

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.





Adventure Cycling Association

FINANCIAL REPORT

September 30, 2019 and 2018



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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, 2019 and 2018, 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.

Emphasis-of-Matter

As discussed in Note 1 to the financial statements, the Organization has adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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, 2019 and 2018, 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
January 28, 2020

FINANCIAL STATEMENTS

ADVENTURE CYCLING ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 490,232	\$ 1,065,757
Accounts receivable, net	55,765	151,007
Inventory	154,348	191,131
Prepaid expenses	96,611	59,694
Investments	<u>1,874,377</u>	<u>936,281</u>
Total current assets	<u>2,671,333</u>	<u>2,403,870</u>
LAND, BUILDING AND EQUIPMENT		
Land	84,500	84,500
Land improvements	75,000	75,000
Building	1,224,092	1,169,678
Furniture, fixtures, and equipment	<u>634,255</u>	<u>682,015</u>
	2,017,847	2,011,193
Less: accumulated depreciation	<u>(1,086,715)</u>	<u>(1,045,179)</u>
Land, building and equipment, net	<u>931,132</u>	<u>966,014</u>
OTHER	<u>822</u>	<u>822</u>
Total assets	<u>\$ 3,603,287</u>	<u>\$ 3,370,706</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 121,847	\$ 85,931
Accrued liabilities	117,413	180,647
Deferred revenue	<u>868,419</u>	<u>706,939</u>
Total current liabilities	<u>1,107,679</u>	<u>973,517</u>
DEFERRED REVENUE, LONG-TERM	<u>69,500</u>	<u>150,858</u>
Total liabilities	<u>1,177,179</u>	<u>1,124,375</u>
NET ASSETS		
Without donor restrictions	2,409,608	2,135,793
With donor restrictions	<u>16,500</u>	<u>110,538</u>
Total net assets	<u>2,426,108</u>	<u>2,246,331</u>
Total liabilities and net assets	<u>\$ 3,603,287</u>	<u>\$ 3,370,706</u>

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

ADVENTURE CYCLING ASSOCIATION
STATEMENT OF ACTIVITIES
Year Ended September 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Merchandise sales	\$ 771,944	\$ -	\$ 771,944
Less: Direct and allocated costs	<u>624,379</u>	<u>-</u>	<u>624,379</u>
Net merchandise sales	<u>147,565</u>	<u>-</u>	<u>147,565</u>
Tour sales	2,665,480	-	2,665,480
Less: Direct and allocated costs	<u>2,351,065</u>	<u>-</u>	<u>2,351,065</u>
Net tour sales	<u>314,415</u>	<u>-</u>	<u>314,415</u>
Advertising	321,023	-	321,023
Donations and grants	1,213,478	13,500	1,226,978
Interest	37,378	-	37,378
Investment gains, net	11,741	-	11,741
Membership dues	1,597,912	-	1,597,912
Other revenue	907	-	907
Royalties and commissions	2,070	-	2,070
Sponsorships	5,000	-	5,000
Net assets released from donor restrictions	<u>107,538</u>	<u>(107,538)</u>	<u>-</u>
Funds available for program and supporting services	<u>3,759,027</u>	<u>(94,038)</u>	<u>3,664,989</u>
EXPENSES			
Supporting services			
Fundraising	411,765	-	411,765
Management and general	<u>318,655</u>	<u>-</u>	<u>318,655</u>
Total supporting services	<u>730,420</u>	<u>-</u>	<u>730,420</u>
Funds available for program services	<u>3,028,607</u>	<u>(94,038)</u>	<u>2,934,569</u>
Program services			
Adventure Cyclist	792,632	-	792,632
Membership	734,682	-	734,682
Outreach	271,240	-	271,240
Routes and mapping	517,476	-	517,476
Travel initiatives	<u>438,762</u>	<u>-</u>	<u>438,762</u>
Total program services	<u>2,754,792</u>	<u>-</u>	<u>2,754,792</u>
Change in net assets	273,815	(94,038)	179,777
Net assets, beginning of year	<u>2,135,793</u>	<u>110,538</u>	<u>2,246,331</u>
Net assets, end of year	<u>\$ 2,409,608</u>	<u>\$ 16,500</u>	<u>\$ 2,426,108</u>

