

Big City Mountaineers, Inc.

Financial Statements

December 31, 2020

(Together with Independent Auditor's Report)



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BIG CITY MOUNTAINEERS, INC.
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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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP
Denver, Colorado

November 2, 2021

BIG CITY MOUNTAINEERS, INC.

Statements of Financial Position December 31, 2020 (With Comparative Totals for December 31, 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 611,130	\$ 568,615
Short-term investments	-	52,302
Contributions and grants receivable	54,016	61,109
Prepaid expenses and other	11,663	6,229
Inventory	252,766	347,876
Property and equipment, net	125,739	127,433
Investments - Endowment	211,714	114,108
	<hr/>	<hr/>
Total Assets	<u>\$ 1,267,028</u>	<u>\$ 1,277,672</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 10,618	\$ 7,835
Accrued payroll liabilities	24,826	37,238
Deferred revenue	32,910	-
Paycheck Protection Program Loan	114,800	-
	<hr/>	<hr/>
Total Liabilities	<u>183,154</u>	<u>45,073</u>
Net Assets		
Net assets without donor restrictions:		
Undesignated	624,537	814,478
Board designated for endowment	32,193	-
Investment in property and equipment	125,739	127,433
	<hr/>	<hr/>
	782,469	941,911
Net assets with donor restrictions	<u>301,405</u>	<u>290,688</u>
Total Net Assets	<u>1,083,874</u>	<u>1,232,599</u>
Total Liabilities and Net Assets	<u>\$ 1,267,028</u>	<u>\$ 1,277,672</u>

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

BIG CITY MOUNTAINEERS, INC.

Statements of Activities Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
Support and Revenue				
Contributions and grants	\$ 670,827	\$ 74,016	\$ 744,843	\$ 871,483
Government grants	10,000	-	10,000	32,334
Program and other income	770	-	770	22,386
In-kind contributions	218,728	-	218,728	333,031
Investment income	2,096	13,281	15,377	25,106
Net assets released from restrictions	76,580	(76,580)	-	-
	<u>979,001</u>	<u>10,717</u>	<u>989,718</u>	<u>1,284,340</u>
Summit for Someone and other events				
Contributions	54,814	-	54,814	219,649
In-kind contributions	-	-	-	56,602
Less: Climber and other expenses	(178,344)	-	(178,344)	(269,680)
	<u>(123,530)</u>	<u>-</u>	<u>(123,530)</u>	<u>6,571</u>
Total Support and Revenue	<u>855,471</u>	<u>10,717</u>	<u>866,188</u>	<u>1,290,911</u>
Expenses				
Program Services				
Youth expeditions	882,001	-	882,001	995,914
Supporting Services:				
General and administrative	42,316	-	42,316	58,096
Fundraising	90,596	-	90,596	136,954
Total Supporting Services	<u>132,912</u>	<u>-</u>	<u>132,912</u>	<u>195,050</u>
Total Expenses	<u>1,014,913</u>	<u>-</u>	<u>1,014,913</u>	<u>1,190,964</u>
Change in Net Assets	(159,442)	10,717	(148,725)	99,947
NET ASSETS, Beginning of Year	<u>941,911</u>	<u>290,688</u>	<u>1,232,599</u>	<u>1,132,652</u>
NET ASSETS, End of Year	<u>\$ 782,469</u>	<u>\$ 301,405</u>	<u>\$ 1,083,874</u>	<u>\$ 1,232,599</u>

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

BIG CITY MOUNTAINEERS, INC.

