



Adventure Cycling Association

FINANCIAL REPORT

September 30, 2021 and 2020



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Adventure Cycling Association
Missoula, Montana

We have audited the accompanying financial statements of Adventure Cycling Association (a nonprofit organization), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities and cash flows for the years 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Adventure Cycling Association as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Anderson Zurmuehlen & Co., P.C.

Missoula, Montana
February 2, 2022

FINANCIAL STATEMENTS

ADVENTURE CYCLING ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,372,414	\$ 296,858
Accounts receivable, net	59,528	65,436
Current portion of promises to give	75,610	26,500
Inventory	155,603	145,830
Prepaid expenses	90,371	70,496
Investments	<u>2,716,978</u>	<u>1,983,486</u>
Total current assets	<u>4,470,504</u>	<u>2,588,606</u>
LAND, BUILDING AND EQUIPMENT		
Land	84,500	84,500
Land improvements	75,000	75,000
Building	1,217,406	1,221,182
Furniture, fixtures, and equipment	<u>300,316</u>	<u>336,871</u>
	1,677,222	1,717,553
Less: accumulated depreciation	<u>(847,456)</u>	<u>(836,222)</u>
Land, building and equipment, net	<u>829,766</u>	<u>881,331</u>
PROMISES TO GIVE, NET OF CURRENT PORTION	<u>45,000</u>	<u>60,000</u>
OTHER	<u>822</u>	<u>822</u>
Total assets	<u>\$ 5,346,092</u>	<u>\$ 3,530,759</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 62,397	\$ 79,561
Accrued liabilities	273,056	116,222
Deferred revenue	<u>1,228,865</u>	<u>738,922</u>
Total current liabilities	<u>1,564,318</u>	<u>934,705</u>
DEFERRED REVENUE, LONG-TERM	<u>200,932</u>	<u>69,500</u>
Total liabilities	<u>1,765,250</u>	<u>1,004,205</u>
NET ASSETS		
Without donor restrictions	3,460,232	2,440,054
With donor restrictions	<u>120,610</u>	<u>86,500</u>
Total net assets	<u>3,580,842</u>	<u>2,526,554</u>
Total liabilities and net assets	<u>\$ 5,346,092</u>	<u>\$ 3,530,759</u>

The Notes to Financial Statements are an integral part of these statements.

ADVENTURE CYCLING ASSOCIATION
STATEMENT OF ACTIVITIES
Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Merchandise sales	\$ 936,852	\$ -	\$ 936,852
Less: direct and allocated costs	<u>703,303</u>	<u>-</u>	<u>703,303</u>
Net merchandise sales	<u>233,549</u>	<u>-</u>	<u>233,549</u>
Tour sales	1,477,302	-	1,477,302
Less: direct and allocated costs	<u>1,306,957</u>	<u>-</u>	<u>1,306,957</u>
Net tour sales	<u>170,345</u>	<u>-</u>	<u>170,345</u>
Advertising	196,432	-	196,432
Donations and grants	1,417,435	60,610	1,478,045
COVID-19 grants	595,316	-	595,316
Interest	32,300	-	32,300
Investment gains, net	220,490	-	220,490
Gain on sale of equipment	6,400	-	6,400
Membership dues	1,891,250	-	1,891,250
Miscellaneous	129	-	129
Royalties and commissions	2,379	-	2,379
Net assets released from donor time restrictions	<u>26,500</u>	<u>(26,500)</u>	<u>-</u>
Funds available for program and supporting services	<u>4,792,525</u>	<u>34,110</u>	<u>4,826,635</u>
EXPENSES			
Supporting services			
Fundraising	667,564	-	667,564
Management and general	<u>413,161</u>	<u>-</u>	<u>413,161</u>
Total supporting services	<u>1,080,725</u>	<u>-</u>	<u>1,080,725</u>
Funds available for program services	<u>3,711,800</u>	<u>34,110</u>	<u>3,745,910</u>
Program services			
Adventure Cyclist	828,429	-	828,429
Membership and outreach	1,040,851	-	1,040,851
Routes and mapping	389,396	-	389,396
Advocacy	<u>432,946</u>	<u>-</u>	<u>432,946</u>
Total program services	<u>2,691,622</u>	<u>-</u>	<u>2,691,622</u>
Change in net assets	1,020,178	34,110	1,054,288
Net assets, beginning of year	<u>2,440,054</u>	<u>86,500</u>	<u>2,526,554</u>
Net assets, end of year	<u>\$ 3,460,232</u>	<u>\$ 120,610</u>	<u>\$ 3,580,842</u>

The Notes to Financial Statements are an integral part of this statement.

