



Adventure Cycling Association

Missoula, Montana

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

September 30, 2022 and 2021



**K C O E
I S O M**

Adventure Cycling Association

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Adventure Cycling Association
Missoula, Montana

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Adventure Cycling Association as of September 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of Adventure Cycling Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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, and for 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 Adventure Cycling Association'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 auditors' report that includes our opinion.

INDEPENDENT AUDITORS' REPORT

(Continued)

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 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 the internal control relevant to the audit in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Adventure Cycling Association'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 the Adventure Cycling Association'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, amount other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that were identified during the audit.

KCoe Team, LLP

February 9, 2023
Missoula, Montana

FINANCIAL SECTION

Adventure Cycling Association
STATEMENTS OF FINANCIAL POSITION

September 30	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 782,931	\$ 1,372,414
Accounts receivable - net	65,677	59,528
Employee retention tax credit receivable	594,677	-
Current portion of promises to give	93,660	75,610
Inventory	182,522	155,603
Prepaid expenses	158,851	90,371
Investments	2,260,616	2,716,978
Total Current Assets	4,138,934	4,470,504
Land, Building and Equipment		
Land	84,500	84,500
Land improvements	75,000	75,000
Building and improvements	1,273,392	1,217,406
Furniture, fixtures, and equipment	177,305	300,316
	1,610,197	1,677,222
Less: Accumulated depreciation	(727,619)	(847,456)
Land, Building and Equipment - Net	882,578	829,766
Internally Developed Software - In Process	86,185	-
Promises to Give - Net of Current Portion	76,000	45,000
Other	822	822
TOTAL ASSETS	\$ 5,184,519	\$ 5,346,092
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 68,681	\$ 62,397
Accrued liabilities	129,392	273,056
Deferred revenue	1,274,805	1,228,865
Line of credit	100,000	-
Total Current Liabilities	1,572,878	1,564,318
Deferred Revenue - Long-term	170,255	200,932
Total liabilities	1,743,133	1,765,250
Net Assets		
Without donor restrictions	3,271,726	3,460,232
With donor restrictions	169,660	120,610
Total Net Assets	3,441,386	3,580,842
TOTAL LIABILITIES AND NET ASSETS	\$ 5,184,519	\$ 5,346,092

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

Adventure Cycling Association

STATEMENT OF ACTIVITIES

Year Ended September 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Merchandise sales	\$ 866,862	\$ -	\$ 866,862
Less: Direct and allocated costs	633,688	-	633,688
Net Merchandise Sales	233,174	-	233,174
Tour Sales	3,274,023	-	3,274,023
Less: Direct and allocated costs	2,648,340	-	2,648,340
Net Tour Sales	625,683	-	625,683
Advertising	214,054	-	214,054
Donations and grants	1,279,648	111,000	1,390,648
Non-financial asset donations	19,635	-	19,635
Employee retention tax credit	594,677	-	594,677
Interest	69,615	-	69,615
Investment losses - net	(503,761)	-	(503,761)
Membership dues	1,740,940	-	1,740,940
Miscellaneous	21	-	21
Royalties and commissions	1,591	-	1,591
Gain on sale of equipment	4,125	-	4,125
Net Assets Released from Donor Time Restrictions	61,950	(61,950)	-
Funds Available For			
Program and Supporting Services	4,341,352	49,050	4,390,402
Expenses			
Supporting Services			
Fundraising	724,390	-	724,390
Management and general	652,427	-	652,427
Total Supporting Services	1,376,817	-	1,376,817
Funds Available For Program Services	2,964,535	49,050	3,013,585
Program Services			
Adventure Cyclist	869,646	-	869,646
Membership	989,735	-	989,735
Bike overnights	394,963	-	394,963
Routes and mapping	383,037	-	383,037
Advocacy	515,660	-	515,660
Total Program Services	3,153,041	-	3,153,041
Change in Net Assets	(188,506)	49,050	(139,456)
Net Assets - Beginning of Year	3,460,232	120,610	3,580,842
Net Assets - End of Year	\$ 3,271,726	\$ 169,660	\$ 3,441,386

