

**Wilderness Inquiry, Inc.**  
Minneapolis, Minnesota

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Financial Statements  
Auditor's Report  
For the Years Ended  
December 31, 2018 and 2017



**CERTIFIED PUBLIC ACCOUNTANTS**

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Carpenter, Evert & Associates

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### Independent Auditor's Report

Board of Directors  
Wilderness Inquiry, Inc.  
Minneapolis, Minnesota

We have audited the accompanying financial statements of Wilderness Inquiry Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expense, 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 of 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 Wilderness Inquiry, Inc. as of December 31, 2018 and 2017, 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.

*Carpenter Evert and Associates, LTD.*  
Certified Public Accountants

Minneapolis, Minnesota  
March 12, 2019

WILDERNESS INQUIRY, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 920,800	\$ 1,177,874
Short-Term Investments	759,476	-
Accounts Receivable	16,112	5,040
Grants and Pledges Receivable	177,774	513,087
Prepaid Expenses	159,323	159,067
Total Current Assets	2,033,485	1,855,068
<b>Noncurrent Assets:</b>		
Property and Equipment - Net	1,744,008	1,757,764
<b>Investments:</b>		
Endowment Fund Market Value	1,405,922	1,494,657
457b Deferred Compensation Market Value	311,194	267,638
TOTAL ASSETS	\$ 5,494,609	\$ 5,375,127
<u>LIABILITIES AND NET ASSETS</u>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 20,851	\$ 70,687
Accrued Vacation and Salary	104,282	88,594
Deferred Revenue	296,754	287,634
Notes Payable - Current	-	6,306
Gift Certificates	31,366	31,140
Security Deposit	-	25
Total Current Liabilities	453,253	484,386
<b>Long-term Liabilities:</b>		
457b Deferred Compensation	311,194	267,638
Total Liabilities	764,447	752,024
<b>Net Assets:</b>		
Without Donor Restrictions	3,629,886	3,330,327
With Donor Restrictions	1,100,276	1,292,776
Total Net Assets	4,730,162	4,623,103
TOTAL LIABILITIES AND NET ASSETS	\$ 5,494,609	\$ 5,375,127

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

WILDERNESS INQUIRY, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue:</b>						
Contributions	\$ 1,341,858	\$ 222,000	\$ 1,563,858	\$ 1,106,857	\$ 512,000	\$ 1,618,857
Government Contract Fees	759,025	-	759,025	765,048	-	765,048
Program Service Fees	1,733,286	-	1,733,286	1,464,651	-	1,464,651
Endowment Payout	56,224	-	56,224	52,943	-	52,943
Short-Term Investment Income	8,338	-	8,338	-	-	-
Miscellaneous Income	29,411	-	29,411	24,981	-	24,981
Special Events						
Special Events Income	267,110	-	267,110	104,060	-	104,060
Costs of Direct Benefits to Donors	(54,056)	-	(54,056)	(18,896)	-	(18,896)
Special Events - Net	213,054	-	213,054	85,164	-	85,164
Net Assets Released from Restrictions:						
Satisfaction of Program and Time Restrictions	400,000	(400,000)	-	227,000	(227,000)	-
Satisfaction of Capital Restrictions	15,000	(15,000)	-	29,995	(29,995)	-
Total Support and Revenue	4,556,196	(193,000)	4,363,196	3,756,639	255,005	4,011,644
<b>Expense:</b>						
Program Services:						
Share the Adventure	1,627,428	-	1,627,428	1,367,649	-	1,367,649
Canoemobile	1,396,403	-	1,396,403	1,275,083	-	1,275,083
Individuals & Families with Disabilities	468,377	-	468,377	346,928	-	346,928
Total Program Services	3,492,208	-	3,492,208	2,989,660	-	2,989,660
Support Services:						
Management and General	424,139	-	424,139	450,076	-	450,076
Fundraising	251,055	-	251,055	185,432	-	185,432
Total Support Services	675,194	-	675,194	635,508	-	635,508
Total Expense	4,167,402	-	4,167,402	3,625,168	-	3,625,168
Change in Net Assets - Operating	388,794	(193,000)	195,794	131,471	255,005	386,476
Change in Value of Endowment	(83,111)	-	(83,111)	196,348	-	196,348
Less: Endowment Payout for Operations	(56,224)	-	(56,224)	(52,943)	-	(52,943)
Net Change in Value of Endowment	(139,335)	-	(139,335)	143,405	-	143,405
Endowment Contributions	50,100	500	50,600	9,126	4,500	13,626
Change in Net Assets	299,559	(192,500)	107,059	284,002	259,505	543,507
Net Assets - Beginning of Year	3,330,327	1,292,776	4,623,103	3,046,325	1,033,271	4,079,596
Net Assets - End of Year	\$ 3,629,886	\$ 1,100,276	\$ 4,730,162	\$ 3,330,327	\$ 1,292,776	\$ 4,623,103

