

Financial Statements

for

**ADVENTURE CYCLING ASSOCIATION**

Years Ended December 31, 2025 and 2024

With Independent Auditor's Report



**ADVENTURE CYCLING ASSOCIATION  
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## INDEPENDENT AUDITOR'S REPORT

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 December 31, 2025 and 2024, 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 December 31, 2025 and the 2024 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 for 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 the 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.

### Auditor's 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 auditor's report that includes our opinion. 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 internal control relevant to the audit 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 Adventure Cycling Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of the 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 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, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Dean Dotson Allen Ford, PLLC*

Indianapolis, Indiana  
April 26, 2026

**ADVENTURE CYCLING ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	December 31,	
	2025	2024
<b>Assets</b>		
Cash	\$ 947,618	\$ 487,149
Accounts Receivable, Net of Allowance for Credit Losses of: 2025 \$-0-; 2024 \$53,633; 2023 \$31,269	5,032	19,175
Unconditional Promises to Give	16,000	26,000
Inventory	47,300	65,737
Prepaid Expenses	522,497	758,580
Investments	1,742,837	1,609,594
Property and Equipment, Net	722,006	771,548
Right of Use Asset - Operating Lease	-	22,916
	-	22,916
<b>Total Assets</b>	<b>\$ 4,003,290</b>	<b>\$ 3,760,699</b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts Payable	\$ 99,390	\$ 50,415
Accrued Liabilities	147,564	90,935
Deferred Revenue	292,992	349,929
Operating Lease Liability	-	22,916
	-	22,916
<b>Total Liabilities</b>	<b>539,946</b>	<b>514,195</b>
<b>Net Assets</b>		
Without Donor Restrictions	3,447,344	3,220,504
With Donor Restrictions	16,000	26,000
	16,000	26,000
<b>Total Net Assets</b>	<b>3,463,344</b>	<b>3,246,504</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,003,290</b>	<b>\$ 3,760,699</b>

See accompanying notes.

**ADVENTURE CYCLING ASSOCIATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2025**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue, Support, and Gains</b>			
Merchandise Sales	\$ 285,455	\$ -	\$ 285,455
Tour Sales	1,832,071	-	1,832,071
Membership Dues	877,763	-	877,763
Donations and Grants	1,453,343	-	1,453,343
Net Investment Return	133,534	-	133,534
Advertising	31,963	-	31,963
Miscellaneous Income	8,293	-	8,293
	<hr/>	<hr/>	<hr/>
Total Revenue, Support, and Gains	4,622,422	-	4,622,422
<b>Net Assets Released from Restriction</b>	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>
	<hr/>	<hr/>	<hr/>
Total Revenue, Support, Gains, and Reclassifications	<u>4,632,422</u>	<u>(10,000)</u>	<u>4,622,422</u>
	<hr/>	<hr/>	<hr/>
<b>Expenses</b>			
Program Services	3,391,546	-	3,391,546
Management and General	670,873	-	670,873
Fundraising	343,162	-	343,162
	<hr/>	<hr/>	<hr/>
Total Expenses	<u>4,405,582</u>	<u>-</u>	<u>4,405,582</u>
	<hr/>	<hr/>	<hr/>
Change in Net Assets	226,840	(10,000)	216,840
	<hr/>	<hr/>	<hr/>
<b>Net Assets, Beginning of Year</b>	<u>3,220,504</u>	<u>26,000</u>	<u>3,246,504</u>
	<hr/>	<hr/>	<hr/>
<b>Net Assets, End of Year</b>	<u>\$ 3,447,344</u>	<u>\$ 16,000</u>	<u>\$ 3,463,344</u>

See accompanying notes.