Statements of Functional Expenses Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

	Program Services	Supporting Services			Year Ended December 31, 2020	Year Ended December 31, 2019
	Youth Expeditions	General and Administrative	Fund-Raising	Total		
Salaries and benefits	\$ 428,737	\$ 7,950	\$ 58,185	\$ 66,135	\$ 494,872	\$ 543,422
Program expenses	329,380	-	-	-	329,380	228,341
Occupancy	47,630	10,368	6,912	17,280	64,910	68,323
Professional fees	32,588	15,958	8,875	24,833	57,421	100,080
Office expenses	34,028	7,202	11,759	18,961	52,989	80,880
Travel and entertainment	5,984	702	3,063	3,765	9,749	43,984
Promotion and advertising	2,096	-	1,802	1,802	3,898	124,743
Depreciation	1,558	136	-	136	1,694	1,191
Total Expenses by Function	882,001	42,316	90,596	132,912	1,014,913	1,190,964
Expenses included with revenues on the statements of activities:						
Climber and other expenses	178,344	-	-	-	178,344	269,680
Total Expenses	\$ 1,060,345	\$ 42,316	\$ 90,596	\$ 132,912	\$ 1,193,257	\$ 1,460,644

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

BIG CITY MOUNTAINEERS, INC.

Statements of Cash Flows Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (148,725)	\$ 99,947
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,694	1,191
Investment (income)	(15,377)	(25,106)
Changes in operating assets and liabilities:		
Contributions and grants receivable	7,093	129,335
Prepaid expenses and other	(5,434)	(1,259)
Inventory	95,110	(38,595)
Accounts payable	2,783	(2,010)
Accrued payroll liabilities	(12,412)	(19,321)
Deferred revenue	32,910	-
Net Cash Flows From Operating Activities	<u>(42,358)</u>	<u>144,182</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	-	(12,640)
Proceeds from sale of investments	82,205	10,067
Purchase of investments	(112,132)	(39,933)
Net Cash Flows From Investing Activities	<u>(29,927)</u>	<u>(42,506)</u>
Cash Flows From Financing Activities		
Proceeds from the Paycheck Protection Program Loan	114,800	-
Net Change in Cash and Cash Equivalents	42,515	101,676
CASH AND CASH EQUIVALENTS, beginning of year	<u>568,615</u>	<u>466,939</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 611,130</u>	<u>\$ 568,615</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 or the Organization) 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, overnight camping experience, and nature-based day trips 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 partners with schools and youth development agencies to better address the ongoing needs of youth served. BCM offers youth the following:

Weeklong Expeditions:

BCM's core program is a weeklong wilderness expedition that empowers youth from traditionally marginalized communities to find their voice, build social-emotional skills, and promote their health and wellness. BCM expeditions have a one-to-one ratio of adult mentors to youth participants, which helps them reach their full personal potential and benefit from the wilderness experience. BCM's 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-based mentoring opportunities to youth ages 13 to 18 via a 1:1 mentoring model with trained caring adults
- Have been shown to support youth and improve their self-esteem, sense of responsibility, group communication, and decision-making skills
- Are led by professional field instructors as to ensure participant safety

Single Day Programs:

Single-day outings are outdoor activities in parks and outdoor spaces close to where the students BCM serves live. Activities include hiking, canoeing, and indoor rock climbing. Single-day outings are the entry point that eventually lead up to BCM's weeklong expeditions, where youth begin to foster relationships with adult mentors and grow more comfortable in the outdoors.

Overnight Programs:

Through single night front-country camping experiences, BCM provides youth 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 overnights emphasize team-building and outdoor education to teach citizenship and teamwork. These activities allow campers to learn, refine, and practice critical life skills using the outdoors as a unique context for these lessons.

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

Summit for Someone / Adventure for Someone:

Summit for Someone (SFS) and Adventure for Someone (AFS) are BCM fundraising programs. SFS allows individuals to summit iconic peaks in North America on trips organized by BCM; AFS enables anyone to create their own custom challenge in the outdoors and turn it into a peer-to-peer fundraiser for BCM. 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.

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. The Statements of Functional Expenses present the natural classification detail of expense by function. 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.

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

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, 2020 and 2019.

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 on the Statements of Activities.

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, 2020 and 2019.

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.

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

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.

Deferred Revenue

Deferred revenue represents Summit for Someone/Adventure for Someone trip revenues collected before the end of the year for the following year's events.

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 \$3,898 and \$124,743, for the years ended December 31, 2020 and 2019, 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, 2019, from which the summarized information was derived.

Subsequent Events

In accordance with the *Subsequent Events* Topic of the Financial Accounting Standard Board (FASB) Accounting Standards Codification (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 November 2, 2021, and this is the date through which subsequent events were evaluated.

