

The Colorado Mountain Club

Financial Statements

September 30, 2008

(With Independent Auditor's Report Thereon)

Independent Auditor's Report

Board of Directors The Colorado Mountain Club:

We have audited the accompanying statement of financial position of The Colorado Mountain Club as of September 30, 2008, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Club's 2007 financial statements and, in our report dated January 11, 2008 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Colorado Mountain Club as of September 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 12, 2009

The Colorado Mountain Club
Statement of Financial Position
September 30, 2008
(With Summarized Comparative Information as of September 30, 2007)

	2008	2007
Assets:		
Cash and cash equivalents:		
Board-designated	\$ 69,771	119,324
Other	343,182	352,701
Accounts receivable (note 9)	108,765	88,200
Inventories	142,413	85,549
Prepaid expenses and other assets	57,128	113,050
Contributions receivable (note 2)	-	40,302
Assets held by Colorado Mountain Club Foundation (note 6)	22,266	19,240
Investment in American Mountaineering Center LLC (note 3)	2,158,873	1,312,553
Investment in Bradford Washburn American Mountaineering Museum (note 4)	705,479	784,373
Furniture and equipment, less accumulated depreciation of \$145,407 and \$135,015	168,345	190,187
Total assets	\$ 3,776,222	3,105,479
Liabilities and Net Assets:		
Accounts payable and accrued expenses	\$ 115,884	109,073
Deferred revenue	69,498	141,685
Notes payable (note 5)	320,504	326,052
Total liabilities	505,886	576,810
Net assets (note 6):		
Unrestricted:		
Undesignated	3,008,122	2,261,446
Board designated for:		
American Mountaineering Center	69,771	67,832
CMC Press	-	30,000
Endowment	16,020	16,020
Total unrestricted net assets	3,093,913	2,375,298
Temporarily restricted	154,157	134,131
Permanently restricted	22,266	19,240
Total net assets	3,270,336	2,528,669
Commitments (notes 3, 4, 5, 7 and 8)		
Total liabilities and net assets	\$ 3,776,222	3,105,479

See accompanying notes to financial statements.

The Colorado Mountain Club
Statement of Activities
Year Ended September 30, 2008
(With Summarized Comparative Information for the Year Ended September 30, 2007)

	2008				2007 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Revenues, Gains and Support:					
Contributions	\$ 167,775	1,322,832	3,026	1,493,633	640,366
Scientific and Cultural Facilities District support	179,443	-	-	179,443	160,929
Registration fees	516,632	-	-	516,632	499,621
Membership dues	431,292	-	-	431,292	423,998
Tuition from schools	119,829	-	-	119,829	118,941
Museum admission fees	20,362	-	-	20,362	-
Other program revenue	75,428	-	-	75,428	29,597
Advertising	7,692	-	-	7,692	9,954
Other	12,919	-	-	12,919	20,783
Merchandise sales	216,471	-	-	216,471	140,967
Net assets released from restrictions due to satisfaction of program restrictions	1,302,806	(1,302,806)	-	-	-
Total revenues, gains and support	3,050,649	20,026	3,026	3,073,701	2,045,156
Expenses:					
Program services:					
Cultural & educational activities	741,413	-	-	741,413	678,443
Publications	245,821	-	-	245,821	249,880
Conservation	188,737	-	-	188,737	158,501
Museum	346,388	-	-	346,388	160,909
Cost of merchandise sales	130,153	-	-	130,153	65,237
Other	306,638	-	-	306,638	304,668
Total program services	1,959,150	-	-	1,959,150	1,617,638
Supporting services:					
General and administrative	288,605	-	-	288,605	243,849
Fund raising	84,279	-	-	84,279	103,208
Total supporting services	372,884	-	-	372,884	347,057
Total expenses	2,332,034	-	-	2,332,034	1,964,695
Change in net assets	718,615	20,026	3,026	741,667	80,461
Net assets, beginning of year	2,375,298	134,131	19,240	2,528,669	2,448,208
Net assets, end of year	\$ 3,093,913	154,157	22,266	3,270,336	2,528,669

See accompanying notes to financial statements.