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

ADVENTURE CYCLING ASSOCIATION
STATEMENT OF ACTIVITIES
Year Ended September 30, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Merchandise sales	\$ 782,411	\$ -	\$ 782,411
Less: Direct and allocated costs	<u>643,562</u>	<u>-</u>	<u>643,562</u>
Net merchandise sales	<u>138,849</u>	<u>-</u>	<u>138,849</u>
Tour sales	2,731,717	-	2,731,717
Less: Direct and allocated costs	<u>2,361,608</u>	<u>-</u>	<u>2,361,608</u>
Net tour sales	<u>370,109</u>	<u>-</u>	<u>370,109</u>
Advertising	388,664	-	388,664
Donations and grants	1,011,397	51,038	1,062,435
Gain on sale of equipment	3,500	-	3,500
Interest	23,966	-	23,966
Investment gains, net	1,001	-	1,001
Membership dues	1,618,668	-	1,618,668
Other revenue	847	-	847
Royalties and commissions	3,790	-	3,790
Sponsorships	15,500	-	15,500
Net assets released from restrictions	<u>3,611</u>	<u>(3,611)</u>	<u>-</u>
Funds available for program and supporting services	<u>3,579,902</u>	<u>47,427</u>	<u>3,627,329</u>
EXPENSES			
Supporting services			
Fundraising	412,978	-	412,978
Management and general	<u>237,531</u>	<u>-</u>	<u>237,531</u>
Total supporting services	<u>650,509</u>	<u>-</u>	<u>650,509</u>
Funds available for program services	<u>2,929,393</u>	<u>47,427</u>	<u>2,976,820</u>
Program services			
Adventure Cyclist	876,993	-	876,993
Membership	718,783	-	718,783
Outreach	247,454	-	247,454
Routes and mapping	490,460	-	490,460
Travel initiatives	<u>376,037</u>	<u>-</u>	<u>376,037</u>
Total program services	<u>2,709,727</u>	<u>-</u>	<u>2,709,727</u>
Change in net assets	219,666	47,427	267,093
Net assets, beginning of year	<u>1,916,127</u>	<u>63,111</u>	<u>1,979,238</u>
Net assets, end of year	<u>\$ 2,135,793</u>	<u>\$ 110,538</u>	<u>\$ 2,246,331</u>