Upcoming Accounting Pronouncement

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which requires lessees to recognize on the Statement of financial position a right-to-use asset and a lease liability for most lease arrangements with a term greater than one year. The new standard also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from the leases. ASU 2016-02 is effective for nonpublic companies for fiscal years beginning after December 15, 2021. BCM is currently evaluating the effect that ASU 2016-02 will have on its financial statements.

BIG CITY MOUNTAINEERS, INC.
Notes to Financial Statements
December 31, 2020 and 2019

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 611,130	\$ 568,615
Short-term Investments	-	52,302
Contributions and grants receivable	<u>54,016</u>	<u>61,109</u>
Total financial assets	665,146	682,026
Less:		
Restricted contributions included in cash and cash equivalents	<u>(20,000)</u>	<u>(115,471)</u>
Total financial assets available for general expenditure	<u>\$ 645,146</u>	<u>\$ 566,555</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>2020</u>	<u>2019</u>
Land	\$ 104,024	\$ 104,024
Buildings and improvements	23,807	23,807
Program equipment	24,069	24,069
Furniture and equipment	<u>2,500</u>	<u>2,500</u>
	154,400	154,400
Less: accumulated depreciation	<u>(28,661)</u>	<u>(26,967)</u>
Net Property and Equipment	<u>\$ 125,739</u>	<u>\$ 127,433</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, 2020 and 2019

4. Investments

Investments are comprised of the following:

<u>As of December 31,</u>	<u>2020</u>	<u>2019</u>
Large Blend Equity Funds	\$ 149,238	\$ 130,148
Fixed Income funds	<u>62,476</u>	<u>36,262</u>
Total Investments	<u>\$ 211,714</u>	<u>\$ 166,410</u>
 <u>Per Statements of Financial Position</u>		
Investments – Endowment	\$ 211,714	\$ 114,108
Short-term investments	<u>-</u>	<u>52,302</u>
Total Investments	<u>\$ 211,714</u>	<u>\$ 166,410</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 consists of the following:

<u>Years Ending December 31,</u>	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 2,566	\$ 2,279
Realized and unrealized gains on investments, net	15,194	24,372
Management fees	<u>(2,383)</u>	<u>(1,545)</u>
Total Investment Income	<u>\$ 15,377</u>	<u>\$ 25,106</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% (4.50% as of December 31, 2020). The line of credit matures on July 24, 2023. As of December 31, 2020 and 2019, 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% (6.25% as of December 31, 2020). The line of credit matures on August 25, 2022. As of December 31, 2020 and 2019, there was no outstanding balance on the line of credit.

6. Paycheck Protection Program Loan

As of December 31, 2020, BCM had an outstanding loan of \$114,800 from the Small Business Administration's (SBA) Paycheck Protection Program (PPP), as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. Under the terms of the original loan agreement, the loan bears interest at a rate of 1% with monthly payments of principal and interest commencing seven months after funding and extending for a two-year term. If certain criteria are met, the Small Business Administration will forgive all or a portion of the loan.

Subsequent to executing the loan document, the Paycheck Protection Program Flexibility Act was signed into law which modified the terms of the PPP. The modification to the program also extended the deferral period for payments of principal and interest to the date the SBA remits the borrower's loan forgiveness amount to the lender or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period (8 or 24 weeks).

While BCM believes based upon current information all or substantially all of the loan and accrued interest will be forgiven under the program, under GAAP, any forgiveness is not recognized until a formal forgiveness determination is made by the SBA.

The loan was formally forgiven by the financial institution and recognized into income by BCM in May 2021.