The Colorado Mountain Club

Statement of Cash Flows

Year Ended September 30, 2008

(With Summarized Comparative Information for the Year Ended September 30, 2007)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 741,667	80,461
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	102,744	40,755
Noncash gifts	(824,256)	-
Contributions restricted for endowment	(3,026)	(1,854)
Equity in operating loss of American Mountaineering Center LLC	174,019	137,979
Contributions restricted for Bradford Washburn American Mountaineering Museum capital costs	(56,055)	(235,060)
(Increase) decrease in operating assets:		
Accounts receivable	(20,565)	4,826
Inventories	(56,864)	3,737
Prepaid expenses	55,922	(15,071)
Contributions receivable	40,302	88,170
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	6,811	40,158
Deferred revenue	(72,187)	6,275
Net cash provided by operating activities	<u>88,512</u>	<u>150,376</u>
Cash flows from investing activities:		
(Increase) decrease in assets held by Colorado Mountain Club Foundation	(3,026)	(1,854)
Cash invested in American Mountaineering Center LLC	(90,631)	(73,214)
Cash invested in Bradford Washburn American Mountaineering Museum	(80,826)	(545,289)
Purchases of furniture and equipment	(26,634)	(91,654)
Net cash used in investing activities	<u>(201,117)</u>	<u>(712,011)</u>
Cash flows from financing activities:		
Contributions restricted for Bradford Washburn American Mountaineering Museum capital costs	56,055	235,060
Contributions restricted for endowment	3,026	1,854
Proceeds from issuance of notes payable	-	330,000
Payments on notes payable	(5,548)	(3,948)
Net cash provided by investing activities	<u>53,533</u>	<u>562,966</u>
Net increase (decrease) in cash and cash equivalents	(59,072)	1,331
Cash and cash equivalents at beginning of year	<u>472,025</u>	<u>470,694</u>
Cash and cash equivalents at end of year	<u>\$ 412,953</u>	<u>472,025</u>
Supplemental cash flow information:		
Interest paid on debt	\$ 1,437	1,298
Noncash gift of interest in museum assets	824,256	-

See accompanying notes to financial statements.

The Colorado Mountain Club

Notes to Financial Statements

September 30, 2008

(1) Summary of Significant Accounting Policies

(a) General

The Colorado Mountain Club (“the Club”) is a not-for-profit corporation founded in 1913 to unite the energy, interest, and knowledge of the students and lovers of the mountains of Colorado; to collect and disseminate information regarding the Rocky Mountains on behalf of science, literature, art and recreation; to stimulate public interest in our mountain areas; to encourage the preservation of forest, flowers, fauna and natural scenery; and to render readily accessible the alpine attractions of this region.

The Colorado Mountain Club provides its educational activities to members and the public which are predominately in Colorado. The Colorado Mountain Club is supported primarily through members’ dues, tuition from schools, registration fees for outings, private grants, and Scientific and Cultural Facilities District support.

(b) Financial Statement Presentation

Reporting Entity - The financial statements include the accounts of the Colorado Mountain Club and its 15 groups located in the state of Colorado, collectively referred to as the Club.

Basis of Accounting - The accompanying financial statements of the Club have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation - Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (“SFAS”) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Club is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Colorado Mountain Club

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(c) Accounts Receivable

Accounts receivable represents claims for reimbursement and other fees earned or due under contracts or fee agreements, and amounts due for publication sales, advertising and program services provided. The allowance for doubtful accounts is based on past collection experience and on analysis of current accounts receivable collectability. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. Accounts receivable are considered to be past due based on contractual terms. There was no allowance for doubtful accounts at September 30, 2008.

(d) Contributions

The Club accounts for contributions in accordance with the requirements of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(e) Contributions Receivable

Unconditional contributions receivable are recognized as revenues in the period the promise is received. Unconditional contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met.

The Club uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior year's experience and management's analysis of specific promises made.

The Colorado Mountain Club

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Inventories

Inventories consist of gift shop items and publications held for resale. Inventories are valued at the lower of cost or market with cost determined using the first-in, first-out method.

(g) Furniture and Equipment

Furniture and equipment are stated at cost or fair market value at the date of donation. The Club capitalizes all furniture and equipment purchases with a cost of \$1,000 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally five to ten years.

(h) Cash and Cash Equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents include money market accounts, savings accounts, and certificates of deposit.

(i) Concentrations of Credit Risk

Financial instruments which potentially subject the Club to concentrations of credit risk consist of money market and cash accounts, certificates of deposit, and savings accounts which may, during the year, exceed the federally insured limit set by the Federal Deposit Insurance Corporation (FDIC). The Club reduces credit risk by placing its money market and cash accounts, certificates of deposit, and savings accounts with creditworthy, high quality financial institutions.

Accounts receivable consists of the Club's share of undistributed Scientific and Cultural Facilities District tax (see note 9) and amounts due for publication sales, advertising and program services provided. Credit risk with respect to receivables is limited due to the diversification and credit worthiness of the entities that comprise the customer base.

The Colorado Mountain Club

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Use of Estimates

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

(k) Revenue Recognition and Deferred Revenue

Income from advance admissions and fees is deferred and recognized when used or earned. Membership income is recognized as revenue ratably over the term of the membership period. Deferred revenue consists of members' payments for trips and activities that have not occurred as of September 30, 2008.

(l) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the appropriate program and supporting services.