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

ADVENTURE CYCLING ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2019

	Program Services						Supporting Services		Total	
	Routes and Mapping	Travel Initiatives	Outreach	Adventure Cyclist	Tours	Merchandise	Membership	Fundraising		Management and General
REVENUES AND SUPPORT (memo only)										
Advertising	\$ -	\$ -	\$ -	\$ 321,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 321,023
Donations and grants	925,908	288,680	11,690	-	-	-	700	-	-	1,226,978
Interest	-	-	-	-	-	-	37,378	-	-	37,378
Investment gains, net	2,400	1,600	400	1,200	2,000	800	1,600	1,741	-	11,741
Membership dues	-	-	-	-	-	-	1,597,912	-	-	1,597,912
Merchandise sales	-	-	-	-	-	771,944	-	-	-	771,944
Other revenue	-	-	-	-	-	-	907	-	-	907
Royalties and commissions	2,070	-	-	-	-	-	-	-	-	2,070
Sponsorships	-	-	-	-	-	-	5,000	-	-	5,000
Tour sales	-	-	26,250	-	2,639,230	-	-	-	-	2,665,480
Total revenues and support (memo only)	<u>930,378</u>	<u>290,280</u>	<u>38,340</u>	<u>322,223</u>	<u>2,641,230</u>	<u>772,744</u>	<u>1,643,497</u>	<u>1,741</u>	<u>-</u>	<u>6,640,433</u>
EXPENSES										
Salaries and benefits	403,905	248,504	89,801	189,929	364,147	109,732	282,853	193,895	135,750	2,018,516
Contract services	32,486	-	-	192,812	-	-	27,246	-	110,257	362,801
Cost of purchases	-	-	-	-	-	245,103	-	-	-	245,103
Cost of tours	-	-	-	-	1,558,575	-	-	-	-	1,558,575
Design and media	-	91,246	91,246	60,831	182,492	60,831	60,831	60,831	-	608,308
Dues and subscriptions	2,073	974	-	2,815	3,794	-	395	3,316	2,342	15,709
Equipment and software purchase	9,660	-	-	387	-	-	-	-	250	10,297
Equipment lease	-	-	-	-	-	5,983	-	-	-	5,983
IT services	24,076	24,076	24,076	24,076	48,152	24,076	36,114	36,114	-	240,760
Miscellaneous	2,611	1,318	150	1,155	2,425	197	3,309	2,033	2,696	15,894
Occupancy	23,190	16,808	4,999	11,605	24,245	8,078	22,603	12,103	19,767	143,398
Office supplies	107	121	1,418	-	1,076	1,597	391	239	305	5,254
Other	-	-	-	3,500	-	-	-	-	8,253	11,753
Postage	86	704	6,446	139,292	23,368	102,413	157,820	37,367	1,066	468,562
Printing	47	2,123	592	147,715	16,835	40,905	77,211	32,336	54	317,818
Promotional material	175	759	19,023	-	16,870	-	11,944	3,108	50	51,929
Service fees	-	-	-	4,127	82,686	18,691	38,453	9,876	-	153,833
Sponsorship	-	12,500	-	-	-	-	-	-	-	12,500
Staff development	-	99	-	-	6,080	-	-	338	458	6,975
Telephone	-	-	-	-	547	231	697	-	-	1,475
Travel and conferences	-	27,218	30,743	4,756	3,760	12	21	10,577	26,102	103,189
Total expenses before depreciation and amortization	498,416	426,450	268,494	783,000	2,335,052	617,849	719,888	402,133	307,350	6,358,632
Depreciation and amortization	19,060	12,312	2,746	9,632	16,013	6,530	14,794	9,632	11,305	102,024
Total expenses	<u>517,476</u>	<u>438,762</u>	<u>271,240</u>	<u>792,632</u>	<u>2,351,065</u>	<u>624,379</u>	<u>734,682</u>	<u>411,765</u>	<u>318,655</u>	<u>6,460,656</u>
Change in net assets (memo only)	<u>\$ 412,902</u>	<u>\$ (148,482)</u>	<u>\$ (232,900)</u>	<u>\$ (470,409)</u>	<u>\$ 290,165</u>	<u>\$ 148,365</u>	<u>\$ 908,815</u>	<u>\$ (410,024)</u>	<u>\$ (318,655)</u>	<u>\$ 179,777</u>

