

GRAND CANYON YOUTH, INC.

Financial Statements  
and  
Independent Auditors' Report

December 31, 2017  
(with comparative totals for 2016)

## CONTENTS

Independent Auditors' Report.....	1 - 2
Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7 - 12



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Grand Canyon Youth, Inc.  
Flagstaff, Arizona

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Grand Canyon Youth, Inc. (GCY, an Arizona nonprofit corporation), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from 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 auditors' 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 Grand Canyon Youth, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Report on Summarized Comparative Information*

We have previously audited GCY's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial information from which it has been derived.

*Fester & Chapman, PLLC*

April 21, 2018

Grand Canyon Youth, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2017

(with comparative financial information as of December 31, 2016)

ASSETS		<u>2017</u>	<u>2016</u>
Cash and cash equivalents		\$ 216,231	\$ 233,549
Accounts receivable		3,699	
Investments		150,750	135,446
Prepaid expenses		22,603	17,395
Furniture and equipment, net of \$212,107 and \$191,399 in accumulated depreciation, respectively		<u>69,280</u>	<u>57,250</u>
Total assets		<u>\$ 462,563</u>	<u>\$ 443,640</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued expenses		\$ 11,307	\$ 13,312
Trip deposits		<u>29,903</u>	<u>41,050</u>
Total liabilities		41,210	54,362
Net assets:			
Unrestricted:			
Undesignated		352,471	307,528
Board designated for endowment		<u>11,500</u>	<u>11,500</u>
Total unrestricted net assets		363,971	319,028
Temporarily restricted		39,812	53,100
Permanently restricted for endowment		<u>17,570</u>	<u>17,150</u>
Total net assets		<u>421,353</u>	<u>389,278</u>
Total liabilities and net assets		<u>\$ 462,563</u>	<u>\$ 443,640</u>

The accompanying notes are an integral part of these statements.

Grand Canyon Youth, Inc.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

(with comparative financial information for the year ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2017	2016
Program fees and support:					
Program fees	\$ 520,513			\$ 520,513	\$ 450,563
Contributions and grant revenue	341,590	\$ 39,812	\$ 420	381,822	362,444
In-kind contributions	75,900			75,900	73,276
Special event income	42,070			42,070	47,169
Net gain on investments	12,312			12,312	4,841
Miscellaneous income	3,335			3,335	2,701
	<u>995,720</u>	<u>39,812</u>	<u>420</u>	<u>1,035,952</u>	<u>940,994</u>
Net assets released from restrictions	<u>53,100</u>	<u>(53,100)</u>			
Total program fees and support	<u>1,048,820</u>	<u>(13,288)</u>	<u>420</u>	<u>1,035,952</u>	<u>940,994</u>
Expenses:					
Program expenses	899,703			899,703	814,043
Supporting services:					
Management and general	66,428			66,428	51,896
Fundraising	37,746			37,746	33,759
Total supporting services	<u>104,174</u>			<u>104,174</u>	<u>85,655</u>
Total expenses	<u>1,003,877</u>			<u>1,003,877</u>	<u>899,698</u>
Change in net assets	44,943	(13,288)	420	32,075	41,296
Net assets, beginning of year	<u>319,028</u>	<u>53,100</u>	<u>17,150</u>	<u>389,278</u>	<u>347,982</u>
Net assets, end of year	<u>\$ 363,971</u>	<u>\$ 39,812</u>	<u>\$ 17,570</u>	<u>\$ 421,353</u>	<u>\$ 389,278</u>

The accompanying notes are an integral part of these statements.

Grand Canyon Youth, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017  
(with comparative financial information for the year ended December 31, 2016)

	2017				Total Expenses	2016
	Program Services	Supporting Services		Total Supporting Services		
		Management and General	Fundraising			
Payroll and payroll taxes	\$ 369,729	\$ 33,346	\$ 15,435	\$ 48,781	\$ 418,510	\$ 349,451
Employee benefits	27,637	4,237	1,690	5,927	33,564	30,447
Trip transportation	87,943				87,943	84,137
Trip food	53,298				53,298	50,418
Logistical support	103,621				103,621	109,209
Financial aid	48,599				48,599	31,752
Insurance	59,586	8,740	3,859	12,599	72,185	50,618
Rent and utilities	45,065	6,627	2,925	9,552	54,617	53,227
Depreciation	19,067	1,485	156	1,641	20,708	15,326
Permits and fees	36,056	178		178	36,234	34,398
Small equipment and supplies	11,143	292	129	421	11,564	11,106
Fundraising events			13,366	13,366	13,366	14,506
Contract labor	16,231	76	34	110	16,341	27,333
Postage and printing	812	601		601	1,413	2,354
Educational materials	348				348	590
Accounting		9,648		9,648	9,648	9,917
Other expenses	20,568	1,198	152	1,350	21,918	24,909
	<u>\$ 899,703</u>	<u>\$ 66,428</u>	<u>\$ 37,746</u>	<u>\$ 104,174</u>	<u>\$ 1,003,877</u>	<u>\$ 899,698</u>

The accompanying notes are an integral part of these statements.