ADVENTURE CYCLING ASSOCIATION
STATEMENT OF ACTIVITIES
Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Merchandise sales	\$ 756,738	\$ -	\$ 756,738
Less: direct and allocated costs	<u>623,945</u>	<u>-</u>	<u>623,945</u>
Net merchandise sales	<u>132,793</u>	<u>-</u>	<u>132,793</u>
 Tour sales	 685,014	 -	 685,014
Less: direct and allocated costs	<u>1,032,693</u>	<u>-</u>	<u>1,032,693</u>
Net tour sales	<u>(347,679)</u>	<u>-</u>	<u>(347,679)</u>
 Advertising	 261,012	 -	 261,012
Donations and grants	1,211,606	85,000	1,296,606
COVID-19 grants	452,680	-	452,680
Interest	36,790	-	36,790
Investment gains, net	87,926	-	87,926
Membership dues	1,697,796	-	1,697,796
Miscellaneous	474	-	474
Royalties and commissions	1,840	-	1,840
Net assets released from donor time restrictions	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>
Funds available for program and supporting services	<u>3,550,238</u>	<u>70,000</u>	<u>3,620,238</u>
 EXPENSES			
Supporting services			
Fundraising	491,762	-	491,762
Management and general	<u>215,661</u>	<u>-</u>	<u>215,661</u>
Total supporting services	<u>707,423</u>	<u>-</u>	<u>707,423</u>
Funds available for program services	<u>2,842,815</u>	<u>70,000</u>	<u>2,912,815</u>
 Program services			
Adventure Cyclist	790,958	-	790,958
Membership	864,851	-	864,851
Outreach	182,703	-	182,703
Routes and mapping	526,700	-	526,700
Advocacy	<u>497,157</u>	<u>-</u>	<u>497,157</u>
Total program services	<u>2,862,369</u>	<u>-</u>	<u>2,862,369</u>
 Change in net assets	 (19,554)	 70,000	 50,446
Net assets, beginning of year	<u>2,459,608</u>	<u>16,500</u>	<u>2,476,108</u>
Net assets, end of year	<u>\$ 2,440,054</u>	<u>\$ 86,500</u>	<u>\$ 2,526,554</u>

The Notes to Financial Statements are an integral part of this statement.

