



**Adventure Cycling Association**

**FINANCIAL REPORT**

**September 30, 2020 and 2019**



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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, 2020 and 2019, 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, 2020 and 2019, 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 27, 2021

FINANCIAL STATEMENTS

ADVENTURE CYCLING ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION  
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u> <u>As Restated</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 296,858	\$ 490,232
Accounts receivable, net	65,436	39,265
Current portion of promises to give	26,500	16,500
Inventory	145,830	154,348
Prepaid expenses	70,496	96,611
Investments	<u>1,983,486</u>	<u>1,874,377</u>
Total current assets	<u>2,588,606</u>	<u>2,671,333</u>
LAND, BUILDING AND EQUIPMENT		
Land	84,500	84,500
Land improvements	75,000	75,000
Building	1,221,182	1,224,092
Furniture, fixtures, and equipment	<u>336,871</u>	<u>634,255</u>
	1,717,553	2,017,847
Less: accumulated depreciation	<u>(836,222)</u>	<u>(1,086,715)</u>
Land, building and equipment, net	<u>881,331</u>	<u>931,132</u>
PROMISES TO GIVE, NET OF CURRENT PORTION	<u>60,000</u>	<u>-</u>
OTHER	<u>822</u>	<u>822</u>
Total assets	<u>\$ 3,530,759</u>	<u>\$ 3,603,287</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 79,561	\$ 121,847
Accrued liabilities	116,222	117,413
Deferred revenue	<u>713,559</u>	<u>818,419</u>
Total current liabilities	<u>909,342</u>	<u>1,057,679</u>
DEFERRED REVENUE, LONG-TERM	<u>94,863</u>	<u>69,500</u>
Total liabilities	<u>1,004,205</u>	<u>1,127,179</u>
NET ASSETS		
Without donor restrictions	2,440,054	2,459,608
With donor restrictions	<u>86,500</u>	<u>16,500</u>
Total net assets	<u>2,526,554</u>	<u>2,476,108</u>
Total liabilities and net assets	<u>\$ 3,530,759</u>	<u>\$ 3,603,287</u>

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

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

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>REVENUE AND SUPPORT</b>			
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 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>
<b>EXPENSES</b>			
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 ACTIVITIES  
Year Ended September 30, 2019

	2019 As Restated		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
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	2,715,480	-	2,715,480
Less: Direct and allocated costs	<u>2,351,065</u>	<u>-</u>	<u>2,351,065</u>
Net tour sales	<u>364,415</u>	<u>-</u>	<u>364,415</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>3,809,027</u>	<u>(94,038)</u>	<u>3,714,989</u>
<b>EXPENSES</b>			
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>3,078,607</u>	<u>(94,038)</u>	<u>2,984,569</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	323,815	(94,038)	229,777
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>\$ 2,459,608</u>	<u>\$ 16,500</u>	<u>\$ 2,476,108</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
<b>REVENUES AND SUPPORT (memo only)</b>										
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>
<b>EXPENSES</b>										
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	<u>518,968</u>	<u>488,950</u>	<u>178,705</u>	<u>784,462</u>	<u>1,024,743</u>	<u>618,698</u>	<u>857,601</u>	<u>483,417</u>	<u>210,900</u>	<u>5,166,444</u>
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**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended September 30, 2019, Restated

	Program Services						Supporting Services		Total	
	Routes and Mapping	Advocacy	Outreach	Adventure Cyclist	Tours	Merchandise	Membership	Fundraising		Management and General
<b>REVENUES AND SUPPORT (memo only)</b>										
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	-	2,689,230	-	-	-	-	2,715,480
Total revenues and support (memo only)	<u>930,378</u>	<u>290,280</u>	<u>38,340</u>	<u>322,223</u>	<u>2,691,230</u>	<u>772,744</u>	<u>1,643,497</u>	<u>1,741</u>	<u>-</u>	<u>6,690,433</u>
<b>EXPENSES</b>										
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	<u>498,416</u>	<u>426,450</u>	<u>268,494</u>	<u>783,000</u>	<u>2,335,052</u>	<u>617,849</u>	<u>719,888</u>	<u>402,133</u>	<u>307,350</u>	<u>6,358,632</u>
Depreciation and amortization	<u>19,060</u>	<u>12,312</u>	<u>2,746</u>	<u>9,632</u>	<u>16,013</u>	<u>6,530</u>	<u>14,794</u>	<u>9,632</u>	<u>11,305</u>	<u>102,024</u>
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>\$ 340,165</u>	<u>\$ 148,365</u>	<u>\$ 908,815</u>	<u>\$ (410,024)</u>	<u>\$ (318,655)</u>	<u>\$ 229,777</u>