Grand Canyon Youth, Inc.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

(with comparative financial information for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 32,075	\$ 41,296
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	20,708	15,326
Donated furniture and equipment	(2,500)	
Net gain on investments	(12,312)	(4,841)
Change in:		
Accounts receivable	(3,699)	1,206
Prepaid expenses	(5,208)	(3,073)
Accounts payable and accrued expenses	(2,005)	9,491
Trip deposits	<u>(11,147)</u>	<u>(10,024)</u>
Net cash and cash equivalents provided by operating activities	15,912	49,381
Cash flows from investing activities:		
Purchase of furniture and equipment	(30,238)	(44,613)
Purchase of investments	<u>(2,992)</u>	<u>(1,975)</u>
Net cash used by investing activities	<u>(33,230)</u>	<u>(46,588)</u>
Net (decrease) increase in cash and cash equivalents	(17,318)	2,793
Cash and cash equivalents, beginning of year	<u>233,549</u>	<u>230,756</u>
Cash and cash equivalents, end of year	<u>\$ 216,231</u>	<u>\$ 233,549</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid for interest	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these statements.



Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(with comparative financial information as of and for the year ended December 31, 2016)

NOTE 1 - BACKGROUND AND SUMMARY OF ACCOUNTING POLICIES

Grand Canyon Youth, Inc. (GCY) is a nonprofit organization, incorporated in February 2000 in the state of Arizona. GCY's purpose is to give youth (ages 10–19) an experiential education along the rivers and canyons of the Southwest in an effort to promote environmental awareness, community involvement, personal growth, and teamwork among people of diverse backgrounds.

The significant accounting policies of GCY are as follows:

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*, requiring GCY 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.

Cash and Cash Equivalents: For purposes of the statement of cash flows, cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety days of purchase or donation.

Use of Estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions affecting the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk: GCY maintains cash balances at several financial institutions located throughout northern Arizona. The balances, at times, may temporarily exceed the federally insured limits. GCY has not experienced any loss in such accounts and believes it is not exposed to any significant risk on cash accounts.

Prepaid Expenses: Prepaid expenses consist of amounts paid in advance for insurance, contract labor, and permits and fees relating to the subsequent year.

Furniture and Equipment: Furniture and equipment are recorded at cost or estimated fair value at time of purchase or donation. Furniture and equipment with a useful life of more than one year is capitalized. Depreciation is provided over estimated useful lives of three to seven years using the straight-line method. Depreciation expense totaled \$20,708 and \$15,326 for the years ended December 31, 2017 and 2016, respectively.

Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(with comparative financial information as of and for the year ended December 31, 2016)

NOTE 1 - BACKGROUND AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Trip Deposits: Trip deposits received in advance of river expeditions are recorded as liabilities on the statement of financial position and recognized as revenue during the period in which the trip occurs.

Contributions: Contributions are reported in accordance with the FASB ASC topic of *Not-for-Profit Entities, Accounting for Contributions Received and Contributions Made*. Contributions are recognized when the donor makes a pledge to give, that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions and depending on whether the restrictions are met in the current fiscal period. Restricted contributions are reported as increases in unrestricted net assets if the restrictions have been met in the current fiscal period. If the restriction has not been met by fiscal year end, the amount is reported as an increase in temporarily or permanently restricted net assets. When the restriction is finally met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

In-Kind Contributions: In-kind contributions represent donated services and materials which meet the criteria specified in the FASB ASC topic of *Not-for-Profit Entities*; among other things, services requiring specialized skills and services that GCY would typically purchase. Contributed services and materials are recognized at the estimated fair value of the contributions received.

Income Taxes: GCY is exempt from federal and state income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

Functional Expense Allocation: The costs of providing the various programs and activities are reported on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on directly identifiable expenses, or on management's estimates of employee hours and facility usage devoted to each function.

GCY defines program expenses as any cost directly contributing to its mission of providing youth (ages 10–19) an experiential education along the rivers and canyons of the Southwest in an effort to promote environmental awareness, community involvement, personal growth, and teamwork among people of diverse backgrounds.

Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(with comparative financial information as of and for the year ended December 31, 2016)

NOTE 1 - BACKGROUND AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Prior Year Summarized Information: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should only be read in conjunction with GCY's financial statements for the year ended December 31, 2016 from which the summarized information was derived.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

At December 31, 2017, GCY's investments deposited with Arizona Community Foundation (ACF) totaling \$150,750 consisted of permanently restricted endowment funds with a fair value of \$17,570, and unrestricted funds of \$133,180. At December 31, 2016, GCY's investments deposited with ACF totaling \$135,446 consisted of permanently restricted endowment funds with a fair value of \$15,879, and unrestricted funds of \$119,567.