ADVENTURE CYCLING ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2021

	Program Services					Supporting Services		Total
	Routes and Mapping	Advocacy	Adventure Cyclist	Tours	Merchandise	Membership	Fundraising	
REVENUES AND SUPPORT (memo only)								
Advertising	\$ -	\$ -	\$ 196,432	\$ -	\$ -	\$ -	\$ -	\$ 196,432
Donations and grants	733,926	744,119	-	-	-	-	-	1,478,045
COVID-19 grants	100,000	100,000	100,000	100,000	95,316	100,000	-	595,316
Interest	-	-	-	-	-	32,300	-	32,300
Investment gains, net	40,800	33,090	27,600	49,800	21,400	47,800	-	220,490
Membership dues	-	-	-	-	-	1,891,250	-	1,891,250
Merchandise sales	-	-	-	-	936,852	-	-	936,852
Miscellaneous	-	-	-	-	-	129	-	129
Gain on sale of equipment	-	-	-	6,400	-	-	-	6,400
Royalties and commissions	2,379	-	-	-	-	-	-	2,379
Tour sales	-	-	-	<u>1,477,302</u>	-	-	-	<u>1,477,302</u>
Total revenues and support (memo only)	<u>877,105</u>	<u>877,209</u>	<u>324,032</u>	<u>1,633,502</u>	<u>1,053,568</u>	<u>2,071,479</u>	-	<u>6,836,895</u>
EXPENSES								
Salaries and benefits	276,694	229,542	219,802	225,571	118,477	408,885	306,523	2,043,846
Contract services	26,995	52,853	141,033	-	-	57,951	28,690	384,636
Cost of purchases	-	-	-	-	299,449	-	-	299,449
Cost of tours	-	-	-	802,962	-	-	-	802,962
Design and media	-	82,143	82,143	109,524	54,762	109,524	109,524	547,620
Dues and subscriptions	2,424	740	3,795	3,386	-	1,739	14,799	30,409
Equipment and software purchase	20,725	-	590	-	-	-	-	32,518
Equipment lease	-	-	-	-	5,952	-	-	5,952
IT services	31,985	31,985	31,985	63,969	31,985	63,969	63,969	319,847
Miscellaneous	(233)	1,278	7,760	2,698	720	2,989	5,160	28,185
Occupancy	24,998	17,730	15,085	15,783	10,051	27,939	17,620	154,125
Office supplies	200	-	(3)	855	1,279	1,825	840	5,643
Other	-	-	8,000	-	-	-	-	8,265
Postage	142	238	161,052	5,416	116,375	170,982	48,890	503,747
Printing	-	12	147,798	6,577	38,835	93,816	33,615	320,867
Promotional material	134	21	-	(143)	-	24,794	9,228	34,051
Service fees	-	-	3,667	57,683	23,319	64,957	12,596	162,222
Sponsorship	-	2,500	-	-	-	4,950	-	7,450
Staff development	-	592	-	1,142	25	155	1,428	4,336
Telephone	-	-	-	597	589	593	-	1,779
Travel and conferences	<u>149</u>	<u>8,814</u>	<u>942</u>	<u>490</u>	<u>-</u>	<u>1,572</u>	<u>8,939</u>	<u>4,227</u>
Total expenses before depreciation and amortization	<u>384,213</u>	<u>428,448</u>	<u>823,649</u>	<u>1,296,510</u>	<u>701,818</u>	<u>1,036,640</u>	<u>661,821</u>	<u>5,731,042</u>
Depreciation and amortization	<u>5,183</u>	<u>4,498</u>	<u>4,780</u>	<u>10,447</u>	<u>1,485</u>	<u>4,211</u>	<u>5,743</u>	<u>51,565</u>
Total expenses	<u>389,396</u>	<u>432,946</u>	<u>828,429</u>	<u>1,306,957</u>	<u>703,303</u>	<u>1,040,851</u>	<u>667,564</u>	<u>5,782,607</u>
Change in net assets (memo only)	<u>\$ 487,709</u>	<u>\$ 444,263</u>	<u>\$ (504,397)</u>	<u>\$ 326,545</u>	<u>\$ 350,265</u>	<u>\$ 1,030,628</u>	<u>\$ (667,564)</u>	<u>\$ 1,054,288</u>

The Notes to Financial Statements are an integral part of this statement.

