

NORTH CASCADES INSTITUTE

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2022 AND 2021

NORTH CASCADES INSTITUTE

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
North Cascades Institute
Sedro-Woolley, Washington

Opinion

We have audited the accompanying financial statements of North Cascades Institute (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Cascades Institute as of December 31, 2022 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 of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North Cascades Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Cascades Institute's ability to continue as a going concern for a reasonable period of time.

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

Other Matter - Prior Period Financial Statements

The financial statements of North Cascades Institute as of and for the year ended December 31, 2021, were audited by Jones & Associates PLLC, whose partners and professional staff joined Jacobson Jarvis & Co PLLC as of September 1, 2022, and has subsequently ceased operations. Jones & Associates PLLC expressed an unmodified opinion on those statements in their report dated July 7, 2022.

Jacobson Jarvis & Co, PLLC

Jacobson Jarvis & Co, PLLC
Seattle, Washington
September 15, 2023

NORTH CASCADES INSTITUTE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 325,913	\$ 461,412
Short-term investments	247,496	247,333
Accounts receivable	81,934	69,949
Contributions and grants receivable	2,947	11,409
Inventory and other	196,075	217,252
	<u>854,365</u>	<u>1,007,355</u>
Total Current Assets		
Long-term investments	6,212,316	8,210,591
Right of Use Asset - Operating Lease	212,788	-
Property and equipment, net	728,510	805,539
	<u>\$ 8,007,979</u>	<u>\$10,023,485</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 22,527	\$ 28,863
Accrued expenses	158,626	143,302
Deferred revenue and other	60,190	61,191
Forgivable note payable, current	-	38,577
Line of credit	-	285,615
Operating lease liability	56,738	-
	<u>298,081</u>	<u>557,548</u>
Total Current Liabilities		
Operating lease liability, less current portion above	<u>158,885</u>	<u>-</u>
	456,966	557,548
Total Liabilities		
Net Assets		
Net assets without donor restrictions - undesignated	1,998,293	2,985,274
Net assets without donor restrictions - board designated	4,569,409	5,221,582
	<u>6,567,702</u>	<u>8,206,856</u>
Net assets with donor restrictions - purpose and time	113,971	426,409
Net assets with donor restrictions - perpetual	869,340	832,672
	<u>983,311</u>	<u>1,259,081</u>
Total Net Assets	<u>7,551,013</u>	<u>9,465,937</u>
	<u>\$ 8,007,979</u>	<u>\$10,023,485</u>

See notes to financial statements.

NORTH CASCADES INSTITUTE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Total	Without Donor Restrictions		With Donor Restrictions	
		Undesignated	Board Designated	Purpose and Time	Perpetual In Nature
SUPPORT AND REVENUE					
Contracts, tuition and fees, net of scholarships and discounts of \$509,963	\$ 622,073	\$ 622,073	\$ -	\$ -	\$ -
Government grants	491,373	491,373	-	-	-
Contributions	541,261	280,610	-	223,983	36,668
In-kind contributions	93,094	93,094	-	-	-
NCELC Fund contribution	295,000	-	-	295,000	-
Foundation grants	401,194	37,695	-	363,499	-
Investment return	(1,349,777)	(1,118,705)	-	(231,072)	-
Bookstores, net of cost of goods sold of \$525,860	492,901	492,901	-	-	-
Rental income	59,716	59,716	-	-	-
Other income	24,180	24,180	-	-	-
	<u>1,671,015</u>	<u>982,937</u>	<u>-</u>	<u>651,410</u>	<u>36,668</u>
Net assets released from restrictions	-	963,848	-	(963,848)	-
Transfers of board designated funds	-	652,173	(652,173)	-	-
	<u>-</u>	<u>1,616,021</u>	<u>(652,173)</u>	<u>(963,848)</u>	<u>-</u>
 Total support and revenue	 <u>1,671,015</u>	 <u>2,598,958</u>	 <u>(652,173)</u>	 <u>(312,438)</u>	 <u>36,668</u>
 EXPENSES					
Programs	2,885,289	2,885,289	-	-	-
Management and general	361,034	361,034	-	-	-
Fundraising	339,616	339,616	-	-	-
Total expenses	<u>3,585,939</u>	<u>3,585,939</u>	<u>-</u>	<u>-</u>	<u>-</u>
 CHANGE IN NET ASSETS	 (1,914,924)	 (986,981)	 (652,173)	 (312,438)	 36,668
 NET ASSETS					
Beginning of the year	9,465,937	2,985,274	5,221,582	426,409	832,672
End of the year	<u>\$ 7,551,013</u>	<u>\$ 1,998,293</u>	<u>\$ 4,569,409</u>	<u>\$ 113,971</u>	<u>\$ 869,340</u>

See notes to financial statements.