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

WILDERNESS INQUIRY, INC.  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH COMPARATIVE TOTALS FOR 2017

	2018						2017							
	Program Services			Support Services			Program Services			Support Services				
	Share the Adventure	Canoemobile	Individuals & Families with Disabilities	Total Program Services	Management & General	Fund-raising	Total Support Services	Share the Adventure	Canoemobile	Individuals & Families with Disabilities	Total Program Services	Management & General	Fund-raising	Total Support Services
Salaries	\$ 486,017	\$ 671,843	\$ 282,534	\$ 1,440,394	\$ 59,741	\$ 150,179	\$ 209,920	\$ 1,650,314	\$ 1,526,346					
Payroll Taxes	35,686	49,331	20,745	105,762	4,387	11,027	15,414	121,176	111,161					
Employee Benefits	57,623	79,654	33,497	170,774	7,083	17,805	24,888	195,662	169,717					
Total Personnel Costs	579,326	800,828	336,776	1,716,930	71,211	179,011	250,222	1,967,152	1,807,224					
Program Expense	690,619	133,128	44,747	868,494	3,331	870	4,201	872,695	708,129					
Contract Services	87,785	217,395	35,512	340,692	201,440	21,070	222,510	563,202	397,786					
Insurance	69,456	57,391	13,165	140,012	-	8,746	8,746	148,758	133,925					
Facilities	50,586	40,497	7,812	98,895	18,717	1,912	20,629	119,524	109,985					
Transportation	43,329	32,492	10,826	86,647	5	12	17	86,664	80,308					
Supplies	33,002	18,832	3,410	55,244	1,522	893	2,415	57,659	46,711					
Telephone/Website	9,377	8,251	832	18,460	14,577	16,944	31,521	49,981	18,062					
Postage	6,950	12,478	2,340	21,768	8,177	8,275	16,452	38,220	46,639					
Credit Card Fees	16,955	9,234	1,849	28,038	1,933	1,363	3,296	31,334	33,252					
Travel and Entertainment	5,456	9,794	1,837	17,087	6,418	6,495	12,913	30,000	18,781					
Printing and Copying	4,318	7,753	1,454	13,525	5,080	5,141	10,221	23,746	22,420					
Outreach and Promotion	2,128	12,790	724	15,642	6,746	29	6,775	22,417	15,120					
Miscellaneous	1,357	2,060	397	3,814	18,022	294	18,316	22,130	62,267					
Depreciation	26,784	33,480	6,696	66,960	66,960	-	66,960	133,920	124,559					
Total Expense	\$ 1,627,428	\$ 1,396,403	\$ 468,377	\$ 3,492,208	\$ 424,139	\$ 251,055	\$ 675,194	\$ 4,167,402	\$ 3,625,168					

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

WILDERNESS INQUIRY, INC.  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services				Support Services				Total All Services
	Share the Adventure	Canoemobile	Disabilities	Total Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	
Salaries	\$ 468,560	\$ 688,075	\$ 179,411	\$ 1,336,046	\$ 69,524	\$ 120,776	\$ 190,300	\$ 1,526,346	
Payroll Taxes	34,601	50,812	13,249	98,662	5,134	7,365	12,499	111,161	
Employee Benefits	52,828	77,577	20,228	150,633	7,839	11,245	19,084	169,717	
Total Personnel Costs	555,989	816,464	212,888	1,585,341	82,497	139,386	221,883	1,807,224	
Program Expense	484,449	151,776	66,111	702,336	5,643	150	5,793	708,129	
Contract Services	107,670	90,712	16,795	215,177	169,709	12,900	182,609	397,786	
Insurance	59,130	55,770	11,154	126,054	-	7,871	7,871	133,925	
Facilities	47,029	37,713	7,278	92,020	17,723	242	17,965	109,985	
Transportation	28,804	39,709	11,199	79,712	596	-	596	80,308	
Supplies	2,555	2,611	502	5,668	36,892	4,151	41,043	46,711	
Telephone/Website	1,121	1,783	339	3,243	14,401	418	14,819	18,062	
Postage	6,314	6,866	6,345	19,525	22,263	4,851	27,114	46,639	
Credit Card Fees	17,994	9,801	1,960	29,755	2,052	1,445	3,497	33,252	
Travel and Entertainment	5,034	3,361	758	9,153	9,619	9	9,628	18,781	
Printing and Copying	5,520	4,374	1,331	11,225	9,199	1,996	11,195	22,420	
Outreach and Promotion	6,589	7,278	1,082	14,949	62	109	171	15,120	
Miscellaneous	14,539	15,725	2,958	33,222	17,141	11,904	29,045	62,267	
Depreciation	24,912	31,140	6,228	62,280	62,279	-	62,279	124,559	
Total Expense	\$ 1,367,649	\$ 1,275,083	\$ 346,928	\$ 2,989,660	\$ 450,076	\$ 185,432	\$ 635,508	\$ 3,625,168	