ADVENTURE CYCLING ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2020

	Program Services						Supporting Services		Total	
	Routes and Mapping	Advocacy	Outreach	Adventure Cyclist	Tours	Merchandise	Membership	Fundraising		Management and General
REVENUES AND SUPPORT (memo only)										
Advertising	\$ -	\$ -	\$ -	\$ 261,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 261,012
Donations and grants	611,940	600,000	83,341	-	-	-	1,325	-	-	1,296,606
COVID-19 grants	-	-	-	45,834	376,164	30,682	-	-	-	452,680
Interest	-	-	-	-	-	-	36,790	-	-	36,790
Investment gains, net	17,000	10,500	3,750	11,500	18,000	7,500	11,414	8,262	-	87,926
Membership dues	-	-	-	-	-	-	1,697,796	-	-	1,697,796
Merchandise sales	-	-	-	-	-	756,738	-	-	-	756,738
Miscellaneous	-	-	-	-	-	-	474	-	-	474
Royalties and commissions	1,840	-	-	-	-	-	-	-	-	1,840
Tour sales	-	-	-	-	685,014	-	-	-	-	685,014
Total revenues and support (memo only)	<u>630,780</u>	<u>610,500</u>	<u>87,091</u>	<u>318,346</u>	<u>1,079,178</u>	<u>794,920</u>	<u>1,747,799</u>	<u>8,262</u>	<u>-</u>	<u>5,276,876</u>
EXPENSES										
Salaries and benefits	401,461	269,597	60,000	198,683	367,214	115,076	307,366	207,831	115,849	2,043,077
Contract services	30,053	-	-	158,138	-	-	31,636	-	36,002	255,829
Cost of purchases	-	-	-	-	-	257,558	-	-	-	257,558
Cost of tours	-	-	-	-	470,971	-	-	-	-	470,971
Design and media	-	116,511	58,255	58,255	58,255	58,255	116,511	116,511	-	582,553
Dues and subscriptions	2,754	782	830	3,846	2,376	-	1,606	5,509	3,913	21,616
Equipment and software purchase	14,404	-	-	375	-	-	-	-	5,426	20,205
Equipment lease	-	-	-	-	-	5,952	-	-	-	5,952
IT services	30,331	60,662	30,331	30,331	15,166	15,166	60,662	60,662	-	303,311
Miscellaneous	935	967	-	1,657	1,049	(13,415)	1,680	6,519	3,962	3,354
Occupancy	33,608	22,339	10,000	16,850	33,890	11,171	20,466	17,054	25,602	190,980
Office supplies	1,033	563	949	-	260	354	414	442	1,989	6,004
Other	-	-	-	-	-	-	-	-	5,995	5,995
Postage	180	634	2,412	157,579	17,094	103,226	92,321	25,525	945	399,916
Printing	12	187	2,357	153,153	15,188	46,384	155,843	26,201	130	399,455
Promotional material	120	60	8,775	-	397	-	17,255	4,232	59	30,898
Service fees	-	-	-	3,872	37,495	18,732	51,386	9,345	-	120,830
Sponsorship	-	7,500	700	-	-	-	-	-	-	8,200
Staff development	365	719	2,059	20	1,496	20	20	199	187	5,085
Telephone	-	-	-	-	387	219	285	-	-	891
Travel and conferences	<u>3,712</u>	<u>8,429</u>	<u>2,037</u>	<u>1,703</u>	<u>3,505</u>	<u>-</u>	<u>150</u>	<u>3,387</u>	<u>10,841</u>	<u>33,764</u>
Total expenses before depreciation and amortization	518,968	488,950	178,705	784,462	1,024,743	618,698	857,601	483,417	210,900	5,166,444
Depreciation and amortization	<u>7,732</u>	<u>8,207</u>	<u>3,998</u>	<u>6,496</u>	<u>7,950</u>	<u>5,247</u>	<u>7,250</u>	<u>8,345</u>	<u>4,761</u>	<u>59,986</u>
Total expenses	<u>526,700</u>	<u>497,157</u>	<u>182,703</u>	<u>790,958</u>	<u>1,032,693</u>	<u>623,945</u>	<u>864,851</u>	<u>491,762</u>	<u>215,661</u>	<u>5,226,430</u>
Change in net assets (memo only)	<u>\$ 104,080</u>	<u>\$ 113,343</u>	<u>\$ (95,612)</u>	<u>\$ (472,612)</u>	<u>\$ 46,485</u>	<u>\$ 170,975</u>	<u>\$ 882,948</u>	<u>\$ (483,500)</u>	<u>\$ (215,661)</u>	<u>\$ 50,446</u>

The Notes to Financial Statements are an integral part of this statement.

ADVENTURE CYCLING ASSOCIATION
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,054,288	\$ 50,446
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	51,565	59,986
Realized and unrealized gains on investments, net	(220,490)	(87,926)
Gain on sale of equipment	(6,400)	-
Change in operating assets and liabilities:		
Accounts receivable, net	5,908	(26,171)
Inventory	(9,773)	8,518
Prepaid expenses	(19,875)	26,115
Promises to give	(34,110)	(70,000)
Accounts payable	(17,164)	(42,286)
Accrued liabilities	156,834	(1,191)
Deferred revenue	621,375	(79,497)
Total adjustments	<u>527,870</u>	<u>(212,452)</u>
Net cash flows from operating activities	<u>1,582,158</u>	<u>(162,006)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment and building improvements	-	(10,185)
Proceeds from sale of equipment	6,400	-
Proceeds from sale of investments	13,844	5,156
Purchase of investments	<u>(526,846)</u>	<u>(26,339)</u>
Net cash flows from investing activities	<u>(506,602)</u>	<u>(31,368)</u>
Net change in cash and cash equivalents	1,075,556	(193,374)
Cash and cash equivalents, beginning of year	<u>296,858</u>	<u>490,232</u>
Cash and cash equivalents, end of year	<u>\$ 1,372,414</u>	<u>\$ 296,858</u>

The Notes to Financial Statements are an integral part of these statements.