**ADVENTURE CYCLING ASSOCIATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2024**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue, Support, and Gains</b>			
Merchandise Sales	\$ 422,477	\$ -	\$ 422,477
Tour Sales	1,963,059	-	1,963,059
Membership Dues	1,255,497	-	1,255,497
Donations and Grants	930,459	-	930,459
Contributions of Nonfinancial Assets	4,843	-	4,843
Net Investment Return	243,725	-	243,725
Advertising	175,069	-	175,069
Miscellaneous Income	21,123	-	21,123
	<hr/>	<hr/>	<hr/>
Total Revenue, Support, and Gains	5,016,252	-	5,016,252
<b>Net Assets Released from Restriction</b>	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>
	<hr/>	<hr/>	<hr/>
Total Revenue, Support, Gains, and Reclassifications	<u>5,046,252</u>	<u>(30,000)</u>	<u>5,016,252</u>
<b>Expenses</b>			
Program Services	4,265,800	-	4,265,800
Management and General	1,088,951	-	1,088,951
Fundraising	171,529	-	171,529
	<hr/>	<hr/>	<hr/>
Total Expenses	<u>5,526,280</u>	<u>-</u>	<u>5,526,280</u>
	<hr/>	<hr/>	<hr/>
Change in Net Assets	(480,028)	(30,000)	(510,028)
<b>Net Assets, Beginning of Year</b>	<u>3,700,532</u>	<u>56,000</u>	<u>3,756,532</u>
	<hr/>	<hr/>	<hr/>
<b>Net Assets, End of Year</b>	<u>\$ 3,220,504</u>	<u>\$ 26,000</u>	<u>\$ 3,246,504</u>

See accompanying notes.

**ADVENTURE CYCLING ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2025**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits	\$ 1,553,772	\$ 372,376	\$ 282,647	\$ 2,208,795
Cost of Goods Sold	52,888	2,504	-	55,392
Tour Expenses	663,096	-	-	663,096
Contract Services	269,443	68,800	3,830	342,073
Office Expenses	455	229	308	992
Printing, Posting, and Mailing	138,690	15,338	20,200	174,228
Occupancy	37,259	24,571	-	61,830
Equipment and Software	249,381	86,604	-	335,985
Travel and Entertainment	38,356	9,293	812	48,461
Insurance	142,170	12,262	2,134	156,566
Staff Development	3,326	109	-	3,435
Marketing	115,223	13,582	13,693	142,498
Services Fees	92,844	39,251	19,538	151,633
Credit Loss Expense	7,395	-	-	7,395
Other	-	3,661	-	3,661
Depreciation	27,248	22,294	-	49,542
<b>Total Functional Expenses</b>	<b>\$ <u>3,391,546</u></b>	<b>\$ <u>670,873</u></b>	<b>\$ <u>343,162</u></b>	<b>\$ <u>4,405,582</u></b>

See accompanying notes.

**ADVENTURE CYCLING ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2024**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits	\$ 1,668,036	\$ 727,744	\$ 115,742	\$ 2,511,522
Cost of Goods Sold	100,310	-	-	100,310
Tour Expenses	694,672	-	-	694,672
Contract Services	577,082	101,085	11,758	689,925
Office Expenses	46,215	39,255	4,808	90,278
Printing, Posting, and Mailing	368,414	1,721	11,346	381,481
Occupancy	53,646	-	-	53,646
Equipment and Software	246,937	-	-	246,937
Travel and Entertainment	32,914	39,146	6,087	78,147
Insurance	135,420	23,998	-	159,418
Staff Development	7,705	13,874	26	21,605
Marketing	14,456	48,545	27	63,028
Services Fees	181,259	22,615	9,509	213,383
Credit Loss Expense	58,381	-	-	58,381
Other	30,507	70,968	12,226	113,701
Depreciation	49,846	-	-	49,846
<b>Total Functional Expenses</b>	<b>\$ <u>4,265,800</u></b>	<b>\$ <u>1,088,951</u></b>	<b>\$ <u>171,529</u></b>	<b>\$ <u>5,526,280</u></b>

See accompanying notes.