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

WILDERNESS INQUIRY, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 107,059	\$ 543,507
Total Adjustments	<u>524,549</u>	<u>(321,539)</u>
Net Cash Provided by Operating Activities	631,608	221,968
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(120,164)	(127,922)
Proceeds from Maturity/Sale of Investments	56,225	52,943
Purchases of Investments	<u>(818,937)</u>	<u>(13,626)</u>
Net Cash (Used) by Investing Activities	(882,876)	(88,605)
Cash Flows from Financing Activities:		
Contributions Restricted in Perpetuity	500	4,500
Principal Payments on Mortgages and Notes Payable	<u>(6,306)</u>	<u>(11,156)</u>
Net Cash (Used) by Financing Activities	<u>(5,806)</u>	<u>(6,656)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(257,074)	126,707
Cash and Cash Equivalents - Beginning of Year	<u>1,177,874</u>	<u>1,051,167</u>
Cash and Cash Equivalents - End of Year	<u>\$ 920,800</u>	<u>\$ 1,177,874</u>

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



WILDERNESS INQUIRY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

1. Summary of Significant Accounting Policies

Organizational Purpose

Wilderness Inquiry's (WI) mission is to transform individuals and communities by connecting people to each other and the environment through shared outdoor experiences. WI's core value is inclusion, and we operate on a model that facilitates full participation by everyone, including people from different physical, cultural, or socio-economic backgrounds. Programs facilitate fundamental changes in perceptions and beliefs, breaking down barriers between people. During a WI experience, participants begin to realize that perceived differences, such as ability level, ethnicity, or economic status, are less significant than their common humanity.

Current WI programs include:

Share the Adventure (STA) is WI's oldest and original inclusive outdoor program providing integrated experiences for individuals regardless of ability, background or income. Inclusion is incorporated in the culture of all WI experiences creating authentic, inclusive and positive travel experiences for all participants. STA program typically range from 3-12 days and include activities such as kayaking, canoeing, hiking and dogsledding. Over 4,000 people participated in the STA program in 2018 including 9% with disabilities.

Number of People Served: 4,537

Number of Service Days: 10,050

Number of Events: 136

Canoemobile brings hands-on learning to underserved youth via the "Floating Classroom" of a 24-foot Voyageur canoe. Originating from a place-based learning initiative in the twin cities in 2008, Canoemobile has grown into a nationally-recognized outdoor program that connects youth to their local public lands and waterways, develops our next generation of environmental stewards, provides career pathways for our future leaders in the outdoor industry, and addresses one of the most pressing issues of our time -- the opportunity gap. Based on successful expansion throughout greater Minnesota, Canoemobile now reaches more than 50 communities across the nation -- serving youth in Saint Cloud, Crookston, Rochester, Minneapolis, Saint Paul, San Francisco, Chicago, D.C., New York City, Philadelphia, Atlanta, and more. In 2018 Canoemobile served as a pathway to Wilderness Inquiry's Outdoor Career Academy which provides training and certifications to prepare youth for employment in the outdoor industry. More than 31,000 people were served in 2018 through Canoemobile, including more than 50% from MN, 70% from disadvantaged backgrounds and 33% people of color.