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

	Total	Without Donor Restrictions		With Donor Restrictions	
		Undesignated	Board Designated	Purpose and Time	Perpetual In Nature
SUPPORT AND REVENUE					
Contracts, tuition and fees, net of scholarships and discounts of \$335,746	\$ 640,881	\$ 640,881	\$ -	\$ -	\$ -
Government grants	1,581,203	1,581,203	-	-	-
Contributions	588,671	139,725	-	256,998	191,948
In-kind contributions	87,294	87,294	-	-	-
NCELC Fund contribution	295,000	-	-	295,000	-
Foundation grants	333,884	139,500	-	194,384	-
Investment return	920,980	822,699	-	98,281	-
Bookstores, net of cost of goods sold of \$385,744	371,933	371,933	-	-	-
Rental income	42,656	42,656	-	-	-
	<u>4,862,502</u>	<u>3,825,891</u>	<u>-</u>	<u>844,663</u>	<u>191,948</u>
Net assets released from restrictions	-	766,960	-	(766,960)	-
Transfers of board designated funds	-	(599,698)	599,698	-	-
	<u>-</u>	<u>167,262</u>	<u>599,698</u>	<u>(766,960)</u>	<u>-</u>
 Total support and revenue	 <u>4,862,502</u>	 <u>3,993,153</u>	 <u>599,698</u>	 <u>77,703</u>	 <u>191,948</u>
EXPENSES					
Programs	2,466,414	2,466,414	-	-	-
Management and general	279,741	279,741	-	-	-
Fundraising	404,120	404,120	-	-	-
Total expenses	<u>3,150,275</u>	<u>3,150,275</u>	<u>-</u>	<u>-</u>	<u>-</u>
 CHANGE IN NET ASSETS	 1,712,227	 842,878	 599,698	 77,703	 191,948
NET ASSETS					
Beginning of the year	<u>7,753,710</u>	<u>2,142,396</u>	<u>4,621,884</u>	<u>348,706</u>	<u>640,724</u>
End of the year	<u>\$ 9,465,937</u>	<u>\$ 2,985,274</u>	<u>\$ 5,221,582</u>	<u>\$ 426,409</u>	<u>\$ 832,672</u>

See notes to financial statements.

NORTH CASCADES INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services							Support Services			
	ELC	School	Adult and Family	Youth	Conferences	Retail and Outreach	Skagit Tours and Other	Total Program	Management and General	Fund-raising	Total
Wages, taxes and benefits	\$ 516,003	\$ 525,646	\$ 247,078	\$ 255,075	\$ 228,511	\$ 235,924	\$ 85,187	\$ 2,093,424	\$ 287,922	\$ 288,902	\$ 2,670,248
Office and occupancy	91,780	42,532	13,431	8,954	31,340	8,954	4,477	201,468	8,955	13,431	223,854
Professional services	32,838	18,132	15,505	10,122	8,212	6,288	5,295	96,392	36,426	7,835	140,653
Depreciation and amortization	46,730	14,155	3,854	737	15,004	10,574	268	91,322	9,286	863	101,471
Supplies and materials	36,119	14,936	5,067	17,238	11,473	6,464	2,764	94,061	2,343	2,545	98,949
In-kind personnel, facilities and goods	44,916	13,110	7,317	2,460	14,832	-	-	82,635	-	744	83,379
Marketing and development	2,368	2,131	14,247	2,237	410	24,038	502	45,933	3,218	14,775	63,926
Credit card fees	-	413	8,628	-	4,712	33,234	1,719	48,706	-	670	49,376
Travel	9,376	6,730	2,796	5,325	1,691	7,705	1,404	35,027	4,531	6,521	46,079
Vehicles	18,129	5,948	1,488	722	6,729	-	8,447	41,463	849	1,400	43,712
Communications	11,640	4,312	1,711	1,307	3,086	2,110	515	24,681	1,987	1,930	28,598
Insurance	4,427	4,506	2,461	3,214	3,604	1,071	2,143	21,426	5,422	-	26,848
Interest	5,165	1,508	372	-	1,706	-	-	8,751	95	-	8,846
Total expenses	819,491	654,059	323,955	307,391	331,310	336,362	112,721	2,885,289	361,034	339,616	3,585,939
Scholarships and discounts	-	216,267	1,116	292,580	-	-	-	509,963	-	-	509,963
Cost of goods sold	-	-	-	-	-	525,860	-	525,860	-	-	525,860
Total functional expenses	\$ 819,491	\$ 870,326	\$ 325,071	\$ 599,971	\$ 331,310	\$ 862,222	\$ 112,721	\$ 3,921,112	\$ 361,034	\$ 339,616	\$ 4,621,762