**ADVENTURE CYCLING ASSOCIATION  
STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 216,840	\$ (510,028)
Reconciliation of Change in Net Assets with Cash Flows from Operations		
Depreciation	49,542	49,846
Net Investment Return	(133,534)	(243,725)
Contributed Stock	-	(4,843)
Noncash Operating Lease Expense	22,916	29,241
Changes in Operating Assets and Liabilities		
Accounts Receivable, Net	14,143	6,138
Unconditional Promises to Give	10,000	30,000
Inventory	18,437	33,056
Prepaid Expenses	236,083	(74,820)
Accounts Payable	48,975	(49,955)
Accrued Liabilities	56,629	(31,415)
Deferred Revenue	(56,937)	(726,213)
Operating Lease Liability	(22,916)	(29,241)
	460,178	(1,521,959)
<b>Net Cash Provided (Used) by Operating Activities</b>		
<b>Cash Flows from Investing Activities</b>		
Purchase of Investments	(692,732)	(126,094)
Proceeds from Sale of Investments	693,023	1,181,592
	291	1,055,498
<b>Net Cash Provided by Investing Activities</b>		
Net Change in Cash	460,469	(466,461)
<b>Cash, Beginning of Year</b>	487,149	953,610
<b>Cash, End of Year</b>	\$ 947,618	\$ 487,149

See accompanying notes.

**ADVENTURE CYCLING ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Adventure Cycling Association (the Association) is a Montana nonprofit organization. Founded in 1976, 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 fulfills its mission by focusing its efforts on seven principal programs, as follows:

- Adventure Cyclist 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.
- 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, environment, and transportation benefits of improving cycling infrastructure and encouraging people to travel by bicycle.
- 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 82,352 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.

The Association's viability is dependent on the success of the program services, donations and charitable membership dues, and the Association's ability to collect on its contracts with customers.

**Use of Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results could differ from estimated amounts.

**Accounts Receivable and Allowance for Credit Losses**

Accounts receivable consists of amounts due from customers and are generally unsecured. The Association establishes an allowance for credit losses on accounts receivable. The allowance for credit losses is the Association's best estimate of the amount of probable credit losses in the Association's existing accounts receivable and is based upon historical loss patterns, the number of days that billings are past due, and an evaluation of the potential risk of loss associated with specific accounts. The measurement of credit losses and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Association uses the aging method to estimate its expected credit losses on accounts receivable. To estimate expected credit losses, the Association assesses recent historical experience, current economic conditions and any reasonable and supportable forecasts to identify risk characteristics that are shared within the financial asset. These risk characteristics are then used to bifurcate the aging method into risk pools. Historical credit loss for each risk pool is then applied to the current period aging in the identified risk pools to determine an appropriate reserve. In the absence of current economic conditions and/or forecasts that may affect future credit losses, the Association has determined that recent historical experience provides the best basis for estimating credit losses.

The determination of past due status on accounts receivable is based on the terms indicated on customer contracts and invoices. Accounts are written off against the allowance when deemed uncollectible by management. Recoveries of accounts receivable previously written off are recorded when received. The Association does not charge interest on its past due receivables.

**Unconditional Promises to Give**

The Association records unconditional promises to give that are expected to be collected at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Association determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. Based on these criteria, no allowance for uncollectible promises to give has been provided at December 31, 2025 and 2024 since the Association does not expect any material losses.

**Investments**

Investments if purchased are recorded at cost, or if donated, at fair value on the date of donation.

Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less any external and direct internal investment expenses. Cash equivalents, and other securities and investments held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to \$500,000 of protection for each brokerage account with a limit of \$250,000 for claims of uninvested cash balances. The SIPC insurance does not protect against market losses on investments.

**Inventory**

The Association's inventory is comprised of primarily maps, books, cycling accessories (panniers, racks, etc.), and apparel. The inventory is stated at lower of cost, determined by the average cost method, and net realizable value.

**Property and Equipment**

Property and equipment are stated at cost or, if donated, at fair value at the date of donation, and depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method for financial reporting purposes. Maintenance and repairs are charged to operations when incurred. Significant betterments and renewals are capitalized for items in excess of \$5,000.