The accompanying notes are an integral part of these financial 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	703,303	-	703,303
Net Merchandise Sales	233,549	-	233,549
Tour Sales	1,477,302	-	1,477,302
Less: Direct and allocated costs	1,306,957	-	1,306,957
Net Tour Sales	170,345	-	170,345
Advertising	196,432	-	196,432
Donations and grants	1,404,060	60,610	1,464,670
Non-financial asset donations	13,375	-	13,375
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	26,500	(26,500)	-
Funds Available for			
Program and Supporting Services	4,792,525	34,110	4,826,635
EXPENSES			
Supporting Services			
Fundraising	667,564	-	667,564
Management and general	413,161	-	413,161
Total Supporting Services	1,080,725	-	1,080,725
Funds Available for Program Services	3,711,800	34,110	3,745,910
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	432,946	-	432,946
Total Program Services	2,691,622	-	2,691,622
Change in Net Assets	1,020,178	34,110	1,054,288
Net Assets - Beginning of Year	2,440,054	86,500	2,526,554
Net Assets - End of Year	\$ 3,460,232	\$ 120,610	\$ 3,580,842

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

Adventure Cycling Association

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2022	Program Services					Supporting Services				Total
	Routes and Mapping	Advocacy	Adventure Cyclist	Bike Overnights	Tours	Merchandise Sales	Membership	Fundraising	Management and General	
Revenues and Support (Memo Only)										
Advertising	\$ -	\$ -	\$ 214,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 214,054
Donations and grants	491,944	515,660	-	394,963	-	-	7,716	-	-	1,410,283
Employee retention tax credit	108,123	81,092	81,092	27,031	162,184	54,061	81,094	-	-	594,677
Interest	-	-	-	-	-	-	69,615	-	-	69,615
Investment losses - net	(81,917)	(69,956)	(42,857)	(62,857)	(102,857)	(42,857)	(100,460)	-	-	(503,761)
Membership dues	-	-	-	-	-	-	1,740,940	-	-	1,740,940
Merchandise sales	-	-	-	-	-	866,862	-	-	-	866,862
Miscellaneous	-	-	-	-	-	-	21	-	-	21
Gain on sale of equipment	-	-	-	-	4,125	-	-	-	-	4,125
Royalties and commissions	1,591	-	-	-	-	-	-	-	-	1,591
Tour sales	-	-	-	-	3,274,023	-	-	-	-	3,274,023
Total Revenues and Support (Memo Only)	519,741	526,796	252,289	359,137	3,337,475	878,066	1,798,926	-	-	7,672,430
Expenses										
Salaries and benefits	266,070	317,946	231,738	115,116	394,607	135,476	313,482	300,299	285,692	2,360,426
Contract services	31,393	6,199	150,455	22,450	5,599	-	26,243	56,417	245,254	544,010
Cost of purchases	-	-	-	-	-	250,794	-	-	-	250,794
Cost of tours	-	-	-	-	1,962,458	-	-	-	-	1,962,458
Marketing, design, and communications	-	105,030	35,010	140,040	70,020	70,020	140,040	140,040	-	700,200
Dues and subscriptions	2,052	1,666	3,518	118	3,596	-	1,080	5,633	6,919	24,582
Equipment and software purchase	15,703	2,692	1,978	123	310	290	372	833	2,862	25,163
Equipment lease	-	-	-	-	-	6,085	-	-	-	6,085
IT services	36,558	36,558	18,279	54,837	54,837	18,279	73,116	73,116	-	365,580
Miscellaneous	2,875	410	3,098	184	2,882	168	1,330	4,104	3,079	18,130
Occupancy	19,714	18,839	15,429	16,616	29,138	11,108	20,179	24,686	31,990	187,699
Office supplies	62	134	154	327	434	1,355	1,542	74	400	4,482
Other	-	-	15,000	-	-	-	5,000	5,000	11,109	36,109
Postage	241	43	177,946	1,345	14,815	86,839	166,434	41,516	801	489,980
Printing	-	12	203,266	562	11,383	26,659	136,803	36,907	79	415,671
Promotional material	169	-	-	5,995	2,127	-	21,536	8,201	12	38,040
Service fees	-	-	5,157	-	84,463	21,350	74,158	12,292	-	197,420
Sponsorship	-	2,726	-	21,779	-	-	-	-	-	24,505
Staff development	-	2,744	88	-	1,308	-	1,570	2,407	13,486	21,603
Telephone	-	-	-	-	-	-	-	-	-	-
Travel and conferences	389	13,767	2,250	8,602	1,760	-	-	6,617	46,515	79,900
Total Expenses Before Depreciation and Amortization	375,226	508,766	863,366	388,094	2,639,737	628,423	982,885	718,142	648,198	7,752,837
Depreciation and Amortization	7,811	6,894	6,280	6,869	8,603	5,265	6,850	6,248	4,229	59,049
Total Expenses	383,037	515,660	869,646	394,963	2,648,340	633,688	989,735	724,390	652,427	7,811,886
Change in Net Assets (Memo Only)	\$ 136,704	\$ 11,136	\$ (617,357)	\$ (35,826)	\$ 689,135	\$ 244,378	\$ 809,191	\$ (724,390)	\$ (652,427)	\$ (139,456)

