</u>	<u>2018</u>
Advertising	\$ 129,395	\$ 232,081
Gear and equipment	187,789	184,723
Professional services and rents	72,449	90,299
Office expenses	<u>-</u>	<u>4,105</u>
	389,633	511,208
Less: SFS Gifts-in-kind	<u>(56,602)</u>	<u>(172,245)</u>
Net In-Kind Contributions	<u>\$ 333,031</u>	<u>\$ 338,963</u>

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.

9. Operating Lease

BCM leases its Golden, Colorado office facility under an operating lease expiring on August 31, 2021.

Future minimum lease payments under all operating leases with terms in excess of one year as of December 31, 2019, are

<u>Years Ending December 31:</u>	<u>Amount</u>
2020	\$ 69,300
2021	<u>47,800</u>
	<u>\$ 117,100</u>

Rent expense totaled \$65,591 and \$59,385 for the years ended December 31, 2019 and 2018, respectively.

10. Retirement Plan

BCM has 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.

11. Fair Value Measurements

BCM has adopted the *Fair Value Measurements and Disclosures* Topic of FASB Accounting Standards Codification (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.

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.

In determining fair value, BCM utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. There were no changes in the valuation techniques used during the year.

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.

11. Fair Value Measurements (continued)

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

<u>As of December 31, 2019:</u>	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
<i>Mutual Funds:</i>				
Large blend equity funds	\$ 130,148	\$ -	\$ -	\$ 130,148
Fixed income funds	<u>36,262</u>	<u>-</u>	<u>-</u>	<u>36,262</u>
	<u>\$ 166,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,410</u>
 <u>As of December 31, 2018:</u>				
<i>Mutual Funds:</i>				
Large blend equity funds	\$ 97,775	\$ -	\$ -	\$ 97,775
Fixed income funds	<u>13,663</u>	<u>-</u>	<u>-</u>	<u>13,663</u>
	<u>\$ 111,438</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,438</u>

12. Subsequent Events

Subsequent events have been evaluated through May 5, 2020, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic.” First identified in late 2019 and known now as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations.

As a result of the COVID-19 pandemic, BCM made the decision to cancel the 2020 expedition season due to concerns over being able to safely and successfully execute programming (notably wilderness expeditions). As guidelines from relevant authorities permit, including the CDC and other federal agencies, and state & local governments, BCM will consider limited short duration programming in the latter half of the summer as partner agencies have interest and capacity. Additionally, given the significant and widespread economic impact of COVID-19, BCM took appropriate action to prepare for a much more difficult economic situation for the remainder of 2020 and 2021, including expense reductions in anticipation of significant revenue reductions.

While the decision to cancel and adjust programming was a very difficult for BCM, we believe it was the best decision for both the youth and communities that we serve as well as for the BCM organization. When this crisis eases, we are confident that the expeditions, camps, and day trips we offer are going to make real differences, given the communities we serve, and as people look to reconnect with friends, take full advantage of time outside, and find ways to heal from the cultural trauma of the pandemic. At that moment, there will be an opportunity for BCM to shine. BCM intends to come through the COVID-19 crisis strong and vibrant in order to continue instilling critical life skills in under-resourced youth through transformative wilderness mentoring experiences.