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

ADVENTURE CYCLING ASSOCIATION  
STATEMENTS OF CASH FLOWS  
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u> <u>As Restated</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ <u>50,446</u>	\$ <u>229,777</u>
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	59,986	102,024
Realized and unrealized gains on investments, net	(87,926)	(11,741)
Change in operating assets and liabilities:		
Accounts receivable	(26,171)	95,242
Inventory	8,518	(57,255)
Prepaid expenses	26,115	(36,917)
Promises to give	(70,000)	94,038
Accounts payable	(42,286)	35,916
Accrued liabilities	(1,191)	(63,234)
Deferred revenue	<u>(79,497)</u>	<u>30,122</u>
Total adjustments	<u>(212,452)</u>	<u>188,195</u>
Net cash flows from operating activities	<u>(162,006)</u>	<u>417,972</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment and building improvements	(10,185)	(67,142)
Proceeds from sale of investments	5,156	610,932
Purchase of investments	<u>(26,339)</u>	<u>(1,537,287)</u>
Net cash flows from investing activities	<u>(31,368)</u>	<u>(993,497)</u>
Net change in cash and cash equivalents	(193,374)	(575,525)
Cash and cash equivalents, beginning of year	<u>490,232</u>	<u>1,065,757</u>
Cash and cash equivalents, end of year	<u>\$ 296,858</u>	<u>\$ 490,232</u>

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

ADVENTURE CYCLING ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2020 and 2019

**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, 2020 and 2019, approximately 60% and 76%, 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.

**New Accounting Standards**

The Company adopted the following Accounting Standards Updates (ASU) in 2020:

- ASU 2016-01, *Financial Instruments- Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The main objective of this accounting standard is to enhance the reporting model for financial instruments and to provide users of the financial statements with more decision-useful information. The standard was implemented on a retrospective basis. No measurement differences were noted as a result of the implementation of this standard.
- ASU 2018-03, *Technical Correction and Improvements to Financial Instruments- Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This update provides clarity for certain aspects for ASU 2016-01. The standard was implemented on a retrospective basis. No measurement differences were noted as a result of the implementation of this standard.
- ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The main objective of ASU 2018-18 is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The standard was implemented on a retrospective basis. No measurement differences were noted as a result of the implementation of this standard.

**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.

ADVENTURE CYCLING ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2020 and 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Program Services (Continued)**

***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.

***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.

***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.

ADVENTURE CYCLING ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2020 and 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Program Services (Continued)**

***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.

**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, 2020, \$16,642 of the Association's accounts were uninsured. Bank balances for the Association's accounts were all within the insured limits at September 30, 2019.

**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, 2020 and 2019 was \$17,309 and \$19,106, 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.

ADVENTURE CYCLING ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2020 and 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. Prior to 2020, the capitalization threshold was \$1,000. Depreciation and amortization expense for the years ended September 30, 2020 and 2019 was \$59,986 and \$102,024, respectively.

**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 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:

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

ADVENTURE CYCLING ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2020 and 2019

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 \$40,189 and \$28,600 in 2020 and 2019, 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, 2020 and 2019.

**Reclassification**

A reclassification has been made to the 2019 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged for 2019 due to this reclassification.

**Subsequent Events**

Management has evaluated subsequent events through January 27, 2021, the date which the financial statements were available for issue.



**ADVENTURE CYCLING ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
September 30, 2020 and 2019

**NOTE 2. INVENTORY**

The components of inventory at September 30 are as follows:

	<u>2020</u>	<u>2019</u>
Books	\$ 1,337	\$ 1,679
Camping	671	1,957
Logo wear	50,008	53,184
Maps	49,092	44,624
Other	44,722	52,904
Total	<u>\$ 145,830</u>	<u>\$ 154,348</u>

**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:

	<u>2020</u>		
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Fair Value (Level 1)</u>
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>
	<u>2019</u>		
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Fair Value (Level 1)</u>
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>

For the years ended September 30, 2020 and 2019, the Association's net investment gain was comprised of net unrealized/realized gains of \$87,926 and \$11,741, respectively. Interest revenue for the years ended September 30, 2020 and 2019, totaled \$36,790 and \$37,378, respectively.

ADVENTURE CYCLING ASSOCIATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 September 30, 2020 and 2019

**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% and 5.00% at September 30, 2020 and 2019, respectively) with a floor of 5.75% and 5.25% at September 30, 2020 and 2019, 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, 2020 and 2019.

Interest expense totaled \$-0- for the years ended September 30, 2020 and 2019.