ADVENTURE CYCLING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Founded in 1973, Adventure Cycling Association (the Association) is a member-supported, nonprofit organization dedicated to bicycle travel. The mission of the Association is to inspire and empower people to travel by bicycle.

The Association's activities are supported through contributions, grants, sale of merchandise, advertising, member dues, tour sales, royalties and commissions, and other revenue. For the years ended September 30, 2021 and 2020, approximately 63% and 60%, respectively, of the Association's revenue was derived from merchandise sales, member dues, and tour sales.

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board (FASB).

New Accounting Standard

The Association adopted the following Accounting Standards Update (ASU) in 2021:

- ASU No. 2014-09, "*Revenues from Contracts with Customers (Topic 606)*" including the subsequent revisions (collectively referred to as *Topic 606*), establishes a five-step revenue recognition process in which an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU Topic 606 was effective for, and adopted by, the Association on October 1, 2020. The Association adopted the standard by applying the modified retrospective approach to contracts which were not completed as of October 1, 2020. Implementation of the standard did not have a material effect on the Association's methodology for the recognition of revenue. The adoption of this ASU did not have, and is not expected to have a material impact on the Association's financial position, results of operations or cash flows or its business processes, system and controls.

Program Services

The Association's programs consist of seven principal activities, as follows:

Adventure Cyclist

The program produces a full-color magazine and other materials designed to inform members of the Association and the general public about bicycle travel and inspire them to ride. The magazine *Adventure Cyclist* is produced nine times a year.

Advocacy

Advocacy works to achieve the Association's strategic goal to improve bicycle-travel conditions in North America and make bicycling easier and more accessible for all. Advocacy also cultivates public awareness of the health, economic, environmental, and transportation benefits of improving cycling infrastructure and encouraging people to travel by bicycle.

ADVENTURE CYCLING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

Outreach

The goal of the Outreach program is to inspire people of all ages and backgrounds to travel by bicycle and to help people make their bicycle dreams come true. In our Ambassador Program, people give talks around the country about bicycle travel, using our materials as support. The Association organizes member and public gatherings around the country. The Association also answers thousands of tour-related questions every year and coordinates Adventure Cycling volunteers. The Outreach program was combined with the Membership program during 2021.

Routes and Mapping

The Routes and Mapping program is the flagship program of the Association with the creation of the TransAmerica Bicycle Trail. To date, the Association has charted 50,059 miles of bike routes, which now comprises the Adventure Cycling Route Network. The cartographers research and develop bicycle routes throughout America in order to assist cyclists in their desire to travel by bicycle. The maps are maintained and updated on a regular basis, and new route maps are added to expand the network. These maps include routes for both on-road and off-pavement bicycling. The maps have educational information about history, geology, and geography of the area through which the route travels.

Tours

Adventure Cycling tour leaders are skilled educators who build people's bicycle skills, physical endurance, group cooperation, and leadership skills. The Tours program creates unique educational experiences for both on-road and off-pavement bicycling throughout North America. These include self-contained expedition style tours, vehicle-supported event-style bicycle tours in various locations, and educational tours and bicycle tour leader education development in the Leadership Training Courses.

Merchandise

The Merchandise sales program offers bicycling products specific to bicycle touring. The Association researches the best cycle wares, as well as reference guides, to assist cyclists in preparation for their trips. The product mix consists of maps (which are produced in-house), books, logo wear (posters, jerseys, hats, T-shirts, socks, etc.), and other bicycle touring gear. Products are featured in the *Cyclosource*, an educational products resource guide.