Net gain on investments consists of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Realized gain from investments	\$ 2,614	\$ 6,164
Unrealized gain (loss) from investments	9,698	(1,323)
Net gain on investments	<u>\$ 12,312</u>	<u>\$ 4,841</u>

Generally accepted accounting principles establishes 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 and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs - A quoted price in an active market for an identical asset or liability is considered to be the most reliable evidence of fair value.

Level 2 inputs - These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1.

Level 3 inputs - These inputs are unobservable and are used to measure fair value only when observable inputs are not available.

Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(with comparative financial information as of and for the year ended December 31, 2016)

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

The level of the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

GCY does not currently have any financial instruments it values based on Level 1 or Level 3 inputs.

Fair value of assets based on Level 2 inputs in the ACF investment pool, measured on a recurring basis, were \$150,750 and \$135,446 at December 31, 2017 and 2016, respectively.

NOTE 3 - OPERATING LEASE

GCY leases its office space and warehouse under an operating lease agreement that expires on August 31, 2020. Future minimum lease payments as of December 31, 2017, were as follows:

2018	\$	45,472
2019		46,060
2020		<u>30,968</u>
	\$	<u><u>122,500</u></u>

NOTE 4 - CONCENTRATION OF REVENUES

GCY received supporting grants from one grantor which comprised 17% and 18% of total revenue for the years ended December 31, 2017 and 2016, respectively. This grantor has been a consistent donor for over 10 years.

NOTE 5 - IN-KIND REVENUE AND EXPENSE

During the years ended December 31, 2017 and 2016, GCY received the following donated services and materials:

	<u>2017</u>	<u>2016</u>
Outfitter services	\$ 48,205	\$ 49,617
Permits and fees	17,591	17,077
Other	<u>10,104</u>	<u>6,582</u>
	<u><u>\$ 75,900</u></u>	<u><u>\$ 73,276</u></u>

Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(with comparative financial information as of and for the year ended December 31, 2016)

NOTE 6 - RESTRICTED NET ASSETS

Temporarily restricted net assets of \$39,812 and \$53,100 as of December 31, 2017 and 2016, respectively, consisted of contributions to be used for programmatic support and logistics.

Net assets of \$53,100 and \$65,558 were expended for donor intended purposes during the years ended December 31, 2017 and 2016, respectively.

Permanently restricted net assets of \$17,570 and \$17,150 as of December 31, 2017 and 2016, respectively, consisted of contributions restricted by donors to be held in an endowment fund.

Endowment Description: GCY's endowment fund is classified as permanently restricted net assets if donor imposed restrictions require the endowment to be maintained in perpetuity. Absent donor restrictions, the endowment fund is classified as board designated, unrestricted net assets. Investment income is designated as unrestricted net assets. The endowment account is held and managed by Arizona Community Foundation.

Interpretation of Relevant Law: GCY's endowment fund is subject to compliance with the State of Arizona's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA is a statute providing uniform and fundamental rules for the investment of funds held by a charitable organization and the expenditure of funds donated as endowments to an organization. The Board of Directors has interpreted 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.

Return Objectives and Risk Parameters: GCY's endowment fund is invested with ACF in long-term investment pools in order to achieve return objectives and to maintain appropriate risk parameters.

Strategies Employed for Achieving Objectives: GCY's Board of Directors oversees the management of the endowment fund.

Spending Policy: ACF makes approximately five percent of the fund's fair value available for distribution to GCY annually, calculated as the average of the fair value of the previous twelve quarters of the fund. From time to time, the fair value of assets associated with GCY's endowment fund may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported as unrestricted net assets.

Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(with comparative financial information as of and for the year ended December 31, 2016)

NOTE 6 - RESTRICTED NET ASSETS - CONTINUED

Activity of the endowment fund is as follows:

Year ended December 31, 2017:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 11,500		\$ 17,150	\$ 28,650
Contributions			420	420
Endowment net assets, end of year	<u>\$ 11,500</u>	<u>\$</u>	<u>\$ 17,570</u>	<u>\$ 29,070</u>

Year ended December 31, 2016:

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 11,500		\$ 15,150	\$ 26,650
Contributions			2,000	2,000
Endowment net assets, end of year	<u>\$ 11,500</u>	<u>\$</u>	<u>\$ 17,150</u>	<u>\$ 28,650</u>

NOTE 7 - RELATED PARTY TRANSACTIONS

During the years ended December 31, 2017 and 2016, GCY paid \$48,918 and \$47,737, respectively, in rent and utilities expenses for a facility owned by a member of the Board of Directors. Management believes that rental costs are similar to what would be paid to a non-related party.

NOTE 8 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 21, 2018, which was the date GCY's financial statements were available to be issued.