The useful lives of property and equipment for purposes of computing depreciation are:

Building	31.5	Years
Land Improvements	15 - 20	Years
Building Improvements	3 - 7	Years
Furniture and Fixture	3 - 7	Years
Equipment	3 - 7	Years

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Leases**

Leases are categorized at their inception as either operating or financing leases. Lease agreements include the Association's vehicles and certain office equipment. Operating assets are included as right-of-use (ROU) assets, and lease liabilities on the statements of financial position. Finance leases, should the Association have any, would be included in property and equipment, current liabilities, and long-term liabilities on the statements of financial position.

ROU assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent the Association's obligation to make payments arising from the lease. Operating and finance lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of future lease payments over the lease term.

The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date of the lease and are reduced by any lease incentives. As most of the Association's leases do not provide an implicit rate, the Association uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

Lease terms may include options to extend or terminate the lease. Where management concludes that it is reasonably certain that a renewal or termination option will be exercised, that renewal period or termination option is used to determine the lease term and the related payments that are reflected in the ROU asset and lease liability. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Association has made an accounting policy election not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. Lease expense for such leases is recognized on a straight-line basis over the lease term.

**Long-Lived Assets**

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell. Long-lived assets were measured for impairment. No adjustments were deemed necessary during the years ended December 31, 2025 and 2024.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve, a quasi-endowment, and a special project.

**Net Assets With Donor Restrictions** – Net assets subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Association reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

**Contract Liabilities**

Contract liabilities are reported as deferred revenue in the accompanying statements of financial position.

**Revenue and Revenue Recognition**

*Revenue From Contracts with Customers*

Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing service. The Association recognizes contract revenue for financial reporting purposes both over time and at a point in time. Contracts with customers may include multiple performance obligations for which consideration is allocated between performance obligations. Depending on the terms of the contract, the Association may defer the recognition of revenue and record a contract liability when a future performance obligation has not yet occurred.

Members do not receive a material benefit in exchange for payment of their annual dues. As such, membership dues are considered contributions and recorded when received.

The Association recognizes revenue for tours when the tours take place, as this reflects the point in time when the Association's obligations are satisfied.

Advertising revenue is recognized at a point in time when the issue of the *Adventure Cyclist* in which the ad is printed is sent to members.

Merchandise sales are recognized at the point in time that the product is sold or shipped.

*Revenue From Contributions*

The Association recognizes contributions (including membership dues) when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

**Donated Services, Equipment, and In-Kind Contributions**

Donations of equipment and in-kind contributions are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Advertising Costs**

The Association expenses the cost of advertising when incurred.

**Retirement Plan**

The Association sponsors a 403(b) retirement plan to which all employees with six months of service may contribute. In 2025 and 2024, 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. Employer contributions are discretionary and are determined and authorized by the Board of Directors each Plan year. By its nature, the Plan is fully funded.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and benefits, cost of goods sold, contract services, office expenses, printing and postage, occupancy, equipment and software, travel and entertainment, insurance, staff development, marketing, services fees, and depreciation which are allocated based on either department staff size or on the basis of estimates of time and effort.

**Income Tax Status**

Adventure Cycling Association is a Montana nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from most federal and state income taxes on related income pursuant to the Internal Revenue Code.

The Association has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Association recognized no interest or penalties in the statement of activities for the year ended December 31, 2025 and 2024. If the situation arose in which the Association would have interest to recognize, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under Federal and state statutes of limitations and remain subject to review and change. The Association is not currently under audit, nor has the Association been contacted by these jurisdictions.

Based on the evaluation of the Association's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for either of the years ended December 31, 2025 and 2024.

**Reclassifications**

Certain amounts in the prior year's financial statements have been reclassified for comparative purposes to conform with the presentation in the current year's financial statements. The reclassifications had no impact on the previously reported net assets.