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

ADVENTURE CYCLING ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2018

	Program Services						Supporting Services		Total	
	Routes and Mapping	Travel Initiatives	Outreach	Adventure Cyclist	Tours	Merchandise	Membership	Fundraising		Management and General
REVENUES AND SUPPORT (memo only)										
Advertising	\$ -	\$ -	\$ -	\$ 388,664	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 388,664
Donations and grants	828,301	221,325	11,397	-	-	-	1,412	-	-	1,062,435
Gain on sale of equipment	900	450	150	450	750	300	500	-	-	3,500
Interest	-	-	-	-	-	-	23,966	-	-	23,966
Investment gains, net	200	150	50	150	200	100	151	-	-	1,001
Membership dues	-	-	-	-	-	-	1,618,668	-	-	1,618,668
Merchandise sales	-	-	-	-	-	782,411	-	-	-	782,411
Miscellaneous	-	-	-	-	-	-	847	-	-	847
Royalties and commissions	3,790	-	-	-	-	-	-	-	-	3,790
Sponsorships	-	-	9,000	-	-	-	6,500	-	-	15,500
Tour sales	-	-	7,300	-	2,724,417	-	-	-	-	2,731,717
Total revenues and support (memo only)	<u>833,191</u>	<u>221,925</u>	<u>27,897</u>	<u>389,264</u>	<u>2,725,367</u>	<u>782,811</u>	<u>1,652,044</u>	<u>-</u>	<u>-</u>	<u>6,632,499</u>
EXPENSES										
Salaries and benefits	391,397	208,326	89,215	198,744	340,435	125,218	277,756	208,162	107,337	1,946,590
Contract services	10,580	-	-	241,337	-	-	38,386	-	48,075	338,378
Cost of purchases	-	-	-	-	-	228,407	-	-	-	228,407
Cost of tours	-	-	-	-	1,621,733	-	-	-	-	1,621,733
Design and media	-	87,023	87,023	58,016	174,047	58,016	58,016	58,016	-	580,157
Dues and subscriptions	1,630	1,013	-	5,453	1,951	-	360	3,116	2,036	15,559
Equipment and software purchase	10,752	-	-	-	-	-	-	-	-	10,752
Equipment lease	-	-	-	-	-	7,440	-	-	-	7,440
IT services	23,956	23,956	23,956	23,956	47,913	23,956	35,934	35,934	-	239,561
Miscellaneous	2,183	133	903	651	3,632	376	614	149	1,055	9,696
Occupancy	26,030	13,287	4,482	13,851	21,828	8,824	18,320	13,336	17,989	137,947
Office supplies	434	15	3,611	-	794	1,756	84	105	386	7,185
Other	-	-	-	26,500	-	-	-	-	18,307	44,807
Postage	325	743	6,197	148,042	21,376	113,866	157,169	28,162	880	476,760
Printing	1,015	1,636	2,154	138,874	16,890	45,834	80,643	31,169	165	318,380
Promotional material	391	510	14,732	-	45	-	11,281	2,393	-	29,352
Service fees	-	-	-	3,634	87,641	19,943	25,141	8,356	-	144,715
Sponsorship	-	12,500	-	-	-	-	-	-	-	12,500
Staff development	110	44	2,013	-	1,330	-	-	700	3,109	7,306
Telephone	-	-	-	-	580	315	579	-	-	1,474
Travel and conferences	1,157	14,851	6,668	6,435	1,913	611	-	11,877	24,192	67,704
Total expenses before depreciation and amortization	<u>469,960</u>	<u>364,037</u>	<u>240,954</u>	<u>865,493</u>	<u>2,342,108</u>	<u>634,562</u>	<u>704,283</u>	<u>401,475</u>	<u>223,531</u>	<u>6,246,403</u>
Depreciation and amortization	<u>20,500</u>	<u>12,000</u>	<u>6,500</u>	<u>11,500</u>	<u>19,500</u>	<u>9,000</u>	<u>14,500</u>	<u>11,503</u>	<u>14,000</u>	<u>119,003</u>
Total expenses	<u>490,460</u>	<u>376,037</u>	<u>247,454</u>	<u>876,993</u>	<u>2,361,608</u>	<u>643,562</u>	<u>718,783</u>	<u>412,978</u>	<u>237,531</u>	<u>6,365,406</u>
Change in net assets (memo only)	<u>\$ 342,731</u>	<u>\$ (154,112)</u>	<u>\$ (219,557)</u>	<u>\$ (487,729)</u>	<u>\$ 363,759</u>	<u>\$ 139,249</u>	<u>\$ 933,261</u>	<u>\$ (412,978)</u>	<u>\$ (237,531)</u>	<u>\$ 267,093</u>