Membership

The Membership program reaches out to novice and expert cyclists, building a greater community of bicyclists in America. This program's purpose is to promote cycling by inspiring more people to travel by bicycle. This is done through membership solicitation, special events, publication creation, outreach to libraries, state bicycle coordinators, bicycle clubs, and bicycle shops.

Cash and Cash Equivalents

For financial statement purposes, the Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. From time to time, certain bank accounts may exceed insured limits. At September 30, 2021 and 2020, \$834,898 and \$16,642 of the Association's accounts were uninsured, respectively.

ADVENTURE CYCLING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The Association extends credit to advertisers in the normal course of selling advertising space in its magazine. Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts.

An estimate for uncollectible accounts receivable is calculated based on current delinquent accounts and estimated write-offs based on historical collections. The allowance for doubtful accounts as of September 30, 2021 and 2020 was \$3,273 and \$17,309, respectively. Receivables are considered delinquent if payments are not received in accordance with contractual terms within 60 days. It is the Association's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Inventory

Inventory consists of maps, books, cycling accessories (panniers, racks, etc.), and apparel. Inventory is valued at the lower of cost (determined on the average cost method) or net realizable value.

Shipping Costs

All amounts billed to a customer in a sales transaction related to shipping represent revenues earned and are reported as revenue. The costs incurred by the Association for shipping are recorded as postage expense.

Land, Land Improvements, Building, and Furniture, Fixtures and Equipment

Land, land improvements, building, and furniture, fixtures and equipment are stated at purchased cost or at fair value on the date of the gift. Depreciation is provided using the straight-line method over estimated useful lives of 3 to 7 years for furniture, fixtures and equipment and 31.5 years for the building. Amortization is provided using the straight-line method over an estimated useful life of 20 years for land improvements. Repair and maintenance costs are expensed as incurred and betterments costing more than \$5,000 are capitalized. Depreciation and amortization expense for the years ended September 30, 2021 and 2020 was \$51,565 and \$59,986, respectively.

Revenue Recognition

The exchange transaction portion of membership dues are deferred when received and recognized as revenue on a straight-line basis over the applicable membership (or estimated membership) benefit period (one or two years for one or two year memberships and ten years for lifetime memberships). The contribution portions of memberships are recognized as unrestricted donations when received. Costs associated with the procurement of lifetime memberships are expensed as incurred. Tour revenues are recognized in the period in which the tour occurs.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue with or without donor restrictions in accordance with donor stipulations. Unconditional promises to give with payments due in future periods are recognized as revenue with donor restrictions. Unconditional promises to give are valued at the present value of amounts expected in future years, provided that reliable information is available. Assets donated to the Association are recorded at their fair value as of the date of the gift.

ADVENTURE CYCLING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocations

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services. Such allocations are determined by management on an equitable basis. Expenses are allocated to programs primarily based on direct expenditures.

The expenses that are not allocated based on direct expenditures include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Occupancy	Department staff size

Classification of Net Assets

The Association classifies contributions as net assets with donor restrictions and net assets without donor restrictions in accordance with donor stipulations. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

When a donor restriction expires (time restriction ends or program 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 restrictions. All expenses are reported in net assets without donor restrictions, after applicable restrictions have been satisfied.

The Association reports gifts of land or other real or personal property as net assets without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used.

Net assets without donor restrictions are used at the discretion of the Association's Board of Directors, and for internal operations and administration. Designated net assets without donor restrictions represent resources for special projects through Board of Director resolutions.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Advertising Costs

The Association expenses the costs of advertising as incurred. Total advertising expense was \$4,700 and \$40,189 in 2021 and 2020, respectively.

Income Tax Status

The Association is a 501(c)(3) organization, which results in its exemption from most federal income taxes. The net income from advertising, certain inventory sales, and certain other items is subject to federal income taxes as unrelated business income. Income taxes related to these activities were not significant for the years ended September 30, 2021 and 2020.

ADVENTURE CYCLING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2021 and 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business Stabilization Grant

The Coronavirus Aid, Relief, and Economic Security (CARES) Act (H.R. 748, Public Law 116-136), signed into law by the President on March 27, 2020, included \$1.5 billion in federal emergency relief funding provided to the State of Montana. The State of Montana established several programs to join the state's suite of existing support services and direct federal appropriations to ensure Montana's families, workers, seniors, businesses and non-profits emerge from the COVID-19 Pandemic even stronger than before.