NORTH CASCADES INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

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

NORTH CASCADES INSTITUTE

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Cash received from:		
Contracts, tuition, fees and other	\$ 1,174,688	\$ 1,029,907
Contributions and grants	1,687,636	2,610,276
Investment income (loss)	-	388,843
Cash paid for:		
Personnel	(2,654,925)	(2,245,925)
Services and supplies	<u>(703,452)</u>	<u>(659,374)</u>
Net Cash Provided (Used) by Operating Activities	(496,053)	1,123,727
Cash Flows from Investing Activities		
Purchases of investments	(2,264,965)	(1,266,659)
Proceeds from sale of investments	2,913,300	54,961
Purchases of property and equipment	<u>(257)</u>	<u>(62,587)</u>
Net Cash Provided (Used) by Investing Activities	<u>648,078</u>	<u>(1,274,285)</u>
Cash Flows from Financing Activities		
Principal payment on note payable	(324,192)	(104,142)
Cash received for endowment	<u>36,668</u>	<u>191,948</u>
Net Cash (Used) Provided by Financing Activities	<u>(287,524)</u>	<u>87,806</u>
Changes in Cash and Cash Equivalents	(135,499)	(62,752)
Cash and Cash Equivalents - beginning of year	<u>461,412</u>	<u>524,164</u>
Cash and Cash Equivalents - end of year	<u>\$ 325,913</u>	<u>\$ 461,412</u>
Supplemental Information		
Note forgiveness	<u>\$ -</u>	<u>\$ 289,378</u>

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

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

North Cascades Environmental Learning Center (the Environmental Learning Center or the Learning Center) is a hub of discovery for all ages in one of the wildest, most biologically diverse landscapes in North America. Opened in 2005 in partnership with the National Park Service and Seattle City Light, the Learning Center is situated on Diablo Lake in North Cascades National Park and includes a natural history library, aquatic and terrestrial classrooms, dining hall, amphitheater, overnight accommodations for 92 participants and 14 staff, outdoor learning rooms and access to trails.

Mountain School - This program is an immersive environmental education program for 5th grade classes that has been serving regional schools since 1990. Through hands-on interdisciplinary activities, students are connected to the natural and cultural history of our region, form connections with their classmates and the environment, and sharpen their understanding of their own identities.

In Spring 2022, the Institute continued Mountain School: Choose Your Own Adventure, a hybrid program that offered students and teachers from 25 schools in Whatcom and Skagit counties a virtual session followed by a day trip to either the Environmental Learning Center or Whatcom Falls Park in Bellingham. In Fall 2022, we returned to the full overnight program for the first time since the pandemic began and piloted our newly-redesigned curriculum, a project that began in 2018. Despite challenging late-season wildfires, 12+ schools participated. In 2022, there were 2,125 Participants and 3,487 Learner Days.

Connections - This program provides Whatcom County students opportunities to explore, learn, and connect with each other outdoors near their school. Connections started during the school closures in 2020 when nonprofits banded together to address academic inequities magnified by the pandemic, and continues to address community needs as in-person learning returns. Through providing locally-focused outdoor education for all K-6 students in the rural Mount Baker and Blaine school districts, Connections fosters environmental stewardship and joyful habits of outdoor exploration that are strongly linked to academic and social emotional learning.

Youth Leadership - This program engages local teens in 9-day backpacking and canoe camping trips in North Cascades National Park. In addition to outdoor skills, YLA focuses on leadership skills, team building, and climate change solutions, giving students the knowledge and tools they need to become stewards of the natural world and engage in community advocacy.

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Opportunities for engagement after the summer include Youth for People and the Environment (YEP!) in partnership with ReSources. In 2022, the Institute offered six trips (three canoe-camping, three backpacking) for 44 participants. In 2022, there were 48 Participants (YLA and YEP!) and 444 Learner Days.

Adult and Family Education - The Institute's suite of Family Getaways, Base Camp Learning and Lodging, Field Seminars, Online Classes and Stewardship Weekends continue to bring diverse audiences to the North Cascades to learn, recreate and be inspired. The number of adult programs offered in 2022 was compromised due to challenges around the re-opening of the Environmental Learning Center post-pandemic, including staff shortages. Skagit Tours were canceled due to highway construction delays. The Institute also reached people of all ages through online presentations including educational videos and streaming literary readings as well as four in-person book presentations in Bellingham. In 2022, there were 2,062 Participants and 2,238 Learner Days.