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

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	Management and General	
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	-	-	-	1,477,302	-	-	-	-	1,477,302
Total Revenues and Support (Memo Only)	877,105	877,209	324,032	1,633,502	1,053,568	2,071,479	-	-	6,836,895
Expenses									
Salaries and benefits	276,694	229,542	219,802	225,571	118,477	408,885	306,523	258,352	2,043,846
Contract services	26,995	52,853	141,033	-	-	57,951	28,690	77,114	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	3,526	30,409
Equipment and software purchase	20,725	-	590	-	-	-	-	11,203	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	7,813	28,185
Occupancy	24,998	17,730	15,085	15,783	10,051	27,939	17,620	24,919	154,125
Office supplies	200	-	(3)	855	1,279	1,825	840	647	5,643
Other	-	-	8,000	-	-	-	-	8,265	16,265
Postage	142	238	161,052	5,416	116,375	170,982	48,890	652	503,747
Printing	-	12	147,798	6,577	38,835	93,816	33,615	214	320,867
Promotional material	134	21	-	(143)	-	24,794	9,228	17	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	994	4,336
Telephone	-	-	-	597	589	593	-	-	1,779
Travel and conferences	149	8,814	942	490	-	1,572	8,939	4,227	25,133
Total Expenses Before Depreciation and Amortization	384,213	428,448	823,649	1,296,510	701,818	1,036,640	661,821	397,943	5,731,042
Depreciation and Amortization	5,183	4,498	4,780	10,447	1,485	4,211	5,743	15,218	51,565
Total Expenses	389,396	432,946	828,429	1,306,957	703,303	1,040,851	667,564	413,161	5,782,607
Change in Net Assets (Memo Only)	\$ 487,709	\$ 444,263	\$ (504,397)	\$ 326,545	\$ 350,265	\$ 1,030,628	\$ (667,564)	\$ (413,161)	\$ 1,054,288

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

Adventure Cycling Association

STATEMENTS OF CASH FLOWS

Years Ended September 30	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (139,456)	\$ 1,054,288
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	59,049	51,565
Realized and unrealized losses (gains) on investments, net	503,761	(220,490)
Gain on sale of equipment	(4,125)	(6,400)
Change in operating assets and liabilities:		
Accounts receivable, net	(6,149)	5,908
Employee retention tax credit receivable	(594,677)	-
Inventory	(26,919)	(9,773)
Prepaid expenses	(68,480)	(19,875)
Promises to give	(49,050)	(34,110)
Accounts payable	6,284	(17,164)
Accrued liabilities	(143,664)	156,834
Deferred revenue	15,263	621,375
Total Adjustments	(308,707)	527,870
NET CASH FLOWS FROM OPERATING ACTIVITIES	(448,163)	1,582,158
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment and building improvements	(111,861)	-
Purchases of internally developed software	(86,185)	-
Proceeds from sale of equipment	4,125	6,400
Proceeds from sale of investments	253	13,844
Purchase of investments	(47,652)	(526,846)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(241,320)	(506,602)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on line of credit	100,000	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	100,000	-
Net Change in Cash and Cash Equivalents	(589,483)	1,075,556
Cash and Cash Equivalents - Beginning of Year	1,372,414	296,858
Cash and Cash Equivalents - End of Year	\$ 782,931	\$ 1,372,414

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

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, 2022 and 2021, approximately 77% and 63%, 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 2022:

- ASU No. 2020-07, "*Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*" improves GAAP by increasing the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This ASU was applied on a retrospective basis and certain reclassifications were made to the 2021 financial statements to conform with the 2022 presentation. 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 THE FINANCIAL STATEMENTS

(Continued)

Bike Overnights

The Bike Overnights Program offers short routes, itineraries, resources and a friendly community to riders who are new to the Association experience. Through this program, the Association empowers those who were previously intimidated by the prospect of heading out on their first adventure and set them on a path to spread the joy of bike travel in their own communities. Together with community leaders from diverse backgrounds, Bike Overnights creates verified, local weekend-long short bike routes designed for the solo rider, family, and small groups who are new to bike travel. Bike Overnights also provides BIPOC and LGBTQ Ambassadors with stipends and resources to organize bike travel events departing larger metro areas.

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.

Adventure Cycling Association
NOTES TO THE FINANCIAL STATEMENTS
(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. From time to time, certain bank accounts may exceed insured limits. At September 30, 2022 and 2021, \$-0- and \$834,898 of the Association's accounts were uninsured, respectively.

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, 2022 and 2021 was \$8,386 and \$3,273, 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.

Employee Retention Tax Credit (ERTC) Receivable On December 27, 2020, the Consolidated Appropriations Act, 2021 (CAA) was signed into law which included COVID-19 related relief. The CAA substantially and retroactively expanded the ERTC. The ERTC, as it existed under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, was not available to those who received a Paycheck Protection Program (PPP) loan. The provisions in the CAA removed this barrier and allowed entities to qualify to retroactively apply for this credit as long as the same wages were not used for both PPP loan forgiveness and the calculation of qualified wages for the ERTC. The Association determined its eligibility for ERTC, and amended its 2020 payroll tax forms in order to claim the tax credit. The Association determined that it qualified for an ERTC in the amount of \$594,677 as of September 30, 2022.

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, Building, Improvements, 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, equipment and building improvements 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, 2022 and 2021 was \$59,049 and \$51,565, respectively.

Adventure Cycling Association
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

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.

Adventure Cycling Association
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 \$76,926 and \$40,189 in 2022 and 2021, 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, 2022 and 2021.

Business Stabilization Grant The 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 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 in the year ended September 30, 2021, as qualified expenses occurred and barriers to entitlement were met. Application for forgiveness of the loan was made subsequent to September 30, 2021, with inclusion of compliance substantiation and certification therein and was subsequently forgiven. The Association recorded the PPP revenue as COVID-19 grant revenue on the statement of activities.

Subsequent Events Management has evaluated subsequent events through February 9, 2023, the date which the financial statements were available for issue.

Adventure Cycling Association
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. INVENTORY

The components of inventory are as follows:

September 30		2022		2021
Books	\$	2,222	\$	1,732
Camping gear		2,254		1,303
Logo wear		46,804		45,085
Maps		60,361		48,374
Other		70,881		59,109
Totals	\$	182,522	\$	155,603

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 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, 2022 and 2021.

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.

Exchange traded funds: Valued at the daily closing price as reported by the fund.

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

Adventure Cycling Association
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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 are as follows:

September 30, 2022	Cost	Unrealized Gains (Losses)	Fair Value (Level 1)
Mutual and exchange traded funds:			
Fixed income	\$ 1,382,943	\$ (171,228)	\$ 1,211,716
Foreign	469,843	(112,669)	357,174
U.S. large cap	490,027	12,388	502,415
U.S. small cap	125,928	5,184	131,113
Government / Treasury	58,199	-	58,199
Total	\$ 2,526,940	\$ (266,324)	\$ 2,260,616

September 30, 2021	Cost	Unrealized Gains	Fair Value (Level 1)
Equity securities:			
Healthcare	\$ 147	\$ 837	\$ 984
Mutual and exchange traded 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	\$ 2,509,420	\$ 207,558	\$ 2,716,978

For the years ended September 30, 2022 and 2021, the Association's net investment gain (loss) was comprised of net unrealized/realized gains (losses) of (\$503,761) and \$220,490, respectively. Interest revenue for the years ended September 30, 2022 and 2021, totaled \$32,300 and \$69,615, respectively.

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 (6.25% and 3.25% at September 30, 2022 and 2021, respectively) with a floor of 4.25% and 5.75% at September 30, 2022 and 2021, respectively. The line of credit matured on October 15, 2020 and was renewed with substantially the same terms through October 15, 2022. The Association's outstanding balance on the line of credit totaled \$100,000 and \$0 at September 30, 2022 and 2021, respectively.