One of the programs established was the Montana Social Services Nonprofit Grant program. The Association received \$160,000 from the Montana Social Services Nonprofit Grant program which is recorded as COVID-19 grant revenue on the statement of activities.

Payroll Protection Program Loan

The Association received a second Paycheck Protection Program (PPP) loan of \$435,332 granted by the Small Business Administration under the CARES Act. PPP loans are considered conditional contributions, with a right-of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following receipt of the funds. The Association recognized the amount received as grant revenue, as qualified expenses occurred and barriers to entitlement were met. Application for forgiveness of the loan was made subsequent to yearend, with inclusion of compliance substantiation and certification therein. However, at the time of issuance of the financial statements, notice of forgiveness had not been received from the lender. All indications are that the loan will be forgiven. However, if a portion of the loan must be repaid, the terms (1% per annum, repayable over a maximum of five years with a ten-month deferral period) are such that the Association has sufficient liquidity to repay the unforgiven portion.

Subsequent Events

Management has evaluated subsequent events through February 2, 2022, the date which the financial statements were available for issue.

NOTE 2. INVENTORY

The components of inventory at September 30 are as follows:

	<u>2021</u>	<u>2020</u>
Books	\$ 1,732	\$ 1,337
Camping	1,303	671
Logo wear	45,085	50,008
Maps	48,374	49,092
Other	59,109	44,722
Total	<u>\$ 155,603</u>	<u>\$ 145,830</u>

ADVENTURE CYCLING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2021 and 2020

NOTE 3. INVESTMENTS

There are three general valuation techniques that may be used to measure fair value, as described below:

- *Market Approach* – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sales transactions, market trades, or other sources;
- *Cost Approach* – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- *Income Approach* – Uses valuation techniques to convert future amounts to a single preset amount based on current market expectations about the future amounts (includes present value techniques). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

The Association has determined the fair value of its investments through the application of GAAP. Under GAAP, all of the Association's investments are measured on a recurring basis using Level 1 inputs under the market approach. Level 1 inputs are quoted prices in active markets as of the measurement date. The Association's investments at September 30 are as follows:

	2021		
	Cost	Unrealized Gains	Fair Value (Level 1)
Equity securities:			
Healthcare	\$ 147	\$ 837	\$ 984
Mutual funds:			
Fixed income	1,555,976	6,773	1,562,749
Foreign	446,045	28,067	474,112
U.S. large cap	400,619	134,363	534,982
U.S. small cap	79,146	37,518	116,664
Government / Treasury	27,487	-	27,487
Total	<u>\$ 2,509,420</u>	<u>\$ 207,558</u>	<u>\$ 2,716,978</u>
	2020		
	Cost	Unrealized Gains	Fair Value (Level 1)
Mutual funds:			
Fixed income	\$ 1,061,165	\$ 15,123	\$ 1,076,288
Foreign	294,239	23,189	317,428
U.S. large cap	399,503	64,905	464,408
U.S. small cap	69,369	10,070	79,439
Government / Treasury	45,921	2	45,923
Total	<u>\$ 1,870,197</u>	<u>\$ 113,289</u>	<u>\$ 1,983,486</u>

ADVENTURE CYCLING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2021 and 2020

NOTE 3. INVESTMENTS (CONTINUED)

For the years ended September 30, 2021 and 2020, the Association's net investment gain was comprised of net unrealized/realized gains of \$220,490 and \$87,926, respectively. Interest revenue for the years ended September 30, 2021 and 2020, totaled \$32,300 and \$36,790, respectively.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2021 and 2020.

Mutual funds: Valued at daily closing price as reported by the fund. Mutual funds held by the Association are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

Equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

NOTE 4. LINE OF CREDIT

The Association has a \$240,000 revolving line of credit secured by real estate. Interest is variable at 1 percentage point over *The Wall Street Journal* prime rate (3.25% at September 30, 2021 and 2020) with a floor of 4.25% and 5.75% at September 30, 2021 and 2020, respectively. The line of credit matured on October 15, 2020 and was renewed with substantially the same terms through October 15, 2022. The Association did not have an outstanding balance on the line of credit at September 30, 2021 or 2020.