Conferences and Retreats - Custom educational programs, lodging and meals at the Environmental Learning Center inspire reflection and connection to the natural world as well as to each other. The Institute welcomes conferences, events, retreats, workshops, trainings, reunions and other gatherings. In 2022, the Institute hosted 13 programs ranging from wellness retreats to business and academic conferences to family reunions. In 2022, there were 489 Participants and 2,199 Learner Days.

Community and Neighborhood - These programs involve a broad variety of groups, ages, partnering organizations and program types. Education activities are integrated into all programs to augment the projects and engage the participants. In 2022, the Institute participated in Kulshan Creek Neighborhood Youth Program events in Mount Vernon. Field trips included local bike rides, a rafting trip, bird watching, stewardship activities and hiking. In 2022, there were 189 Participants.

Bookstores - The Institute operates seven retail stores around North Cascades National Park. In 2022, there were new visitation and sales records, even with some stores temporarily closed due to paving projects and wildfire issues. This partnership reaches larger, broader audiences to positively affect their lives through a deeper connection with nature by providing educational resources, introduces new community members to the Institute's work and helps fund its programs.

Adoption of accounting principle

On January 1, 2022, the Institution adopted ASU 2016-02, Leases (Topic 842), using the modified retrospective method. This standard requires lessees to recognize a right of use asset and a lease liability for material lease arrangements.

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board has designated certain otherwise net assets without donor restrictions as a Board designated endowment and a Board designated operating reserve fund. These funds are approved by the Board to be held for specific purposes and require Board approval to designate for any other purpose.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Institute considers all checking accounts and unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. Deposits with a single financial institution occasionally exceed federally insured limits, which subject the Institute to a concentration of deposit risk. The Institute has not experienced losses due to this concentration.

Accounts Receivable

Accounts receivable consist of amounts due from contracts, tuition and fees earned. All balances are unsecured and expected to be collected within the next fiscal year. No allowance for uncollectible balances has been established by management based upon the Institute's historical experience in the collection of balances due.

Contributions and Grants Receivable

Contributions and grants receivable are recognized in the period the pledge is received and consist of outstanding promises to give from a variety of individuals and foundations. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are initially recorded at fair value, which is measured at the present value of their future cash flows.

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

No allowance for uncollectible balances has been established by management based upon the Institute's historical experience in the collection of balances due and all balances are expected to be collected in less than a year.

Inventory and Other

Inventory consists primarily of the costs relating to books and other retail items and is stated at the lower of cost or market. Cost is determined using average cost basis, which approximates the first-in, first-out method. Other items include prepaid expenses for medical and business insurance.

Investments

The Institute carries investments with readily determinable fair values at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Fair value measurements

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

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

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

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

Fair value measurements apply to the Institute investments in government backed securities, corporate bonds, bond mutual funds, and equity mutual funds, which are classified within level 1 of the fair value hierarchy.

Property and Equipment

Purchased property and equipment with a cost of over \$1,000 and a useful life greater than one year are carried at cost.

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over a period of two to 15 years.

Revenue Recognition

Contributions and foundation grants are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. For conditional contributions and grants with donor restriction, it is the Institute's policy to recognize restricted conditional contributions in the net asset without donor restrictions class if the restrictions have been met in the same year.

Revenues from government grants are recognized when the qualified expense is incurred and are subject to audit and retroactive adjustment made by the funding agencies. The adjustments would be recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. There were no government audits or adjustments during the years ended December 31, 2022 and 2021.

The Institute recognizes revenue for sales of goods at the bookstores when products are sold at the point of sale.

Revenue from contracts and tuition is recognized when control of these services is transferred to its customers, in an amount that reflects the consideration the Institute expects to be entitled to in exchange for the services provided. Fees received for future instruction are deferred until the instruction commences.

Contracts and tuition may give rise to performance obligations for the Institute. Revenue from contracts with performance obligations is recognized when the Institute satisfies a performance obligation by transferring a promised good or service to a customer at a point in time or over time. For the Institute, these revenues consist of contracts and tuition fees. The contracts and tuition do not have a significant financing component, and the consideration amount is not variable.

For the related performance obligations, control of the promised good or service transfers to the customer at a point in time. Payment is typically due in full when the customer completes registration and revenue is recognized in the period in which the service is rendered. The Institute records tuition revenue in the period in which the related educational instruction is performed.

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods

Donations of goods include materials, equipment and advertising and are recorded as revenue and corresponding expense at the estimated fair value at the date of donation.

Donated Facilities

Donated facilities include support from North Cascades National Park (water and septic) and Seattle City Light (electricity), as well as campsites and services such as boat transportation, and are recorded as revenue and corresponding expense at the estimated fair value at the date the facilities are utilized.