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

ADVENTURE CYCLING ASSOCIATION
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ <u>179,777</u>	\$ <u>267,093</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	102,024	119,003
Realized and unrealized gains on investments, net	(11,741)	(1,001)
Gain on sale of fixed asset	-	(3,500)
Change in operating assets and liabilities:		
Accounts receivable	95,242	(33,217)
Inventory	36,783	23,648
Prepaid expenses	(36,917)	24,229
Accounts payable	35,916	(22,201)
Accrued liabilities	(63,234)	80,157
Deferred revenue	<u>80,122</u>	<u>(50,702)</u>
Total adjustments	<u>238,195</u>	<u>136,416</u>
Net cash flows from operating activities	<u>417,972</u>	<u>403,509</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(67,142)	(18,189)
Proceeds from sale of investments	610,932	-
Proceeds from sale of fixed asset	-	3,500
Purchase of investments	<u>(1,537,287)</u>	<u>(298,286)</u>
Net cash flows from investing activities	<u>(993,497)</u>	<u>(312,975)</u>
Net change in cash and cash equivalents	(575,525)	90,534
Cash and cash equivalents, beginning of year	<u>1,065,757</u>	<u>975,223</u>
Cash and cash equivalents, end of year	<u>\$ 490,232</u>	<u>\$ 1,065,757</u>

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

ADVENTURE CYCLING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

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, 2019 and 2018, approximately 75% and 77%, 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.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit-Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has implemented ASU No. 2016-14 and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, which had no effect on the total change in net assets or total net assets previously reported.

The schedules of functional expenses on pages 6 and 7 are presented as a required part of the financial statements. The revenue and changes in net asset information on these schedules has been included as memorandum only, and does not include activity for net assets with donor restrictions.

Program Services

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

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 48,629 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.

ADVENTURE CYCLING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2019 and 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

Travel Initiatives

Travel Initiatives 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. Travel Initiatives also cultivates public awareness of the health, economic, environmental, and transportation benefits of improving cycling infrastructure and encouraging people to travel by bicycle.

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.

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.

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 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.

ADVENTURE CYCLING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2019 and 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The Association maintains its bank accounts at a local financial institution. From time to time, certain bank accounts may exceed insured limits. At September 30, 2019 and 2018, bank balances for these accounts were all within the insured limits.

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, 2019 and 2018 was \$19,106 and \$21,730, 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. The Association also has pledge receivables that are expected to be received within one year, and are carried at net realizable value. At September 30, 2019 and 2018, the Association had pledges receivable of \$16,500 and \$110,538 classified within accounts receivable, respectively.

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 \$1,000 are capitalized. Depreciation and amortization expense for the years ended September 30, 2019 and 2018 was \$102,024 and \$119,003, respectively.

ADVENTURE CYCLING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2019 and 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Membership dues are deferred when received and recognized as revenue on a straight-line basis over the applicable membership benefit period (one or two years for one or two year memberships and ten years for lifetime memberships). The contribution portions of lifetime memberships are recognized as unrestricted donations when received, while the exchange portions are recognized as revenue over the estimated membership benefit period. 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.

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 serves. Such allocations are determined by management on an equitable basis. Expenses are allocated to programs primarily based on actual expenditures.

The expenses that are not allocated based on actual 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.

ADVENTURE CYCLING ASSOCIATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 September 30, 2019 and 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (continued)

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 \$28,600 and \$29,592 in 2019 and 2018, 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, 2019 and 2018.

Reclassification

A reclassification has been made to the 2018 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged for 2018 due to this reclassification.

Subsequent Events

Management has evaluated subsequent events through January 28, 2020, the date which the financial statements were available for issue.

