

experience
LEARNING

FINANCIAL STATEMENTS

DECEMBER 31, 2018

EXPERIENCE LEARNING, INC.

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Experience Learning, Inc.
Circleville, West Virginia

Management is responsible for the accompanying financial statements of Experience Learning, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Martin, Beachy & Arehart, PLLC

Martin, Beachy & Arehart, PLLC

Harrisonburg, Virginia
September 26, 2019

EXPERIENCE LEARNING, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2018
(See Accountant's Compilation Report)

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 83,598
Accounts receivable	57,344
TOTAL CURRENT ASSETS	140,942

PROPERTY AND EQUIPMENT

at cost, less accumulated depreciation	458,240
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OTHER ASSETS

Investments	504,901
Loan fees, net	4,854
TOTAL OTHER ASSETS	509,755

\$ 1,108,937

LIABILITIES

CURRENT LIABILITIES

Current portion of long-term debt	\$ 8,214
Accounts payable	6,205
Accrued expenses	24,640
Deferred revenue	126,610
TOTAL CURRENT LIABILITIES	165,669

LONG-TERM DEBT, net of current portion

487,316

TOTAL LIABILITIES

652,985

NET ASSETS

Without donor restrictions	455,952
	455,952

\$ 1,108,937

See accompanying notes to financial statements.

EXPERIENCE LEARNING, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2018
(See Accountant's Compilation Report)

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

REVENUE, GAINS AND SUPPORT	
Donations	\$ 628,262
Grants	176,484
External tuition & fees	418,018
Investment income	5,320
Unrealized loss on investments	(25,240)
Other revenue	<u>38,594</u>
TOTAL REVENUE AND SUPPORT	<u>1,241,438</u>
 EXPENSES	
Program services	658,477
Supporting services	
Management and general	118,936
Fundraising	<u>26,548</u>
TOTAL EXPENSES	<u>803,961</u>
 INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 437,477
 NET ASSETS AT BEGINNING OF YEAR	 <u>18,475</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 455,952</u>

See accompanying notes to financial statements.

EXPERIENCE LEARNING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018
(See Accountant's Compilation Report)

	Supporting Services				Total Expenses
	Program Service	Fundraising	Management and General	Total Supporting Services	
Salaries, benefits and payroll taxes	\$ 344,981	\$ 12,701	\$ 86,423	\$ 99,124	\$ 444,105
Field costs and project supplies	104,600	7,837	-	7,837	112,437
Consultants and contractors	39,625	-	17,944	17,944	57,569
Facilities	42,848	2,074	2,330	4,404	47,252
Travel and meals	27,681	597	159	756	28,437
Other expenses	24,859	-	-	-	24,859
Depreciation and amortization	21,974	1,064	1,195	2,259	24,233
Interest expense	17,791	861	967	1,828	19,619
Office	4,009	1,414	8,144	9,558	13,567
Taxes and licenses	13,522	-	26	26	13,548
Insurance	12,926	-	-	-	12,926
Advertising	3,661	-	1,748	1,748	5,409
	<u>\$ 658,477</u>	<u>\$ 26,548</u>	<u>\$ 118,936</u>	<u>\$ 145,483</u>	<u>\$ 803,961</u>

See accompanying notes to financial statements.

EXPERIENCE LEARNING, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2018
(See Accountant's Compilation Report)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from contributors and grants	\$ 790,086
Cash received from services	430,039
Investment income received	5,320
Cash paid to employees	(285,214)
Cash paid to suppliers	(320,750)
Cash paid for benefits and payroll taxes	(157,618)
Interest paid	<u>(19,619)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>442,244</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(528,743)
Proceeds from sale of investments	<u>40,647</u>
 NET CASH USED BY INVESTING ACTIVITIES	 <u>(488,096)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on long-term debt	<u>(10,000)</u>
 NET CASH USED BY BY FINANCING ACTIVITIES	 <u>(10,000)</u>
 NET DECREASE IN CASH	 (55,852)
 CASH AT BEGINNING OF YEAR	 <u>139,450</u>
 CASH AT END OF YEAR	 <u>\$ 83,598</u>

See accompanying notes to financial statements.

EXPERIENCE LEARNING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Experience Learning, Inc. (“Experience Learning”) is a nonprofit organization whose mission is to develop effective community members through beyond-the-classroom, outdoor learning opportunities for children and adults. The Organization was founded in 1972 as the Woodlands Institute (later known as The Mountain Institute). Throughout the years, the Organization evolved into the Appalachian Program of The Mountain Institute and in March of 2017, became a separate nonprofit organization. As part of this transformation, Experience Learning also became the owner and steward of the Spruce Knob Mountain Center and Sweetwater Farm.

Experience Learning’s vision and mission are accomplished through three primary programs:

- Educational Program: Experience Learning brings students outdoors to experience authentic, hands-on, experiential education, which allows students to learn about themselves, their peers, and their environment.
- Camping Program: Experience Learning’s Mountain Stewards summer camp is a week-long expedition-style program with a stewardship focus that provides participants access to wild places, high quality experiential education and meaningful stewardship opportunities.
- Visitation Program: Experience Learning provides individuals with the opportunity to spend time on either the Spruce Knob Mountain Center or the Sweetwater Farm campus. Among other things, these locations provide educational opportunities for participants to enjoy healthy streams, natural springs and numerous caves, as well as an opportunity to partake in world-class stargazing.

Basis of Accounting

The financial statements of Experience Learning have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Permanently restricted net assets consist of the principal amount of gifts which are required by donors to be permanently retained. Temporarily restricted net assets contain donor-imposed restrictions that permit Experience Learning to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of Experience Learning. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Unrestricted net assets do not contain donor restrictions or the donor-imposed restrictions have expired.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues, gains, and other support and expenses. Actual results could differ from those estimates.