Donated Personal Services

Donated personal services are recognized as revenue and corresponding expense at the estimated fair value at the date of service when (a) the services received create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Institute.

Volunteers also provide valuable services throughout the years that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation of expenses was done using one of the following four methods: (a) payroll expenses are allocated according to the timesheet provided each payroll period by all employees with the exception of full-time employees who use a percentage allocation (b) split based on pre-determined percentages based on estimates of time and effort (c) split based on pre-determined percentages based on square footage or (d) when known, allocations are made to specific programs or functions, at the time the expense is incurred.

Use of estimates

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

Income taxes

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

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE B - LIQUIDITY

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

The Institute's financial assets have seasonal variations during the year attributed to the timing of receipt of program and contribution payments. The Institute has an operating reserve that the governing board has dedicated with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need. Distress or a liquidity need could result from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

	<u>2022</u>	<u>2021</u>
Financial Assets		
Cash and cash equivalents	\$ 325,913	\$ 461,412
Investments	6,459,812	8,457,924
Accounts and contributions receivable	<u>84,881</u>	<u>81,358</u>
Total financial assets	6,870,606	9,000,694
Less those unavailable for general expenditures within one year:		
Restricted by donors with perpetual restrictions	(869,340)	(832,672)
Board designated endowment	(6,714,409)	(3,221,582)
Board reserve fund (unavailable without Board approval)	<u>2,145,000</u>	<u>2,000,000</u>
Financial assets available within one year	<u>\$ 1,431,857</u>	<u>\$ 6,946,440</u>

NOTE C - LONG-TERM INVESTMENTS

The following table summarizes the valuation of the Institute's investments in the fair value hierarchy as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 156,278	\$ -	\$ -	\$ 156,278
Government backed securities	-	-	-	-
Corporate bonds	-	-	-	-
Bond mutual funds	2,124,469	-	-	2,124,469
Equity mutual funds	<u>3,931,569</u>	-	-	<u>3,931,569</u>
	<u>\$ 6,212,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,212,316</u>

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE C - LONG-TERM INVESTMENTS (Continued)

The following table summarizes the valuation of the Institute's investments in the fair value hierarchy as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 342,653	\$ -	\$ -	\$ 342,653
Government backed securities	41,496	-	-	41,496
Corporate bonds	145,769	-	-	145,769
Bond mutual funds	2,521,069	-	-	2,521,069
Equity mutual funds	<u>5,159,604</u>	<u>-</u>	<u>-</u>	<u>5,159,604</u>
	<u>\$ 8,210,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,210,591</u>

NOTE D - CONDITIONAL GRANTS

In April 1991, the Institute entered into a contract with the National Park Service and the City of Seattle to develop and operate the Environmental Learning Center. This contract provides for \$500,000 in funds for maintenance of the grounds and facilities, \$600,000 for wildlife education programs at the Institute, and \$565,000 for vehicles leased from the City of Seattle. Each amount is stated in 1990 dollars, adjusted by the second half CPI-U index for the Seattle metropolitan area. Amounts are paid annually or quarterly to the Institute in accordance with the contract, contingent on the provision of payment calculations and support for expenses incurred.

For the years ended December 31, 2022 and 2021, \$83,951 and \$64,610 was received for maintenance, respectively. For the years ended December 31, 2022 and 2021, \$48,929 and \$45,157 was received for wildlife education programs, respectively. For the years ended December 31, 2022 and 2021, \$31,302 and \$28,889 was received for vehicle leases, respectively. The remainder that the Institute will receive for maintenance cannot be reasonably determined given reimbursable costs are incurred by each party and the total amount to be spent each year is determined by the three parties. At December 31, 2022, the remainder of the wildlife education award is estimated to be \$96,800 and funds will be received through 2024. At December 31, 2022, the remainder of the vehicle leases award is estimated to be \$61,900 and funds will be received through 2024. As the remaining amounts represent conditional promises to give, these portions of the awards will not be recognized as revenue until the grantor conditions are met.

In 2020, the Institute received notice of a multi-year grant award for \$350,000, of which \$61,250 was received in each of the years ended December 31, 2021 and 2022 and \$166,250 received previously. The remainder of the total award of \$61,250 will be distributed in future years contingent on the Institute's completion of terms and conditions set forth in the grant. As the \$61,250 remainder represents a conditional promise to give, this portion of the award will not be recognized as revenue until the grantor conditions are met.