NOTE 2. INVENTORY

The components of inventory at September 30 are as follows:

	<u>2019</u>	<u>2018</u>
Books	\$ 1,679	\$ 1,296
Camping	1,957	4,386
Logo wear	53,184	70,391
Maps	44,624	53,653
Other	<u>52,904</u>	<u>61,405</u>
Total	<u>\$ 154,348</u>	<u>\$ 191,131</u>

ADVENTURE CYCLING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2019 and 2018

NOTE 3. INVESTMENTS

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:

	2019		
	Cost	Unrealized Gains	Fair Value (Level 1)
Mutual funds:			
Fixed income	\$ 1,060,483	\$ 6,402	\$ 1,066,885
Foreign	298,934	4,706	303,640
U.S. large cap	373,572	37,779	411,351
U.S. small cap	42,936	2,719	45,655
Government / treasury	46,780	66	46,846
Total	<u>\$ 1,822,705</u>	<u>\$ 51,672</u>	<u>\$ 1,874,377</u>
	2018		
	Cost	Unrealized Gains (Losses)	Fair Value (Level 1)
Mutual funds:			
Fixed income	\$ 529,636	\$ (8,528)	\$ 521,108
Foreign	100,089	8,270	108,359
U.S. large cap	113,818	36,003	149,821
U.S. mid cap	12,501	3,748	16,249
U.S. small cap	12,771	3,256	16,027
Government / treasury	76,272	146	76,418
Alternatives	32,455	(183)	32,272
Real estate	15,776	251	16,027
Total	<u>\$ 893,318</u>	<u>\$ 42,963</u>	<u>\$ 936,281</u>

For the years ended September 30, 2019 and 2018, the Association's net investment gain was comprised of unrealized/realized gains of \$11,741 and \$1,001, respectively. Interest revenue for the years ended September 30, 2019 and 2018, totaled \$37,378 and \$23,996, respectively.

ADVENTURE CYCLING ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2019 and 2018

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 (5.00% and 5.25% at September 30, 2019 and 2018, respectively) with a floor of 5.25% and 4.25% at September 30, 2019 and 2018, respectively. The line of credit matured on October 15, 2019 and was renewed with substantially the same terms through October 15, 2020. The Association did not have an outstanding balance on the line of credit at September 30, 2019 and 2018.

Interest expense totaled \$-0- at September 30, 2019 and 2018.

NOTE 5. NET ASSETS

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

	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions		
Board designated–life member	\$ 953,894	\$ 917,557
Board designated–operating reserve	1,122,236	569,186
Board designated–quasi-endowment	122,217	111,717
Undesignated–general activities	<u>211,261</u>	<u>537,333</u>
Total net assets without donor restrictions	<u>2,409,608</u>	<u>2,135,793</u>
Net assets with donor restrictions	<u>16,500</u>	<u>110,538</u>
Total net assets	<u>\$ 2,426,108</u>	<u>\$ 2,246,331</u>

NOTE 6. PENSION PLAN

The Association sponsors a 403(b) retirement plan to which all employees with six months of service may contribute. In 2019 and 2018, 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 2019 and 2018, employer contributions to the plan totaled \$90,123 and \$79,323, respectively.

ADVENTURE CYCLING ASSOCIATION
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 September 30, 2019 and 2018

NOTE 7. CONCENTRATIONS

At September 30, 2019, one receivable balance accounted for approximately 32% of the total outstanding accounts receivable balance. At September 30, 2018, two receivable balances accounted for approximately 55% of the total outstanding accounts receivable balance.

NOTE 8. FUNDRAISING

Fundraising expenses for the years ended September 30, 2019 and 2018 totaled \$411,765 and \$412,978, respectively. The ratio of fundraising expense to total expenses is 6.4% and 6.5% for the years ended September 30, 2019 and 2018, respectively.

NOTE 9. LIQUIDITY AND AVAILABILITY

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

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 490,232	\$1,065,757
Accounts receivable, net	55,765	151,007
Investments	<u>1,874,377</u>	<u>936,281</u>
Total financial assets	<u>2,420,374</u>	<u>2,153,045</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	16,500	110,538
Board designated net assets	<u>2,198,347</u>	<u>1,598,460</u>
	<u>2,214,847</u>	<u>1,708,998</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 205,527</u>	<u>\$ 444,047</u>

The Association's goal is generally to maintain financial assets to meet 120 days of operating expenses (approximately \$1.5 million). 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.



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