

SUPERIOR HIKING TRAIL ASSOCIATION
FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

SUPERIOR HIKING TRAIL ASSOCIATION

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-15

ESTERBROOKS · SCOTT · SIGNORELLI
PETERSON · SMITHSON, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Superior Hiking Trail Association
Two Harbors, Minnesota

We have audited the accompanying financial statements of Superior Hiking Trail Association (a nonprofit organization), which comprise the statements of financial position as of September 30, 2019 and 2018 and the related statements of activities, functional expenses, and cash flows for the twelve- and nine-month periods 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 audit 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 Superior Hiking Trail Association as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the twelve- and nine-month periods then ended in accordance with accounting principles generally accepted in the United States of America.

Esterbrook & Scott Signorelli Peterson & Smithson, Ltd.

Duluth, Minnesota

March 14, 2020

SUPERIOR HIKING TRAIL ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

<u>ASSETS</u>	2019	2018
CURRENT ASSETS:		
Cash	\$ 384,671	\$ 264,538
Accounts receivable	10,236	6,562
Grants receivable	74,813	45,000
Inventory	18,861	19,502
Prepaid expenses	6,203	5,770
Total current assets	494,784	341,372
 PROPERTY AND EQUIPMENT:		
Land	61,807	64,807
Trail equipment	64,372	65,380
Office and equipment	152,813	29,723
Construction in progress	10,020	10,020
Total property and equipment	289,012	169,930
Less: Accumulated depreciation	(31,175)	(23,641)
Net property and equipment	257,837	146,289
 OTHER ASSETS:		
Beneficial interest in assets held by others	102,118	104,042
Total Assets	\$ 854,739	\$ 591,703

<u>LIABILITIES AND NET ASSETS</u>	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 29,174	\$ 16,176
Accrued liabilities:		
Payroll and vacation	19,265	16,614
Sales tax	1,445	1,473
Deferred memberships	<u>2,630</u>	<u>15,533</u>
Total current liabilities	<u>52,514</u>	<u>49,796</u>
NET ASSETS:		
Without donor restrictions	703,206	461,304
With donor restrictions	<u>99,019</u>	<u>80,603</u>
Total net assets	<u>802,225</u>	<u>541,907</u>
 Total Liabilities and Net Assets	 <u>\$ 854,739</u>	 <u>\$ 591,703</u>

See notes to financial statements.

SUPERIOR HIKING TRAIL ASSOCIATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019 AND
NINE MONTHS ENDED SEPTEMBER 30, 2018

	Twelve Months Ended September 30, 2019		
	Without donor restrictions	With donor restrictions	Total
<u>OPERATING</u>			
REVENUES AND OTHER SUPPORT:			
Contributions	\$ 297,955	\$ 21,316	\$ 319,271
Grants	181,266	-	181,266
Memberships	132,287	-	132,287
Store sales, net	77,218	-	77,218
In-kind revenue	16,800	-	16,800
Investment income	4,408	-	4,408
Other income	42,668	-	42,668
Net assets released from restrictions	4,000	(4,000)	-
Total revenues and other support	<u>756,602</u>	<u>17,316</u>	<u>773,918</u>
EXPENSES:			
Program services	524,109	-	524,109
Management and general	94,236	-	94,236
Fundraising	46,090	-	46,090
Total functional expenses	<u>664,435</u>	<u>-</u>	<u>664,435</u>
Change in net assets from operating activities	<u>92,167</u>	<u>17,316</u>	<u>109,483</u>
<u>NON-OPERATING</u>			
Contributions for capital projects	-	1,100	1,100
In-kind contributions for capital projects	124,590	-	124,590
Change in beneficial interest in assets held by others	(1,924)	-	(1,924)
Gain on sale of land	27,069	-	27,069
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets from non-operating activities	<u>149,735</u>	<u>1,100</u>	<u>150,835</u>
Change in net assets	241,902	18,416	260,318
NET ASSETS:			
Beginning of year	<u>461,304</u>	<u>80,603</u>	<u>541,907</u>
End of year	<u>\$ 703,206</u>	<u>\$ 99,019</u>	<u>\$ 802,225</u>

Nine Months Ended
September 30, 2018

Without donor restrictions	With donor restrictions	Total
\$ 121,262	\$ 4,000	\$ 125,262
59,000		59,000
108,303	-	108,303
58,640	-	58,640
-	-	-
722	-	722
35,887	-	35,887
3,150	(3,150)	-
<u>386,964</u>	<u>850</u>	<u>387,814</u>
284,297	-	284,297
71,180	-	71,180
41,177	-	41,177
<u>396,654</u>	<u>-</u>	<u>396,654</u>
<u>(9,690)</u>	<u>850</u>	<u>(8,840)</u>
-	20,717	20,717
-	-	-
2,309	-	2,309
-	-	-
10,020	(10,020)	-
<u>12,329</u>	<u>10,697</u>	<u>23,026</u>
2,639	11,547	14,186
<u>458,665</u>	<u>69,056</u>	<u>527,721</u>
<u>\$ 461,304</u>	<u>\$ 80,603</u>	<u>\$ 541,907</u>

See notes to financial statements.