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 870,384	\$ 870,384
Equipment	558,753	554,633
Program equipment	136,347	132,136
Furniture	227,984	227,984
Vehicles	168,498	168,498
Leasehold improvements	136,995	135,909
	<u>2,098,961</u>	<u>2,089,544</u>
Less: accumulated depreciation and amortization	<u>(1,483,258)</u>	<u>(1,396,812)</u>
	615,703	692,732
Land	112,807	112,807
	<u>\$ 728,510</u>	<u>\$ 805,539</u>

NOTE F - FORGIVABLE NOTE PAYABLE

The Institute entered into a Small Business Administration Paycheck Protection Program note payable with a bank on April 29, 2020, for \$466,900. \$324,181 of the balance was forgiven in 2020; the remaining balance not forgiven was paid off as of December 31, 2022.

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

NOTE G - LINE OF CREDIT

The Institute maintains a line of credit with a bank with a maximum borrowing amount of \$2,000,000. The line of credit is due on demand, and bears interest at the greater of a defined adjusted LIBOR rate, or 2%, resulting in a rate of 3.97% and 2.00% at December 31, 2022 and 2021, respectively. The line of credit is secured by all cash and investments of the Institute not subject to donor restrictions. As of December 31, 2022, there was no balance outstanding on the line of credit.

NOTE H - NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

Net assets without donor restrictions designated by the Board for specific purposes are included in cash and cash equivalents, investments and receivables and are available for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Board designated endowment	\$ 2,424,409	\$ 3,221,582
Operating reserve	2,145,000	2,000,000
	<u>\$ 4,569,409</u>	<u>\$ 5,221,582</u>

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE H - NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED (Continued)

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

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are included in cash and cash equivalents, investments and receivables and are available for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Restricted for a specified purpose or passage of time:		
Youth programs	\$ 8,500	\$ 186,600
Unappropriated endowment investment return	(68,856)	193,770
Community and neighborhood	2,500	2,500
Environmental Learning Center	18,880	19,350
Mountain school	150,000	12,780
Pledges to be used over future periods	<u>2,947</u>	<u>11,409</u>
	113,971	426,409
Perpetual in nature:		
Endowment	<u>869,340</u>	<u>832,672</u>
Total net assets with donor restrictions	<u>\$ 983,311</u>	<u>\$ 1,259,081</u>

NOTE J - ENDOWMENT

Nature of Endowments and Applicable Laws – Net assets with perpetual donor restrictions consist of an endowment with donor restrictions in which the investment return is to be used for general operations and scholarships. Additionally, the Board of Directors designated net assets without donor restrictions to supplement the endowment. Since the Board designated amount resulted from an internal designation and is not donor-restricted, it is classified and reported within net assets without donor restrictions. The endowment funds are included in long-term investments on the statement of financial position.

The Board of Directors of the Institute has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as net assets with perpetual donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE J - ENDOWMENT (Continued)

The remaining portion of the donor restricted endowment fund that is not classified in net assets with perpetual donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Institute in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Institute, and (7) the Institute's investment policies.

Investment and Spending Policies – The Institute has adopted an investment policy for assets held in its endowment funds. The goal of the policy is to realize an after-cost real rate of return that provides a steady stream of funding for programs while maintaining or increasing the purchasing power of investments over the long-term.

Under the Institute’s spending policy, the amount available for spending each year (the spending allocation) is equal to 4% of the average market value of investments over the trailing 36 months. In the event the spending allocation is not fully expended in any fiscal year, it remains available for spending in future years.

Funds with Deficiencies – From time to time, the fair value of assets associated with individual endowment funds may fall below the total amount of the gifts made to the endowment by the donor. There were no endowment funds with deficiencies as of December 31, 2021. As of December 31, 2022, there are endowments with donor restrictions that show deficiencies due to unfavorable market fluctuations that occurred during 2022. These deficiencies are expected to be short-term temporary declines due to recent events affecting the economy in 2022 and do not affect overall spending.

Endowment net assets composition by type of fund as of December 31, 2022 is as follows:

	<u>Without Donor</u>	<u>With Donor Restrictions</u>		
	<u>Restrictions</u>	<u>Purpose and</u>	<u>Perpetual</u>	<u>Total</u>
		<u>Time</u>		
Restricted for a specified purpose or passage of time:				
North Cascades Conservation Council Founders Fund	\$ -	\$ 1,872	\$ 40,000	\$ 41,872
Youth Leadership Fund (Ginny Darvill)	-	4,426	170,000	174,426
John Miles Scholarship Fund	-	(1,194)	23,811	22,617

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE J - ENDOWMENT (Continued)