Interest expense totaled \$-0- for the years ended September 30, 2022 and 2021.

Adventure Cycling Association
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. NET ASSETS

Net assets with and without donor restrictions are as follows:

September 30	2022	2021
Net assets without donor restrictions:		
Board-designated – life member	\$ 1,768,063	\$ 1,556,137
Board-designated – operating reserve	1,008,041	1,669,770
Board-designated – quasi-endowment	136,250	126,250
Undesignated – general activities	359,372	108,075
Total Net Assets Without Donor Restrictions	3,271,726	3,460,232
Net Assets With Donor Restrictions – Time Restrictions	169,660	120,610
Totals	\$ 3,441,386	\$ 3,580,842

6. PENSION PLAN

The Association sponsors a 403(b) retirement plan to which all employees with six months of service may contribute. In 2022 and 2021, 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 2022 and 2021, employer contributions to the plan totaled \$114,013 and \$91,669, respectively.

7. CONCENTRATIONS

At September 30, 2022, one receivable balance accounted for approximately 38% of the total outstanding accounts receivable balance. At September 30, 2021, one receivable balance accounted for approximately 44% of the total outstanding accounts receivable balance.

8. FUNDRAISING

Fundraising expenses for the years ended September 30, 2022 and 2021 totaled \$724,390 and \$667,564, respectively. The ratio of fundraising expense to total expenses is 9.3% and 11.5% for the years ended September 30, 2022 and 2021, respectively.

Adventure Cycling Association
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

9. LIQUIDITY AND AVAILABILITY

The Association's financial assets are as follows:

September 30	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 782,931	\$ 1,372,414
Accounts receivable - net	65,677	59,528
Employee retention credit receivable	594,677	-
Promises to give	169,660	120,610
Investments	2,260,616	2,716,978
Total Financial Assets	3,873,561	4,269,530
Less amounts not available to be used within one year:		
Net assets with donor restrictions	169,660	120,610
Board-designated net assets	2,912,354	3,352,157
Total Amounts Not Available to be Used Within One Year	3,082,014	3,472,767
Financial Assets Available to Meet General Expenditures		
Over the Next Twelve Months	\$ 791,547	\$ 796,763

The Association's goal is generally to maintain financial assets to meet 120 days of operating expenses (approximately \$2.6 million as of September 30, 2022). 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.

10. PROMISES TO GIVE

The Association held promises to give of \$169,660 and \$120,610 as of September 30, 2022 and 2021, 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 \$76,000 are scheduled to be collected in 2023, 2024 and 2025 in the amounts of \$35,000, \$25,000 and 16,000 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, 2022, three pledges represented 71% of the total promises to give. At September 30, 2021, one pledge represented 50% of the total promises to give.

The table below summarizes the changes in fair value of promises to give.

September 30	2022	2021
Balance - Beginning of Year	\$ 120,610	\$ 86,500
New pledges	111,000	60,610
Payments received	(61,950)	(26,500)
Balance - End of Year	\$ 169,660	\$ 120,610

Adventure Cycling Association
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

11. CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statements of activities included the following:

September 30	2022 Revenue Recognized	2021 Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Cycling Equipment	\$ 6,895	\$ 13,375	Membership	No associated donor restrictions	The Association estimated the fair value on the basis of wholesale values that would be received for selling similar products within retail stores.
Software	\$ 11,940	\$ -	Routes and Mapping	No associated donor restrictions	The Association estimated the fair value on the basis of wholesale values that would have been charged for selling similar products in the United States.
Services	\$ 800	\$ -	Membership	No associated donor restrictions	The Association estimated the fair value of services according to the cash value of gift certificates received.

12. SUBSEQUENT EVENTS

Subsequent to yearend, the Association's line of credit matured and was renewed with substantially the same terms through October 15, 2023. The Association also paid down the \$100,000 line of credit balance subsequent to yearend.

As a result of economic uncertainty and volatility in financial markets, the investments held by the Association have incurred declines in fair value since September 30, 2022. The markets continue to evolve rapidly, and the Association's management is not able at this time to estimate the full impact on the financial statements but expects to hold the investments long-term.