(m) Income Taxes

The Club is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. However, income from activities not directly related to the Club's tax-exempt purpose is subject to taxation as unrelated business income.

(n) Donated Services

Volunteers have made significant contributions of their time to the Club and its operations. No amounts have been reflected in the financial statements for these donated services since the volunteers' time does not meet the criteria for recognition under SFAS No. 116.

The Colorado Mountain Club

Notes to Financial Statements, Continued

(2) Contributions Receivable

During the prior year, the Club received a \$25,000 pledge from a foundation for the Bradford Washburn American Mountaineering Museum project. The pledge was conditioned upon the balance of the funds being raised to complete the project by a specified future date. The receivable was not recorded at September 30, 2008 as the condition was not met. Subsequent to September 30, 2008, notice was received from the foundation that the condition was met satisfactorily, and the pledge payment was received by the Club in December 2008.

(3) American Mountaineering Center, LLC

Effective January 31, 2001, the Club along with the American Alpine Club (the AAC) and Outward Bound Wilderness, Inc. ("OBW") formed a limited liability company called The American Mountaineering Center, LLC (the "LLC"). The purpose of the LLC is to own, operate and manage The American Mountaineering Center (the "Center") and to lease space in the Center for the purpose of conducting activities similar to those conducted by the three members. Pursuant to that purpose, the Club and the AAC made an initial capital contribution to the LLC of its interest in The American Mountaineering Center building and land, as well as its rights under certain existing lease agreements. OBW's initial contribution to the LLC was its costs of construction for improvements to the AMC building and parking lot. The net income of the LLC is allocated to the three members in proportion to their ownership interest (33 1/3% interest each), except for depreciation related to contributed property which is allocated in accordance with Section 704 (c) of the Internal Revenue Code.

The Club's share of the net operating costs and its share of LLC depreciation are considered to be primarily occupancy expenses of the Club, since the Club does not pay any rent on its facilities, and is included in expenses in the statement of activities.

During 2008, the AAC and the Club each contributed their share of the building improvements related to the museum space (see note 4) to the LLC. The value of museum building improvements contributed to the LLC by the Club in 2008 totaled \$929,707.

The Colorado Mountain Club

Notes to Financial Statements, Continued

(4) Bradford Washburn American Mountaineering Museum

In January 2006, the Club and The American Alpine Club (AAC) entered into an agreement for the creation, design, construction, funding, and management of the Bradford Washburn American Mountaineering Museum (the Museum), which is located at the American Mountaineering Center in Golden, Colorado. Operations began in February 2008. The organizations had jointly undertaken the fundraising for Museum design and construction costs. Exhibits created for the Museum are owned equally by both organizations. Both organizations have loaned certain of their collection items for display in the Museum. Additionally, as intended by the agreement, the Club operates the Museum pursuant to operating plans created by a museum oversight board.

Building improvements related to the museum space were contributed equally to the American Mountaineering Center LLC by the Club and the AAC in 2008 (see note 3).

The Club's investment in the assets of the Museum represents their 50% ownership of the exhibit costs which totaled \$705,479 (net of accumulated depreciation of \$54,268) at September 30, 2008.

Contributions to the Club for the Museum, including pledges, have been recorded on the statement of financial position as temporarily restricted net assets until the funds were used for the Museum design and construction costs or for fundraising costs related to the Museum capital campaign.

During 2008, an interest in certain museum exhibit and building improvement costs which totaled \$824,256 was transferred to the Club from the American Alpine Club.

The Colorado Mountain Club
Notes to Financial Statements, Continued

(5) Notes Payable

Notes payable at September 30, 2008 consist of the following:

Unsecured note payable to the Colorado Mountain Club Foundation, payable in quarterly installments of \$1,749 including interest at 6% beginning January 15, 2007, due October 2011.	\$ 20,504
Unsecured interest-free note payable to the Colorado Mountain Club Foundation, due on demand on or before December 31, 2011.	<u>300,000</u>
	\$ <u>320,504</u>

Interest has been imputed at the rate of 6%. Because of the demand feature of the note, no discount has been computed. Rather, as prescribed by SFAS No. 116, the amount of interest imputed annually is recognized as contribution revenue and interest expense. There are no payments required to be made until the entire balance matures. These funds were borrowed to invest in the Bradford Washburn American Mountaineering Museum.