Darby Foundation Scholarship Fund	-	(2,314)	80,000	77,686
Weisberg Family Fund	-	(5,279)	64,021	58,742
Cook - Sullivan Fund	-	(1,724)	29,500	27,776
Gary Peterson Memorial Fund	-	(1,308)	26,268	24,960
Brian Scheuch Memorial Fund	-	(2,785)	28,305	25,520
Nugent Family Fund	-	(12,861)	100,000	87,139
Andrew Goodwill Murphy Memorial Fund	-	(6,775)	50,679	43,904
Campbell - Dalton Fund	-	(7,348)	59,639	52,291
Jean Gorton Memorial Fund	-	(2,837)	22,058	19,221
Saul Weisberg Catalyst Fund	-	(30,729)	175,059	144,330
Board designated endowment funds:				
Conservation Education Fund	1,580,561	-	-	1,580,561
Nugent Family Fund	505,780	-	-	505,780
John Miles Scholarship Fund	17,295	-	-	17,295
Saul Weisberg Catalyst Fund	320,773	-	-	320,773
	<u>\$ 2,424,409</u>	<u>\$ (68,856)</u>	<u>\$ 869,340</u>	<u>\$ 3,224,893</u>

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

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose and Time	Perpetual	
Restricted for a specified purpose or passage of time:				
North Cascades Conservation Council Founders Fund	\$ -	\$ 16,173	\$ 40,000	\$ 56,173
Youth Leadership Fund (Ginny Darvill)	-	63,996	170,000	233,996
John Miles Scholarship Fund	-	6,530	23,811	30,341
Darby Foundation Scholarship Fund	-	24,217	80,000	104,217
Weisberg Family Fund	-	14,388	57,021	71,409
Cook - Sullivan Fund	-	7,615	26,500	34,115
Gary Peterson Memorial Fund	-	7,217	26,268	33,485
Brian Scheuch Memorial Fund	-	5,863	27,505	33,368
Nugent Family Fund	-	16,899	100,000	116,899

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE J - ENDOWMENT (Continued)

Andrew Goodwill Murphy				
Memorial Fund	-	8,065	46,973	55,038
Campbell - Dalton Fund	-	9,727	45,639	55,366
Jean Gorton Memorial Fund	-	3,727	22,058	25,785
Saul Weisberg Catalyst Fund	-	9,353	166,897	176,250
Board designated endowment funds:				
Conservation Education Fund	2,103,658	-	-	2,103,658
Nugent Family Fund	673,170	-	-	673,170
John Miles Scholarship Fund	22,333	-	-	22,333
Saul Weisberg Catalyst Fund	422,421	-	-	422,421
	<u>\$ 3,221,582</u>	<u>\$ 193,770</u>	<u>\$ 832,672</u>	<u>\$ 4,248,024</u>

Changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose and Time	Perpetual	
Endowment net assets, 12/31/2020	\$ 2,621,884	\$ 127,511	\$ 640,724	\$ 3,390,119
Contributions	400,000	-	191,948	591,948
Investment income, net of fees	133,436	41,459	-	174,895
Net realized and unrealized gains	182,893	56,823	-	239,716
Amounts appropriated for expenditu	<u>(116,631)</u>	<u>(32,023)</u>	<u>-</u>	<u>(148,654)</u>
Endowment net assets, 12/31/2021	3,221,582	193,770	832,672	4,248,024
Contributions	-	-	36,668	36,668
Investment income, net of fees	142,584	47,052	-	189,636
Net realized and unrealized losses	(842,810)	(278,124)	-	(1,120,934)
Amounts appropriated for expenditu	<u>(87,630)</u>	<u>(31,554)</u>	<u>-</u>	<u>(119,184)</u>
Endowment net assets, 12/31/2022	<u>\$ 2,433,726</u>	<u>\$ (68,856)</u>	<u>\$ 869,340</u>	<u>\$ 3,234,210</u>

NOTE K - ENVIRONMENTAL LEARNING CENTER

In April 1991, the Institute entered into a partnership (Memorandum of Agreement, FERC Settlement Agreements, Skagit River Hydroelectric Project 553) with the National Park Service (North Cascades National Park Service Complex), the City of Seattle (Seattle City Light) and North Cascades Conservation Council) to develop and operate the Environmental Learning Center. This residential education facility is located on Diablo Lake within the Ross Lake National Recreation Area.

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE K - ENVIRONMENTAL LEARNING CENTER (Continued)

The Environmental Learning Center is the result of the license approved in 1995 by the Federal Energy Regulatory Commission that includes environmental education as one element of mitigation for the Skagit Hydroelectric Project. Seattle City Light was required to provide mitigation for the licensing of the three Seattle City Light dams on the Skagit River.