BIG CITY MOUNTAINEERS, INC.
Notes to Financial Statements
December 31, 2020 and 2019

7. 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:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Balance – December 31, 2018	\$ -	\$ 92,004	\$ 92,004
Investment income, net	<u>-</u>	<u>22,104</u>	<u>22,104</u>
Balance – December 31, 2019	-	114,108	114,108
Recharacterization of designated donor contribution	-	100,000	100,000
Contributions	30,000	-	30,000
Investment income, net	<u>2,193</u>	<u>13,281</u>	<u>15,474</u>
Balance – December 31, 2020	<u>\$ 32,193</u>	<u>\$ 227,389</u>	<u>\$ 259,582</u>

BIG CITY MOUNTAINEERS, INC.
Notes to Financial Statements
December 31, 2020 and 2019

7. Endowment (continued)

<u>As of December 31, 2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor Restricted Endowment			
Historical gift value	\$ -	\$ 200,000	\$ 200,000
Accumulated earnings	-	27,389	27,389
Board Designated functioning as an Endowment	<u>32,193</u>	<u>-</u>	<u>32,193</u>
Total	<u>\$ 32,193</u>	<u>\$ 227,389</u>	<u>\$ 259,582</u>

In September 2006, BCM received a \$100,000 donation designated for the purchase of office and warehouse space. As stated by the donor, if after four years the board concludes that BCM will not purchase office and warehouse space, then the funds are to be added to the endowment fund. In January 2020, BCM recharacterized this \$100,000 donation to the endowment fund.

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, 2020 and 2019, there was no such deficiency.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

<u>As of December 31,</u>	<u>2020</u>	<u>2019</u>
<u>Subject to expenditure for specified purpose:</u>		
Capital additions	\$ -	\$ 115,471
Cassie Heppner Memorial Scholarship	20,000	-
<u>Subject to the passage of time:</u>		
Grants and contribution receivable	54,016	61,109
<u>Endowment:</u>		
Historical gift value	200,000	100,000
Accumulated earnings on the endowment	<u>27,389</u>	<u>14,108</u>
Total Net Assets With Donor Restrictions	<u>\$ 301,405</u>	<u>\$ 290,688</u>

Net assets totaling \$76,580 and \$215,454, were released from net assets with donor restrictions for the years ending December 31, 2020 and 2019, respectively, as a result of BCM incurring expenditures satisfying the related restricted purposes.

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9. 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.

Donated materials and services consist of the following:

<u>Year Ended December 31,</u>	<u>2020</u>	<u>2019</u>
Advertising	\$ -	\$ 129,395
Gear and equipment	216,853	187,789
Professional services	<u>1,875</u>	<u>72,449</u>
	218,728	389,633
Less: SFS Gifts-in-kind	<u>-</u>	<u>(56,602)</u>
Net In-Kind Contributions	<u>\$ 218,728</u>	<u>\$ 333,031</u>

No amounts have been reflected in the statements for donated volunteer services because the criteria for recognition under GAAP 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.

10. Operating Lease

BCM leases its Golden, Colorado office facility under an operating lease expiring on February 28, 2022.

Future minimum lease payments under all operating leases with terms in excess of one year as of December 31, 2020, are

<u>Years Ending December 31:</u>	<u>Amount</u>
2021	\$ 71,700
2022	<u>11,900</u>
Total	<u>\$ 83,600</u>

Rent expense totaled \$69,530 and \$65,591 for the years ended December 31, 2020 and 2019, respectively.

11. 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.

12. Fair Value Measurements

BCM 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 reporting 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 methodology 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.

12. Fair Value Measurements (continued)

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

<u>As of December 31, 2020:</u>	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
<i>Mutual Funds:</i>				
Large blend equity funds	\$ 149,238	\$ -	\$ -	\$ 149,238
Fixed income funds	<u>62,476</u>	<u>-</u>	<u>-</u>	<u>62,476</u>
Total	<u>\$ 211,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,714</u>
 <u>As of December 31, 2019:</u>				
	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>
Total	<u>\$ 166,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,410</u>

13. Risks and Uncertainties

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 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 in-person programming in 2020 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 offer programming governed by COVID-19 safety and risk management policies 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 very difficult, BCM believes it was the best decision for both the youth and communities that BCM serves as well as for the BCM organization. When this crisis eases, BCM is confident that the expeditions, overnight trips, and day trips offered are going to be even more important and relevant than they were previously, given the communities served, and as people look to reconnect with friends, take full advantage of time outside, and find ways to heal from the cultural trauma many people experienced during 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.