Interest expense totaled \$-0- for the years ended September 30, 2021 and 2020.

NOTE 5. NET ASSETS

At September 30, net assets with and without donor restrictions are as follows:

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions		
Board-designated – life member	\$ 1,556,137	\$ 1,186,134
Board-designated – operating reserve	1,669,770	711,766
Board-designated – quasi-endowment	126,250	122,217
Undesignated – general activities	<u>108,075</u>	<u>419,937</u>
Total net assets without donor restrictions	<u>3,460,232</u>	<u>2,440,054</u>
Net assets with donor restrictions – time restrictions	<u>120,610</u>	<u>86,500</u>
Total net assets	<u>\$ 3,580,842</u>	<u>\$ 2,526,554</u>

ADVENTURE CYCLING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2021 and 2020

NOTE 6. PENSION PLAN

The Association sponsors a 403(b) retirement plan to which all employees with six months of service may contribute. In 2021 and 2020, the Association contributed 3% of compensation for all regular full-time and part-time employees. An additional matching 2% of compensation contribution is also provided to participating employees. Employer contributions are immediately 100% vested. For 2021 and 2020, employer contributions to the plan totaled \$91,669 and \$97,396, respectively.

NOTE 7. CONCENTRATIONS

At September 30, 2021, one receivable balance accounted for approximately 44% of the total outstanding accounts receivable balance. At September 30, 2020, one receivable balance accounted for approximately 36% of the total outstanding accounts receivable balance.

NOTE 8. FUNDRAISING

Fundraising expenses for the years ended September 30, 2021 and 2020 totaled \$667,564 and \$491,762, respectively. The ratio of fundraising expense to total expenses is 11.5% and 9.4% for the years ended September 30, 2021 and 2020, respectively.

NOTE 9. LIQUIDITY AND AVAILABILITY

The Association's financial assets at September 30 are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,372,414	\$ 296,858
Accounts receivable, net	59,528	65,436
Promises to give	120,610	86,500
Investments	<u>2,716,978</u>	<u>1,983,486</u>
Total financial assets	<u>4,269,530</u>	<u>2,432,280</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	120,610	86,500
Board-designated net assets	<u>3,352,157</u>	<u>2,020,117</u>
	<u>3,472,767</u>	<u>2,106,617</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 796,763</u>	<u>\$ 325,663</u>

ADVENTURE CYCLING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2021 and 2020

NOTE 9. LIQUIDITY AND AVAILABILITY (CONTINUED)

The Association's goal is generally to maintain financial assets to meet 120 days of operating expenses (approximately \$1.9 million as of September 30, 2021). As part of its liquidity plan, excess cash may be invested in both short-term and long-term stocks and bonds, mutual funds, and certificates of deposit. The Association also has a \$240,000 line of credit.

NOTE 10. PROMISES TO GIVE

The Association held promises to give of \$120,610 and \$86,500 as of September 30, 2021 and 2020, respectively. All pledges expected to be collected within one year are reported as current assets in the accompanying statements of financial position. Long-term promises to give totaling \$45,000 are scheduled to be collected in 2023 and 2024 at a rate of \$25,000 and \$20,000 per year, respectively. Management has determined an allowance for doubtful accounts is not considered necessary as all pledges are expected to be collected in full. At September 30, 2021 and 2020, one pledge represented 50% of the total promises to give. At December 31, 2020, one pledge represented 92% of the total promises to give.

The table below summarizes the changes in fair value of promises to give for 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 86,500	\$ 16,500
New pledges	60,610	85,000
Payments received	<u>(26,500)</u>	<u>(15,000)</u>
Balance, end of year	<u>\$ 120,610</u>	<u>\$ 86,500</u>

NOTE 11. RISKS AND UNCERTAINTIES

The COVID-19 outbreak in March of 2020 has caused business disruption to the Association's operations. The full extent and duration of the impact of COVID-19 on the Association's operations and financial performance is currently unknown, and depends on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic, new information that may emerge concerning the severity of the virus, and the actions to contain the virus or treat its impact, among others.



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