NOTE L - NCELC FUND

During 2005, Seattle City Light transferred \$4,812,954 to the North Cascades Environmental Learning Center Fund (NCELC Fund or the Fund), a donor advised fund held by the Seattle Foundation (the Foundation) to be used for general operating support, including programs and maintenance at the Center over the next 20 years. The funds held in the investment pool are managed by the Foundation. The Foundation exercises variance power on the funds it holds. Therefore, the endowment asset is not recognized on the Institute’s financial statements. The Foundation was established in 1946 and since its formation has managed funds for many not-for-profit Institutes in the Puget Sound area. Realized and unrealized gains/losses from securities in the investment pool are allocated to the individual accounts based on the relationship of the fair value of each account to the total fair value of the pooled investment accounts, as adjusted for additions to/deductions from those accounts. The Foundation’s assets are principally in trusts from which income is distributed to the participating Institutes. The Fund’s Oversight Committee, composed of representatives from the Institute, the National Park Service and Seattle City Light, makes an annual recommendation to the Foundation for the distribution of funds to the Institute. The Institute received \$295,000 from the Fund during the each years ended December 31, 2022 and 2021, respectively. The balance of the Fund as of December 31, 2022 and 2021 is \$583,421 and \$1,017,485, respectively.

NOTE M - DONATED SERVICES AND FACILITIES

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

	<u>2022</u>	<u>2021</u>
Other programs	\$ 6,273	\$ 50,750
Environmental Learning Center operations	74,316	28,338
Youth and School programs	12,505	8,206
	<u>\$ 93,094</u>	<u>\$ 87,294</u>

	<u>2022</u>	<u>2021</u>
Donated goods	\$ 6,273	\$ 50,750
Donated facilities and equipment usage	74,316	28,338
Donated personal services	12,505	8,206
	<u>\$ 93,094</u>	<u>\$ 87,294</u>

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE N - REVENUES AND RELATED COSTS

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

	<u>2022</u>	<u>2021</u>
Gross contracts, tuition and fees	\$ 1,132,036	\$ 976,627
Less: cost of scholarships and discounts	<u>(509,963)</u>	<u>(335,746)</u>
	<u>\$ 622,073</u>	<u>\$ 640,881</u>
Gross bookstores sales	\$ 1,018,761	\$ 757,677
Less: cost of goods sold	<u>(525,860)</u>	<u>(385,744)</u>
	<u>\$ 492,901</u>	<u>\$ 371,933</u>

NOTE O - PENSION PLAN

The Institute sponsors a defined contribution 403(b) retirement plan (the Plan) for all regular employees. Eligibility begins after one year of continuous employment. Employer plan contributions are 3% of annual earnings, plus an additional 4% match of employee contributions, resulting in a maximum employer contribution of 7%. Employees hired prior to August 1, 2013 are fully vested at time of eligibility. Employees hired on or after August 1, 2013 will be 1/3 vested at the beginning of their third year of employment, 2/3 vested at the beginning of their fourth year, and 100% vested at the beginning of their fifth year of employment. Total contributions to the Plan during the years ended December 31, 2022 and 2021 were \$72,493 and \$70,807, respectively.

NOTE P - COOPERATIVE AGREEMENTS

The Institute operates under an annually renewable Cooperative Agreement with the National Park Service that expired December 31, 2022 and currently in process to get a signed extension or new agreement. This agreement provides the basis of the Institute’s operations within the North Cascades National Park (the Park). The Institute also operates six bookstores (retail/outreach) in the Park under a ten-year Cooperating Association Agreement that expires December 31, 2032. Additionally, the Institute has signed a series of participating agreements with the Mt. Baker-Snoqualmie National Forest, which provides the basis of the Institute’s operations within the National Forest.

NOTE Q - CONCENTRATIONS

At December 31, 2021, 82% of accounts receivable was due from two organizations. There were no such concentrations for the year ended December 31, 2022.

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE R - COMMITMENTS

Operating lease

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

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

	<u>2022</u>	<u>2021</u>
Operating lease costs	\$ 65,156	\$ 23,313
Supplemental cash flow information:		
Weighted-average remaining lease term	3.7 years	
Weighted-average discount rate	3.00%	

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

	2023	\$	62,186
	2024		61,551
	2025		61,988
	2026		41,524
			227,249
Less present value discount			(11,626)
			\$ 215,623

Equipment leases

The Institute leases certain office equipment under non-cancelable leases. As total is not material to the financial statements, management has opted not to apply lease standard ASC 842. Total office equipment leases expensed are \$8,865 and \$4,251 for the years ended December 31, 2022 and 2021, respectively. Scheduled lease payments for the years ending December 31 are as follows:

	2023	\$	5,306
	2024		5,306
	2025		5,306
	2026		4,836
	2027		622
			\$ 21,376

NORTH CASCADES INSTITUTE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE S - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2022 through September 15, 2023, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2022, including the estimates inherent in the processing of financial statements.