Number of People Served: 31,981

Number of Service Days: 15,680

Number of Events: 294

WILDERNESS INQUIRY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

WI's mission is based on inclusion - to give people from different physical, cultural and socio-economic backgrounds the opportunity to explore the great outdoors. WI has tailored two programs specifically for individuals and families with disabilities. Gateway to Adventure and Project FIT (Families Integrating Together)

Gateway to Adventure provides life-training skills to people with cognitive and developmental disabilities. Through outdoor recreational experiences, the participants gain social competence, independent living and vocational skills.

WI served 335 individuals with cognitive and other disabilities through this program in 2018.

Project FIT (Families Integrating Together) makes outdoor adventure experiences possible for families who have a child or family member with a disability, who otherwise would not have access to outdoor experiences. WI deploys adaptive equipment and specially trained staff to assist families in achieving positive outdoor experiences.

WI served 2,453 individuals on 41 family adventures in 2018.

Number of People Served: 3,702

Number of Service Days: 2,819

Number of Events: 51

Our innovative work has been recognized over many years, most recently:

- 2018 4-star Charity Navigator (sixth year)
- 2017 Excellence in Service for Persons with Disabilities from City of Minneapolis
- 2017 "Educator of the Year" by Northwest Indiana Paddling Association
- 2014 Social Entrepreneur of the Year, St. John's University/College of St. Benedict
- 2012 Paul K. Petzoldt Leadership Award from the Wilderness Education Association
- 2011 Inclusion Champion from Mitsubishi Electric America Foundation
- 2010 Nonprofit Excellence Award MAP for Nonprofits and MN Council of Nonprofits
- American Association on Mental Retardation (AAMR) Full Community Inclusion Award
- Minnesota State Council on Disability Distinguished Service Award (twice)

WILDERNESS INQUIRY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to WI, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restriction. A description of the groupings is as follows:

Net Assets without Donor Restrictions – Net assets which are not subject to donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as net assets without donor restrictions.

Net Assets with Donor Restrictions – The part of net assets of WI resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions pursuant to those stipulations or do not expire with time nor may be fulfilled by actions of WI.

Cash and Cash Equivalents

For purposes of the statements of cash flows, WI considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

WI carries its investments at market value. Investment income from endowment investments is appropriated by the Board of Directors annually. For the years ended December 31, 2018 and 2017, investments were held at Vanguard and at the Minnesota Community Foundation which may exercise variance powers with regards to annual income distributions.

Promises-To-Give (Grants and Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Accounts Receivable and Doubtful Accounts

WI extends credit to its customers based on standardized terms. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and WI does not charge interest on accounts receivable balances. WI reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. WI provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. There is no allowance for doubtful accounts as of December 31, 2018 and 2017.

WILDERNESS INQUIRY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

All major expenditures for property and equipment in excess of \$4,999 are capitalized at cost. Contributed items are recorded at fair market value at date of donation. Depreciation is provided through the use of the straight-line method, over an estimated useful life.

Deferred Revenue

WI held \$296,754 and \$287,634 of deferred revenue at the years ended December 31, 2018 and 2017, respectively. Deferred revenue consists of trip fees that are paid for trips that will not take place until the next calendar year. WI also had reservation commitments in excess of deferred revenue collected in the amount of \$221,740 and \$250,361 at December 31, 2018 and 2017, respectively, for trips that will take place 2019 and 2020.

Contributions

Contributions are recorded as support in the period received or pledged. If donor-imposed restrictions accompany the contribution, the amount is recorded as with donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions in the period donor-imposed restrictions expire or are fulfilled and are reported in the Statements of Activities under the Support and Revenue Category—Net Assets Released from Restrictions.

Government Fees and Grants

Government grants and contract funds are recorded as exchange contracts. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, WI will record such disallowance at the time the final assessment is made.

Functional Allocation of Expense

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service are allocated based on the best estimates of management.

WILDERNESS INQUIRY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

Income Tax

WI has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. WI's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. WI continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, WI annually files a Return of Organization Exempt From Income Tax (Form 990).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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.

Reclassifications

Certain amounts in prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. WI has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively for the periods ended December 31, 2018 and 2017, as required.

Subsequent Events

WI has evaluated the effect that subsequent events would have on the financial statements through March 12, 2019, which is the date financial statements were available to be issued.

WILDERNESS INQUIRY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

2. Financial Instruments

Significant Concentrations of Credit Risk

The amounts due for services provided are from individuals, substantially all of whom are U.S. residents. In addition, grants and pledges receivable are from individuals and institutions throughout the country. Therefore, no significant concentration of credit risk exists.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At December 31, 2018 and 2017, WI held funds in a financial institution in excess of federally insured limits.