Investments

Investments in securities are reported at fair value based on readily determinable market values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Donated investments are recorded at their fair value at the date of donation.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income or loss (including realized and unrealized gains and losses, interest, and dividends) is included in the change in unrestricted net assets unless the income or loss is restricted by donor or law.

EXPERIENCE LEARNING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers highly liquid investments with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year end. The Organization has elected to record bad debts using the direct write-off method. U.S. generally accepted accounting principles require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. Account balances are written-off after all collection efforts have been exhausted and the potential for recovery is considered remote. All receivables were considered fully collectible as of December 31, 2018.

Property and Equipment

The Organization capitalizes all property and equipment at cost if purchased and fair value at date of contribution if donated. Donations of fixed assets are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. 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 temporarily restricted net assets to unrestricted net assets at that time. If the restrictions expire during the same period as the donation, the Organization reports the contribution as unrestricted. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets.

The costs of additions and betterments are capitalized, and expenditures for repairs and maintenance are expensed in the period incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

Public Support Revenue Recognition

Experience Learning reports gifts, contributions and grants of cash and other assets as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Operations as net assets released from restrictions. Contributions with restrictions that are received and expended in the same year are classified as contributions without donor restrictions.

Unrestricted grants and contributions are reported as revenue and support in the year in which the payments are received and/or unconditional promises are made. Revenue recognized on grants and contributions that have been committed to Experience Learning, but have not been received, is reflected as grants and contributions receivable in the accompanying statement of financial position. Amounts received in advance of incurring expenses under contracts is deferred upon receipt and recorded as deferred revenue on the accompanying statement of financial position. Such amounts are recognized as revenue as expenses are incurred.

EXPERIENCE LEARNING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services

Contributions of services are recognized at fair value if the services received require specialized skills, those specialized skills are provided by individuals possessing those skills, and the services would typically need to be purchased if not provided by donation. For the year ended December 31, 2018, the Organization did not receive any services described above.

Experience Learning may from time to time receive services donated by citizens interested in the Organization's projects. The kinds of services provided by citizens generally involve the contribution of time, but do not require a specialized skill. The value of these services is therefore not reflected in the financial statements.

Income Tax Status

Experience Learning is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization believes that it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization's federal exempt organization information return (Form 990) for the years ended December 31, 2018, 2017, and 2016 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising

Experience Learning follows a policy of charging the costs of advertising to expense as incurred. Advertising expense was \$5,409 for the year ended December 31, 2018.

Date of Management's Review

Management has evaluated subsequent events through September 26, 2019, the date which the financial statements were available to be issued.

NOTE B – CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization's financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

The unrestricted net asset class has been renamed net assets without donor restrictions.

EXPERIENCE LEARNING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE B – CHANGE IN ACCOUNTING PRINCIPLE (Continued)

The format of the statement of cash flows has changed to the direct method of reporting cash flows from operations, which we believe to be more understandable for the users of our financial statements.

The financial statements include a new disclosure about liquidity and availability of resources (Note C).

The changes have the following effect on net assets at December 31, 2018:

Net Asset Class	As originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 455,952	\$ -
Net assets without donor restrictions	-	455,952
Net assets with donor restrictions	-	-
	<u>\$ 455,952</u>	<u>\$ 455,952</u>

NOTE C – INVESTMENTS

Investments are presented in the financial statements at fair value. Cost and fair values at December 31, 2018 are summarized as follows:

	Cost	Fair Value
Mutual funds	\$ 569,775	\$ 504,901
	<u>\$ 569,775</u>	<u>\$ 504,901</u>
	Cost	Fair Value
Without donor restrictions	\$ 569,775	\$ 504,901
With donor restrictions	-	-
	<u>\$ 569,775</u>	<u>\$ 504,901</u>

NOTE D – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Financial assets:	
Cash and cash equivalents	\$ 83,598
Accounts receivable	57,344
Investments	<u>504,901</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 140,942</u>

As part of Experience Learning's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, Experience Learning could also draw upon its unrestricted investments.

EXPERIENCE LEARNING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE E – FAIR VALUE MEASUREMENTS

Accounting standards establish 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the standards are described as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The asset's 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.

For the year ended December 31, 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Cash and cash equivalents: Money market funds are valued at cost which approximates fair value. These funds are considered cash equivalents and classified as Level 1 in the fair value hierarchy.

Equity securities and mutual funds: Equities and mutual funds for which a quoted market price is available on an active market are classified as Level 1 in the fair value hierarchy.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2018 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Large Cap	\$ 504,901	\$ -	\$ -	\$ 504,901
	<u>\$ 504,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 504,901</u>

EXPERIENCE LEARNING, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE F – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2018 consisted of the following:

Buildings	\$	403,587
Furniture and equipment		96,413
		<u>500,000</u>
Less: accumulated depreciation		(41,760)
	\$	<u><u>458,240</u></u>

Depreciation is computed using the straight-line method based on the estimated useful life of the assets, ranging between five and forty years.

NOTE G – LONG-TERM DEBT

The Organization's obligation under notes payable consists of the following amount due to the Pendleton Community Bank, payable interest only March 24, 2018 and thereafter \$37,832.30 annually including interest at 3.87% with the balance due no later than March 24, 2037. The loan is secured by a lien encumbering real and personal property. The outstanding balance of the loan at December 31, 2018 is \$495,530.

Maturities of long-term debt are as follows:

Year ending <u>December 31,</u>		
2019	\$	8,214
2020		18,876
2021		19,669
2022		20,441
2023		21,243
Thereafter		<u>407,087</u>
	\$	<u><u>495,530</u></u>