Future minimum principal payments on notes payable are as follows for the years ending September 30:

2009	\$ 5,890
2010	6,253
2011	6,639
2012	<u>301,722</u>
	\$ <u>320,504</u>

The Colorado Mountain Club

Notes to Financial Statements, Continued

(6) Net Assets

Unrestricted Net Assets

At September 30, 2008, a portion of unrestricted net assets are designated by the Board of Directors for the following purposes:

American Mountaineering Center operations	\$ 69,771
Endowment	<u>16,020</u>
	\$ <u>85,791</u>

Temporarily Restricted

At September 30, 2008, temporarily restricted net assets are available for the following purposes:

Conservation programs	\$ 116,561
Education programs	27,417
Wilson Peak fund	6,212
Recreation programs	3,815
Library and archives fund	<u>152</u>
	\$ <u>154,157</u>

Permanently Restricted

During 2003, the Club received gifts totaling \$11,150 to establish the Eckart Roder Denver Group Education Fund. The terms of the endowment gift agreement state that up to five percent of the net fair market value of the fund may be distributed annually, primarily to provide support for educational programs of the Denver Group of the CMC. As required by the gift agreement, these funds are held and invested by the Colorado Mountain Club Foundation (CMCF) for the benefit of the CMC. No variance power was granted to the CMCF. At September 30, 2008, the amount held by CMCF in the Eckart Roder Denver Group Education Fund totaled \$22,266 and is reflected as such on the statement of financial position.

The Colorado Mountain Club

Notes to Financial Statements, Continued

(7) Operating Lease Obligations

The Club leases office equipment under various non-cancelable operating leases. Additionally, the Club leases office facilities in Boulder and on the Western Slope also under non-cancelable operating leases, which expire on December 31, 2011 and April 30, 2009, respectively. Future minimum lease payments required under these operating leases at September 30, 2008 are as follows:

Year Ending September 30:

2009	\$ 14,794
2010	8,498
2011	6,000
2012	<u>1,500</u>
	\$ <u>30,792</u>

Lease expense for the year ended September 30, 2008 was \$16,794.

(8) Retirement Plan

The Club sponsors a SIMPLE IRA defined contribution plan. The plan is open to all full time employees and part time employees who received at least \$5,000 in compensation during the prior calendar year and expect to receive at least \$5,000 in compensation during the current calendar year. Participants are eligible to contribute up to 25% percent of their earnings, not to exceed limits set by the Internal Revenue Service. At the end of each quarter, the Club will match up to 3% of an eligible employee's compensation. To receive the full employer match, the employee must have contributed at least 3% of their compensation and must be currently employed at the time the match is made. The Club made \$17,127 in matching contributions to this Plan during the year ended September 30, 2008.

(9) Scientific and Cultural Facilities District Funds

In November 1988, the voters of the Denver metropolitan area approved formation of a special tax district to support the scientific and cultural institutions within the district. Beginning in 1989, revenues for the district were generated through a sales tax and distributed to various institutions in accordance with the provisions of the act. In 1994 and again in 2004, the voters of the Denver Metropolitan area extended the expiration date of the special tax district. The special tax district is currently scheduled to expire in June 2018. During the year ended September 30, 2008, the Club recorded revenue of \$179,443 from the SCFD and had a receivable of \$45,836 at September 30, 2008 representing the Club's portion of the tax collected but not distributed by the district.

The Colorado Mountain Club
Supplemental Schedule of Functional Expenses
Year Ended September 30, 2008
(With Summarized Comparative Information for the Year Ended September 30, 2007)

	2008				2007 Total	
	Program	General and Administrative		Fund Raising		Total
Payroll expenses	\$ 620,135	186,741	55,290	862,166	709,534	
Cultural & educational program costs	377,039	-	-	377,039	372,093	
Cost of merchandise sales	130,153	-	-	130,153	65,237	
Share of AMC, LLC expenses	129,553	34,298	10,168	174,019	137,979	
Supplies	175,670	13,407	5,210	194,287	148,626	
Contractual services	93,153	8,624	2,416	104,193	101,695	
Printing and publications	60,655	849	4,889	66,393	61,298	
Postage and shipping	47,783	1,631	1,190	50,604	44,437	
Grants and allocations	10,692	-	-	10,692	19,657	
Library usage fees	27,563	-	-	27,563	26,250	
Depreciation	89,368	10,317	3,059	102,744	41,311	
Professional fees	625	16,505	-	17,130	20,839	
Insurance	45,253	4,504	-	49,757	53,179	
Telephone	12,404	6,353	175	18,932	17,067	
Other occupancy costs	14,680	-	-	14,680	12,669	
Bankcard fees	21,616	-	-	21,616	17,702	
Interest expense	19,447	-	-	19,447	8,795	
Equipment rental & maintenance	8,323	175	-	8,498	8,616	
Travel and conferences	48,922	1,794	782	51,498	32,604	
Annual dinner	21,094	-	-	21,094	21,025	
Museum fundraising	-	-	-	-	38,084	
Miscellaneous	5,022	3,407	1,100	9,529	5,998	
	<u>\$ 1,959,150</u>	<u>288,605</u>	<u>84,279</u>	<u>2,332,034</u>	<u>1,964,695</u>	