3. Investments

Investments were comprised of the following at:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>Market</u>	<u>Market</u>
Endowment Fund held at Minnesota Community Foundation	\$ 1,405,922	\$ 1,494,657
Exchange-Traded Funds	380,088	-
U.S. Treasury Notes	372,892	-
Mutual Funds	311,194	267,638
Money Market Funds	6,496	-
	<u>\$ 2,476,592</u>	<u>\$ 1,762,295</u>

Investment income included the following as of:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Unrealized Gain (Loss)	\$ (90,556)	\$ 191,116
Realized (Loss) on Sale of Investments	(1,277)	-
Investment Expenses and Admin Fees	(18,054)	(16,712)
Interest and Dividends	35,114	21,944
	<u>\$ (74,773)</u>	<u>\$ 196,348</u>

WILDERNESS INQUIRY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

4. Fair Value

WI adopted Financial Accounting Standards Board Statement of Financial Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures (ASC 820). In accordance with ASC 820, "fair value" is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed as follows:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair value of the investments at:

December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment Fund	\$ -	\$ -	\$ 1,405,922	\$ 1,405,922
Exchange-Trade Funds:				
Bond Funds	380,088	-	-	380,088
U.S. Treasury Notes	-	372,892	-	372,892
Mutual Funds:				
Balanced Funds	311,194	-	-	311,194
Money Market Funds	6,496	-	-	6,496
	<u>\$ 697,778</u>	<u>\$ 372,892</u>	<u>\$ 1,405,922</u>	<u>\$ 2,476,592</u>

December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment Fund	\$ -	\$ 1,494,657	\$ -	\$ 1,494,657
Mutual Funds:				
Balanced Funds	267,638	-	-	267,638
	<u>\$ 267,638</u>	<u>\$ 1,494,657</u>	<u>\$ -</u>	<u>\$ 1,762,295</u>

U.S. Treasury Notes are valued based on other significant observable inputs, such as interest rate, maturity date and credit risk.

The endowment fund is held at the Minnesota Community Foundation and is valued by inputs that are determined by the foundation. It was transferred to level 3 of the fair value hierarchy due to a change in the interpretation of observable inputs.

WILDERNESS INQUIRY, INC.  
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4. Fair Value (continued)

Level 3 Endowment Fund Reconciliation:

Balance – December 31, 2017	\$ -
Transfers into level 3	1,494,657
Distributions	(56,224)
Change in Value	<u>32,509</u>
Balance –December 31, 2018	<u>\$ 1,405,922</u>

5. Grants and Pledges Receivable

The outstanding balance of grants and pledges receivable was \$177,774 and \$513,087 for the years ended December 31, 2018 and 2017, respectively. The entire balance was considered current for both years ended December 31, 2018 and 2017.

6. Property and Equipment

WI owned the following assets as of:

	<u>December 31,</u>		<u>Estimated Useful Lives</u>
	<u>2018</u>	<u>2017</u>	
Land	\$ 586,605	\$ 586,605	
Buildings	661,690	644,591	30-40 years
Office Equipment	82,353	125,616	3-5 years
Program Equipment	540,926	462,140	3-5 years
Building Improvements	1,338,520	1,322,726	5-30 years
Vehicles	<u>317,805</u>	<u>317,805</u>	5 years
	3,527,899	3,459,483	
Less Accumulated Depreciation	<u>1,783,891</u>	<u>1,701,719</u>	
	<u>\$ 1,744,008</u>	<u>\$ 1,757,764</u>	

Depreciation expense of \$133,920 and \$124,559 was recorded for the years ended December 31, 2018 and 2017, respectively.

7. Line of Credit

As of December 31, 2018, pursuant to an agreement with Associated Bank, WI had available a \$150,000 revolving line of credit, none of which was outstanding at that date. The line of credit is secured by all business assets. The interest rate on the revolving line of credit is 1% above the Wall Street Journal Prime. At December 31, 2018, the interest rate was 6.5%. The revolving line of credit expires June 7, 2021.