SUPERIOR HIKING TRAIL ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2019

	Program Services	Supporting Services			Total 2019
		Management and General	Fundraising	Total	
Operating expenses:					
Salaries, employee benefits and payroll taxes	\$ 204,266	\$ 77,374	\$ 27,854	\$ 105,228	\$ 309,494
Accounting and legal	8,000	7,621	-	7,621	15,621
Advertising and promotion	-	-	1,957	1,957	1,957
Conferences and meetings	21,541	-	-	-	21,541
Credit card fees	9,501	-	3,487	3,487	12,988
Depreciation	7,616	1,520	547	2,067	9,683
Information technology	2,302	-	259	259	2,561
Insurance	4,564	2,053	-	2,053	6,617
Miscellaneous	13,646	60	869	929	14,575
Occupancy	7,199	2,727	982	3,709	10,908
Office expenses	6,867	1,774	567	2,341	9,208
Outside services	70,325	-	-	-	70,325
Postage	15,489	313	1,452	1,765	17,254
Printing and publications	20,818	311	6,351	6,662	27,480
Trail expenses	123,802	-	-	-	123,802
Travel	8,173	483	1,765	2,248	10,421
Total Expenses	\$ 524,109	\$ 94,236	\$ 46,090	\$ 140,326	\$ 664,435

See notes to financial statements.

SUPERIOR HIKING TRAIL ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	Supporting Services			Total	2018
	Program Services	Management and General	Fundraising		
Operating expenses:					
Salaries, employee benefits and payroll taxes	\$ 120,054	\$ 57,148	\$ 21,386	\$ 78,534	\$ 198,588
Accounting and legal	976	472	177	649	1,625
Advertising and promotion	1,115	-	6,746	6,746	7,861
Conferences and meetings	12,367	-	-	-	12,367
Credit card fees	4,595	-	2,898	2,898	7,493
Depreciation	5,514	1,736	649	2,385	7,899
Information technology	1,403	1,245	254	1,499	2,902
Insurance	2,214	1,056	528	1,584	3,798
Miscellaneous	10,220	2,901	1,451	4,352	14,572
Occupancy	4,914	2,377	890	3,267	8,181
Office expenses	8,575	2,295	859	3,154	11,729
Outside services	46,942	-	-	-	46,942
Postage	10,432	353	2,717	3,070	13,502
Printing and publications	10,715	412	2,449	2,861	13,576
Trail expenses	39,023	-	-	-	39,023
Travel	5,238	1,185	173	1,358	6,596
	<u>\$ 284,297</u>	<u>\$ 71,180</u>	<u>\$ 41,177</u>	<u>\$ 112,357</u>	<u>\$ 396,654</u>
Total Expenses	<u>\$ 284,297</u>	<u>\$ 71,180</u>	<u>\$ 41,177</u>	<u>\$ 112,357</u>	<u>\$ 396,654</u>

See notes to financial statements.

SUPERIOR HIKING TRAIL ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019 AND
NINE MONTHS ENDED SEPTEMBER 30, 2018

	Twelve Months Ended September 30, 2019	Nine Months Ended September 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 260,318	\$ 14,186
Adjustments to reconcile to net cash provided:		
Depreciation	9,683	7,899
Contributions received for capital additions	(1,100)	(20,717)
In-kind contributions of property and equipment	(124,590)	-
Change in beneficial interest in assets held by others	1,924	(2,309)
Gain on sale of property and equipment	(27,069)	-
Changes in operating assets and liabilities—		
Accounts receivable	(3,674)	(6,257)
Grants receivable	(29,813)	(45,000)
Inventory	641	1,203
Prepaid expenses	(433)	(5,583)
Accounts payable and accrued liabilities	15,621	(1,861)
Deferred memberships	(12,903)	(15,037)
Net cash provided (used) by operating activities	88,605	(73,476)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(7,674)
Proceeds from sale of property and equipment	30,428	-
Net cash provided (used) by investing activities	30,428	(7,674)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds of contributions for capital projects	1,100	20,717
Net cash provided by financing activities	1,100	20,717
NET INCREASE (DECREASE) IN CASH	120,133	(60,433)
CASH - Beginning of year	264,538	324,971
CASH - End of year	\$ 384,671	\$ 264,538
SUPPLEMENTAL CASH FLOW INFORMATION:		
Non-cash investing activities –		
Property and equipment in accounts payable	\$ -	\$ 5,050
Property and equipment contributed	\$ 124,590	\$ -

See notes to financial statements.