**Subsequent Events**

The Association has evaluated subsequent events for accounting and disclosure requirements through April 26, 2026, which is the date the financial statements were available to be issued.

**NOTE 2 - LIQUIDITY**

Financial assets available for general use and without donor or other restrictions or designations limiting their use within one year of the statements of financial position were comprised of the following:

	December 31,	
	2025	2024
Cash	\$ 947,618	\$ 487,149
Accounts Receivable, Net	5,032	19,175
Unconditional Promises to Give	16,000	26,000
Investments	1,742,837	1,609,594
Total Financial Assets	2,711,487	2,141,918
Restricted and Designated Funds		
Net Assets with Donor Restrictions	16,000	16,000
Board-Designated Net Assets	1,742,837	1,609,594
Total Restricted and Designated Assets	1,758,837	1,625,594
Total Financial Assets Available	\$ 952,650	\$ 516,324

As part of the Association's liquidity management, excess cash may be invested in both short-term and long-term stocks and bonds, mutual funds, and certificates of deposit.

**NOTE 3 - CASH AND CASH FLOWS**

At various times throughout the year, the Association may have cash in financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures account balances up to \$250,000 for each business depositor.

For purposes of the cash flows statement, cash includes cash held in a checking account.

**NOTE 4 - UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give of \$16,000 and \$26,000 as of December 31, 2025 and 2024, respectively, were receivable from one donor and were restricted for programs.

**NOTE 5 - HOSTING ARRANGEMENTS THAT ARE SERVICE CONTRACTS**

The Association entered into various contracts to customize a customer relationship management system (CRM) for which the Association purchases user licenses under a service contract. The CRM is hosted by a third-party. The Association capitalized certain implementation costs associated with the CRM in prepaid expenses on the statements of financial position. The capitalized implementation costs are as follows:

	December 31,	
	2025	2024
Implementation Costs	\$ 794,163	\$ 794,163
Less Accumulated Amortization	303,548	144,716
Capitalized Implementation Costs, Net	\$ 490,615	\$ 649,447

The capitalized implementation costs are amortized over the life of the applicable service contract. Related amortization expense of \$158,832 and \$118,861 was included in equipment and software expense for the years ended December 31, 2025 and 2024, respectively.

**NOTE 6 - INVESTMENTS**

Investments consisted of the following:

Cash and Cash Equivalents	\$ 733,230	\$ 641,678
Mutual Funds	48,920	41,284
Fixed Income Funds	416,509	443,080
Exchange Traded Funds	544,178	483,552
Total Investments	\$ 1,742,837	\$ 1,609,594

**NOTE 7 - FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

**LEVEL 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access at the measurement date.

**LEVEL 2** - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**LEVEL 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**NOTE 7 - FAIR VALUE MEASUREMENTS (Continued)**

The Association uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are the descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2025.

*Cash and Cash Equivalents:* Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

*Exchange Traded Funds* – Valued at unadjusted quoted prices for identical assets in active markets.

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

*Fixed Income Funds* – Valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

The preceding methods described may provide a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date

All investments were valued at Level 1, except for the fixed income funds which were valued at Level 2, at both December 31, 2025 and 2024.

**Risks and Uncertainties**

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect account balances and amounts reported in the statement of financial position.

**NOTE 8 - PROPERTY AND EQUIPMENT**

Property and equipment and related accumulated depreciation consisted of the following:

	December 31,	
	2025	2024
Land	\$ 84,500	\$ 84,500
Land Improvements	75,000	75,000
Buildings and Improvements	1,273,392	1,273,392
Furniture, Fixtures, and Equipment	177,304	177,304
	1,610,196	1,610,196
Less Accumulated Depreciation	888,190	838,648
Total Property and Equipment, Net	\$ 722,006	\$ 771,548

**NOTE 9 - CONTRACT BALANCES**

Receivables and contract balances from contracts with customers were as follows:

	December 31,	
	2025	2024
Accounts Receivable, Net		
Beginning of Year	\$ 19,175	\$ 25,313
End of Year	\$ 5,032	\$ 19,175
Deferred Revenue		
Beginning of Year	\$ 349,929	\$ 1,076,142
End of Year	\$ 292,992	\$ 349,929

**NOTE 10 - ALLOWANCE FOR CREDIT LOSSES**

The allowance for credit losses related to accounts receivable includes:

Balance at Beginning of Year	\$ 53,633	\$ 31,269
Current Period Provision for Expected Credit Losses	-	58,381
Write-offs Charged Against the Allowance	(53,633)	(36,017)
Balance at End of Year	\$ -	\$ 53,633

Estimated credit losses based on risk characteristics require significant judgement by the Association. Significant judgments include but are not limited to assessing current economic conditions and the extent to which they would be relevant to the existing characteristics of the Association's financial assets, the estimated life of financial assets and the level of reliance on historical experience in light of economic conditions. The Association reviews and updates, when necessary, its historical risk characteristics that are meaningful to estimating credit losses, any new risk characteristics that arise in the natural course of business and the estimated life of its financial assets.

**NOTE 11 - LINE OF CREDIT**

The Association has a \$240,000 revolving line of credit agreement with a bank, secured by real estate. Interest is variable at The Wall Street Journal prime rate (6.75% at December 31, 2025). The line of credit matured in December 2025 and was renewed with substantially the same terms with a maturity date of December 12, 2026. The Association's outstanding balance on the line of credit totaled \$-0- at both December 31, 2025 and 2024.

Interest expense totaled \$-0- for the years ended December 31, 2025 and 2024.

**NOTE 12 - LEASES**

The Association has signed one operating lease for which a right of use asset was recorded on the statements of financial position of the Association. As of December 31, 2025, this lease is for two vehicles. This lease expired in September 2025. In addition, the Association also has two operating leases that expire in twelve months or less and are not included on the statements of financial position as of December 31, 2025.

The components of lease expenses are included in equipment and software on the statements of activities and consist of the following:

	Years Ended December 31,	
	2025	2024
<b>Lease Expense</b>		
Operating Lease Expense	\$ 23,400	\$ 31,200
Short-term Lease Expense	32,671	13,114
<b>Total</b>	\$ 56,071	\$ 44,314

The following summarizes the cash flow information, weighted average lease term, and discount rate related to operating leases as of and for the years ended December 31, 2025 and 2024:

**Other Information**

Cash Paid for Amounts Included in the  
Measurement of Lease Liabilities

Operating Cash Flows from Operating Leases	\$ 23,400	\$ 31,200
Weighted-Average Remaining Lease Term in Years for Operating Leases	0.00	0.75
Weighted-Average Discount Rate for Operating Leases	0.00%	5.04%

As the vehicle leases expired in September 2025, there were no operating lease liabilities outstanding at December 31, 2025.

**NOTE 13 - BOARD DESIGNATED NET ASSETS**

The Board designated net assets for the following purposes:

	December 31,	
	2025	2024
Life Member	\$ 1,152,566	\$ 1,067,715
Operating Reserve	590,271	541,879
<b>Total Board Designated Net Assets</b>	\$ 1,742,837	\$ 1,609,594

**NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted as follows:

	December 31,	
	2025	2024
<b>Subject to Specific Purposes</b>		
Unconditional Promises to Give to be Used for Programming	\$ <u>16,000</u>	\$ <u>26,000</u>

**NOTE 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS**

Revenue from contracts with customers is recognized as follows:

Recognition At a Point in Time	\$ <u>2,149,489</u>	\$ <u>2,560,605</u>
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**NOTE 16 - RETIREMENT PLAN EXPENSE**

During the year ended December 31, 2025 and 2024, the Association incurred expenses related to the retirement plan in the amount of \$41,850 and \$45,197, respectively.

**NOTE 17 - ADVERTISING EXPENSE**

The Association incurred advertising expenses of \$142,498 and \$63,028 for 2025 and 2024, respectively.