WILDERNESS INQUIRY, INC.  
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8. Liquidity

The following represents WI's financial assets at December 31, 2018:

Financial Assets	
Cash and Cash Equivalents	\$ 920,800
Accounts Receivable	16,112
Grants and Pledges Receivable	177,774
Short-Term Investments	759,476
Endowment Fund Spending Allocation	<u>59,852</u>
Total Financial Assets	1,934,014
Less amounts not available to be used within one year due to contractual or donor-imposed restrictions	<u>30,000</u>
Financial assets available for general expenditures within one year	<u>\$ 1,904,014</u>

WI does not consider their endowment an asset available for expenditure because the Minnesota Community Foundation holds variance power. A spending allocation was estimated based on historical allocation patterns. This allocation is considered an asset for use within one year. WI considers net assets with donor-imposed restrictions that are expected to be satisfied during normal operations within one year to be available for use.

As part of WI's liquidity management plan, they invest excess cash into various short-term investments and a savings account. In addition, they have a \$150,000 revolving line-of-credit that can be used, if needed.

9. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of amounts for the following as of:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Subject to expenditures for specified purpose:		
Multi-Generational Outdoor Clubs/Canoemobile	\$ 152,000	\$ 50,000
Voyageur Canoe Project	30,000	-
Project FIT	15,000	-
Scholarships	10,000	10,000
Outdoor Career Academy	<u>-</u>	<u>340,000</u>
	207,000	400,000
Restricted in Perpetuity:		
Endowment	<u>893,276</u>	<u>892,776</u>
	<u>\$ 1,100,276</u>	<u>\$ 1,292,776</u>

WILDERNESS INQUIRY, INC.  
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10. Endowment Funds

Endowment funds consist of six individual funds established for the purpose of providing scholarship support for individuals in defined groups to participate in WI's programs. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law:

The Board of Directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, WI classifies as net assets with donor restrictions to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions to be held in perpetuity is classified as net assets with time or programmatic restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, WI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of WI and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the WI
7. The investment policies of WI

Endowment net asset composition by type of fund:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
December 31, 2017	<u>\$ 601,881</u>	<u>\$ 892,776</u>	<u>\$ 1,494,657</u>
December 31, 2018	<u>\$ 512,646</u>	<u>\$ 893,276</u>	<u>\$ 1,405,922</u>

WILDERNESS INQUIRY, INC.  
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10. Endowment Funds

Changes in endowment net assets:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
December 31, 2016	\$ 448,906	\$ 888,276	\$ 1,337,182
Total Investment Return	196,792	-	196,792
Contributions	9,126	4,500	13,626
Appropriation of Endowment Assets for Expenditure	<u>(52,943)</u>	<u>-</u>	<u>(52,943)</u>
December 31, 2017	601,881	892,776	1,494,657
Total Investment Return	(83,111)	-	(83,111)
Contributions	50,100	500	50,600
Appropriation of Endowment Assets for Expenditure	<u>(56,224)</u>	<u>-</u>	<u>(56,224)</u>
December 31, 2018	<u>\$ 512,646</u>	<u>\$ 893,276</u>	<u>\$ 1,405,922</u>

11. Defined Contribution Pension Plan

WI has a defined contribution pension plan covering all eligible employees. During the year ended December 31, 2018, WI changed plan administrators and increased the employer match as approved by the Board of Directors. Contributions were \$55,860 and \$26,459 for the years ended December 31, 2018 and 2017, respectively.

12. Deferred Compensation Plan

The Board has established a 457(b) deferred compensation plan for eligible employees effective April 10, 2008. Eligible employees can voluntarily contribute to the plan and the Board will contribute on a discretionary basis. The Board made contributions of \$24,000 for an eligible employee for both years ended December 31, 2018 and 2017.

WILDERNESS INQUIRY, INC.  
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13. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities are as follows:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Depreciation	\$ 133,920	\$ 124,559
Contributions Restricted in Perpetuity	(500)	(4,500)
Unrealized (Gain) Loss on Investments	90,694	(191,116)
Realized (Gain) Loss on Sale of Investments	1,277	(5,676)
Increase (Decrease) in Liabilities:		
Accounts Payable	(49,836)	42,425
Accrued Vacation and Salary	15,688	11,206
Security Deposit	(25)	-
Deferred Revenue	9,120	36,826
Gift Certificates	226	1,369
Decrease (Increase) in Assets:		
Accounts Receivable	(11,072)	21,177
Grants and Pledges Receivable	335,313	(356,879)
Prepaid Expenses	(256)	(930)
Total Adjustments	<u>\$ 524,549</u>	<u>\$ (321,539)</u>