SUPERIOR HIKING TRAIL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Organization -

The Superior Hiking Trail Association (Organization) is a non-profit Minnesota corporation which strives to build, promote, maintain, protect, and preserve a hiking trail on the ridgeline of the North Shore of Lake Superior. The Organization is funded primarily by memberships, grants, and donations.

Basis of Presentation -

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United State of America (U.S. GAAP) for not-for-profit entities. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the two net asset categories follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor-imposed restrictions.

Net assets with donor restrictions: Net assets subject to donor-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 that resources be maintained into perpetuity.

Revenue Recognition -

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activity as net assets released from restrictions. Donor-restricted support whose restriction is met in the same reporting period are reported as without donor restrictions revenue.

Revenue for retail merchandise is recognized at the time of sale.

Taxes collected from customers and remitted to government authorities are excluded from revenue in the statements of activities. The remittance obligation is included in accrued expenses until the taxes are sent to the appropriate taxing authorities.

SUPERIOR HIKING TRAIL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Cash and Cash Equivalents –

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of twelve months or less to be cash equivalents. At September 30, 2019 and 2018 the Organization had no cash equivalents.

The Organization maintains cash balances at multiple financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At September 30, 2019, the Organization's uninsured cash balances totaled \$37,829. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Accounts Receivable -

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Grants Receivable -

Grants receivable consist of amounts due from governmental agencies. Management believes collection of these amounts is reasonably certain.

Inventory -

Inventories of merchandise purchased for resale are stated at the lower of cost or net realizable value determined by the first-in, first-out (FIFO) method.

Property and Equipment -

The Organization capitalizes all major expenditures for property and equipment, while repairs and maintenance charges and minor additions are expensed when incurred. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. During the year ended September 30, 2019 and the nine months ended September 30, 2018, \$9,683 and \$7,899, respectively, was charged to net assets without donor restriction for depreciation expense.

Donated Property and Equipment –

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in without donor restriction net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as with donor restriction contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restriction to net assets without donor restriction at that time.

SUPERIOR HIKING TRAIL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Donated Service -

Donated services are recognized as contributions in accordance with generally accepted accounting principles (GAAP), if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided program and other services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under GAAP was not met.

Fair Value Measurements -

The *Fair Value Measurements and Disclosure* Topic of FASB ASC 820 establishes a framework for measuring fair value. That framework 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 below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Advertising Costs -

The Organization expenses advertising costs as incurred.

Shipping and Handling Costs -

The Organization's shipping and handling costs charged to customers are included in other income, while the corresponding shipping expenses are included in postage expense. Shipping and handling costs for the year ended September 30, 2019 and the nine months ended September 30, 2018 were \$11,892 and \$8,217, respectively.

Functional Expenses -

Expenses incurred for a specific function are assigned directly to that function by management. Expenses related to more than one function are charged to program and supporting services using estimates of time and other reasonable methods that are consistently applied.

SUPERIOR HIKING TRAIL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Estimates -

The preparation of financial statements in conformity with 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.

Operating activities -

Changes in net assets from operating activities in the statements of activities excludes non-operating activities. Non-operating activities include contributions supporting major capital purchases, gains from sales of major capital items and investment returns related to the beneficial interest in assets held by others.

Reclassifications -

Certain amounts in the 2018 financial statements have been reclassified for comparative purposes to conform with the current period financial statements. Such reclassification had no effect on net earnings or net assets as previously reported.

Income Taxes -

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and similar laws of the State of Minnesota. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. Unrelated business income is subject to Federal and State income taxes. This income consists of net income from operations of a retail store. There was no required provision for income taxes for the year ended September 30, 2019 and the nine months ended September 30, 2018.

Uncertain Tax Positions -

The Organization follows the recognition requirements of uncertain tax positions, if any, as required by generally accepted accounting principles. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates and as of September 30, 2019 and 2018, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization is no longer subject to U.S. federal, state or local income tax examinations by tax authorities generally for tax years before 2016.

Subsequent Events -

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 14, 2020, which is the date the financial statements were issued.

SUPERIOR HIKING TRAIL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

2. FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

The Organization receives contributions, grants and membership dues each year from donors, which are available to meet annual cash needs for general expenditures. As of September 30, 2019 and 2018, financial assets available within one year of the statement of financial position for general expenditure, such as operating expenses, are as follows:

	2019	2018
Financial assets:		
Cash	\$ 384,671	\$ 264,538
Accounts receivable	10,236	6,562
Grants receivable	74,813	45,000
Total financial assets available within one year	469,720	316,100
Less amounts unavailable for general expenditure within one year:		
Donor-imposed purpose restrictions	(99,019)	(80,603)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 370,701</u>	<u>\$ 235,497</u>

In addition, as of September 30, 2019 and 2018 the Organization had access to funds with the Duluth-Superior Area Community Foundation as described in Note 3.

3. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS:

In December 2000, the Superior Hiking Trail Association Endowment Fund (the Fund) was established with the Duluth-Superior Area Community Foundation (the Foundation) by the Organization and third party donors. The Organization is the sole beneficiary of the Fund.

The portion of the Fund contributed by the Organization is reported as an asset of the Organization. The irrevocable agreement with the Foundation gives the Foundation variance power. This variance power allows the Foundation to move funds received by the Foundation from the Fund to other Foundation endowment funds if deemed appropriate. The net income of the Fund is to be distributed at least annually to the Organization as the Foundation Board of Trustees find prudent in accordance with their spending policy, which the Organization may choose to reinvest in the Fund.

The balances of \$102,118 and \$104,042 at September 30, 2019 and 2018, respectively, are included in the statement of financial position under the caption "Beneficial Interest in Assets Held by Others." This portion is recorded at fair value (as discussed in Note 4). During the year ended September 30, 2019 and the nine months ended September 30, 2018, a loss of \$1,924 and a gain of \$2,309, respectively, were recognized in the statement of activities for the change in the fair value of the Fund.

The portion of the Fund contributed by unrelated third party donors is considered a contribution to the Foundation, as the Foundation has been granted variance power over these assets. This portion of the Fund, \$206,213 and \$209,951 at September 30, 2019 and 2018, respectively, has not been recorded as an asset on these financial statements.

SUPERIOR HIKING TRAIL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

4. FAIR VALUE MEASUREMENTS:

Fair values of assets measured on a recurring basis at September 30, 2019 and 2018 are as follows:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>September 30, 2019</u>				
Beneficial interest in assets held by others	\$ 102,118	\$ -	\$ -	\$ 102,118
Total	\$ 102,118	\$ -	\$ -	\$ 102,118
<u>September 30, 2018</u>				
Beneficial interest in assets held by others	\$ 104,042	\$ -	\$ -	\$ 104,042
Total	\$ 104,042	\$ -	\$ -	\$ 104,042

Following is a description of the valuation methodologies used for assets measured at fair value.

Beneficial interest in assets held by others: Estimated at the fair value of the underlying Fund assets as reported by the Foundation. Since there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, the valuation technique used by the Organization is a Level 3 measure.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

<u>Beneficial interest in assets held by others:</u>	
January 1, 2018	\$ 101,733
Investment return	2,309
September 30, 2018	104,042
Investment return	(1,924)
September 30, 2019	\$ 102,118

SUPERIOR HIKING TRAIL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

5. RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES:

Net assets with donor restrictions consist of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Gifts and other unexpended revenues and gains restricted to:		
Split Rock Bridge	\$ 77,703	\$ 76,603
Trail development	13,000	-
Tools	254	-
Grants	<u>8,062</u>	<u>4,000</u>
 Total	 <u>\$ 99,019</u>	 <u>\$ 80,603</u>

6. NET ASSETS RELEASED FROM RESTRICTIONS:

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors for the year ended September 30, 2019 and the nine months ended September 30, 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Non-operating activities:		
Capital projects	\$ -	\$ 10,020
Operating activities:		
Operating expenditures	<u>4,000</u>	<u>3,150</u>
 Total	 <u>\$ 4,000</u>	 <u>\$ 13,170</u>

7. IN-KIND REVENUE:

The value of in-kind revenue included in these financial statements for the year ended September 30, 2019 and the nine months ended September 30, 2018 are as follows:

	<u>2019</u>	<u>2018</u>
In-kind revenue:		
Trail database	\$ 123,090	\$ -
Equipment	1,500	-
Trail assessment	<u>16,800</u>	<u>-</u>
 Total in-kind revenue	 <u>\$ 141,390</u>	 <u>\$ -</u>

SUPERIOR HIKING TRAIL ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

8. STORE SALES, NET:

Income and expenses for the store sales for the year ended September 30, 2019 and the nine months ended September 30, 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Sales	\$ 114,238	\$ 89,711
Cost of sales	<u>(37,020)</u>	<u>(31,071)</u>
Gross profit	<u>\$ 77,218</u>	<u>\$ 58,640</u>

Sales revenue and cost of sales are reported net of discounts, estimated returns and sales taxes.

9. RETIREMENT PLAN:

All eligible employees are covered by a retirement plan. The Organization makes contributions on behalf of eligible employees. The amount of employer contribution was \$5,209 and \$2,075 for the year ended September 30, 2019 and for the nine months ended September 30, 2018, respectively.