**NOTE 5. NET ASSETS**

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

	<u>2020</u>	As Restated <u>2019</u>
Net assets without donor restrictions		
Board designated—life member	\$ 1,186,134	\$ 953,894
Board designated—operating reserve	711,766	1,122,236
Board designated—quasi-endowment	122,217	122,217
Undesignated—general activities	<u>419,937</u>	<u>261,261</u>
Total net assets without donor restrictions	<u>2,440,054</u>	<u>2,459,608</u>
Net assets with donor restrictions – time restrictions	<u>86,500</u>	<u>16,500</u>
Total net assets	<u>\$ 2,526,554</u>	<u>\$ 2,476,108</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 2020 and 2019, 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 2020 and 2019, employer contributions to the plan totaled \$97,396 and \$90,123, respectively.

ADVENTURE CYCLING ASSOCIATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 September 30, 2020 and 2019

**NOTE 7. CONCENTRATIONS**

At September 30, 2020, two receivable balances accounted for approximately 63% of the total outstanding accounts receivable balance. At September 30, 2019, one receivable balance accounted for approximately 32% of the total outstanding accounts receivable balance.

**NOTE 8. FUNDRAISING**

Fundraising expenses for the years ended September 30, 2020 and 2019 totaled \$491,762 and \$411,765, respectively. The ratio of fundraising expense to total expenses is 9.4% and 6.4% for the years ended September 30, 2020 and 2019, respectively.

**NOTE 9. LIQUIDITY AND AVAILABILITY**

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

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 296,858	\$ 490,232
Accounts receivable, net	65,436	39,265
Investments	<u>1,983,486</u>	<u>1,874,377</u>
Total financial assets	<u>2,345,780</u>	<u>2,403,874</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	86,500	16,500
Board designated net assets	<u>2,198,345</u>	<u>2,198,347</u>
	<u>2,284,845</u>	<u>2,214,847</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 60,935</u>	<u>\$ 189,027</u>

The Association's goal is generally to maintain financial assets to meet 120 days of operating expenses (approximately \$1.7 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.

ADVENTURE CYCLING ASSOCIATION  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 September 30, 2020 and 2019

**NOTE 10. PROMISES TO GIVE**

The Association held promises to give of \$86,500 and \$16,500 as of September 30, 2020 and 2019, 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 \$60,000 are scheduled to be collected in 2022, 2023 and 2024 at a rate of \$20,000 per year. 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, 2020 and 2019, one pledge represented 92% of the total promises to give. At December 31, 2019, four pledges represented 88% of the total promises to give.

The table below summarizes the changes in fair value of promises to give for 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 16,500	\$ 110,538
New pledges	85,000	13,500
Payments received	<u>(15,000)</u>	<u>(107,538)</u>
Balance, end of year	<u>\$ 86,500</u>	<u>\$ 16,500</u>

**NOTE 11. RISKS AND UNCERTAINTIES**

In December 2019, the novel coronavirus (COVID-19) was identified in Wuhan, China. In March 2020, with the rapid spread of the virus into all regions of the world, the World Health Organization declared COVID-19 a global pandemic.

Beginning in March 2020, COVID-19 significantly affected the Association based on the public health risk, government-imposed quarantines, and restrictions on travel. Due to this impact, the Association had to cancel 83 tours in 2020 which resulted in a significant reduction in operating revenues. For the fiscal year ended September 30, 2020, total revenues were 60% of prior year total revenues.

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.

ADVENTURE CYCLING ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
September 30, 2020 and 2019

**NOTE 12. PAYROLL PROTECTION PROGRAM LOAN**

The Association received a Paycheck Protection Program (PPP) loan of \$447,680 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (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.

**NOTE 13. PRIOR PERIOD RESTATEMENT**

In 2020, the Association noted an error affecting previously reported financial information related to deferred revenue and tours revenues. Accordingly, the 2019 financial statements presented have been updated to reflect the restatement. The table below provides the detail of the restatement.

	<u>As Restated</u>	<u>As Previously Reported</u>	<u>Change</u>
<i>Statement of Financial Position as of September 30, 2019</i>			
Current Liabilities			
Deferred revenue	\$ 818,419	\$ 868,419	\$ (50,000)
Net Assets			
Without donor restrictions	\$ 2,459,608	\$ 2,409,608	\$ 50,000
<i>Statement of Activities for the year ended September 30, 2019</i>			
Revenue and support			
Tour sales	\$ 2,715,480	\$ 2,665,480	\$ 50,000
<i>Statement of Functional Expenses for the year ended September 30, 2019</i>			
Revenue and support			
Tour sales	\$ 2,715,480	\$ 2,665,480	\$ 50,000
<i>Statement of Cash Flows for the year ended September 30, 2019</i>			
Cash flows from operating activities			
Change in net assets	\$ 229,777	\$ 179,777	\$ 50,000
Change in operating assets and liabilities			
Deferred revenue	\$ 30,122	\$ 80,122	\$ (50,000)



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