

GRAND CANYON YOUTH, INC.

Financial Statements
and
Auditors' Report

December 31, 2013
(with comparative totals for 2012)

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INDEPENDENT AUDITORS' REPORT

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

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, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from GCY's 2012 financial statements and, in our report dated April 2, 2013, we expressed an unqualified opinion on those 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 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 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, 2013, 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.

Foster & Chapman P.C.

April 16, 2014

Grand Canyon Youth, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2013

(with comparative financial information as of December 31, 2012)

ASSETS		2013	2012
Cash		\$ 176,775	\$ 202,886
Accounts receivable		5,692	4,558
Prepaid expenses		13,278	9,378
Furniture and equipment, net of \$154,128 and \$134,649 in accumulated depreciation, respectively		<u>29,400</u>	<u>45,661</u>
Total assets		<u>\$ 225,145</u>	<u>\$ 262,483</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued expenses			\$ 455
Trip deposits		<u>\$ 26,605</u>	<u>25,415</u>
Total liabilities		26,605	25,870
Net assets:			
Unrestricted		182,723	225,767
Temporarily restricted		11,817	10,846
Permanently restricted		<u>4,000</u>	<u> </u>
Total net assets		<u>198,540</u>	<u>236,613</u>
Total liabilities and net assets		<u>\$ 225,145</u>	<u>\$ 262,483</u>

The accompanying notes are an integral part of these statements.

Grand Canyon Youth, Inc.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

(with comparative financial information for the year ended December 31, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				2013	2012
Program fees and support:					
Program fees	\$ 293,427			\$ 293,427	\$276,876
Contributions and grant revenue	218,998	\$ 11,817	\$ 4,000	234,815	265,464
In-kind contributions	87,005			87,005	88,719
Special event income	25,922			25,922	34,672
Miscellaneous income	2,450			2,450	1,660
Net assets released from restrictions	<u>10,846</u>	<u>(10,846)</u>			
Total program fees and support	<u>638,648</u>	<u>971</u>	<u>4,000</u>	<u>643,619</u>	<u>667,391</u>
Expenses:					
Program expenses	620,846			620,846	595,039
Management and general	40,196			40,196	38,015
Fundraising and public relations	<u>20,650</u>			<u>20,650</u>	<u>21,150</u>
Total expenses	<u>681,692</u>			<u>681,692</u>	<u>654,204</u>
Change in net assets	(43,044)	971	4,000	(38,073)	13,187
Net assets, beginning of year	<u>225,767</u>	<u>10,846</u>		<u>236,613</u>	<u>223,426</u>
Net assets, end of year	<u>\$ 182,723</u>	<u>\$ 11,817</u>	<u>\$ 4,000</u>	<u>\$ 198,540</u>	<u>\$236,613</u>

The accompanying notes are an integral part of these statements.

Grand Canyon Youth, Inc.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2013

(with comparative financial information for the year ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ (38,073)	\$ 13,187
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	19,479	22,944
Change in:		
Accounts receivable	(1,134)	1,630
Prepaid expenses	(3,900)	152
Accounts payable and accrued expenses	(455)	279
Trip deposits	<u>1,190</u>	<u>4,965</u>
Net cash (used) provided by operating activities	(22,893)	43,157
Cash flows from investing activities:		
Purchase of furniture and equipment	<u>(3,218)</u>	<u>(10,979)</u>
Net cash used by investing activities	<u>(3,218)</u>	<u>(10,979)</u>
Net (decrease) increase in cash	(26,111)	32,178
Cash, beginning of year	<u>202,886</u>	<u>170,708</u>
Cash, end of year	<u>\$ 176,775</u>	<u>\$ 202,886</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid for interest	<u>\$</u>	<u>\$</u>

The accompanying notes are an integral part of these statements.

Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

(with comparative financial information as of and for the year ended December 31, 2012)

NOTE 1 - BACKGROUND AND SUMMARY OF ACCOUNTING POLICIES

Grand Canyon Youth, Inc. (GCY) is an Arizona nonprofit corporation, incorporated in February, 2000. GCY's purpose is to give youth (ages 11–19) 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.

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.

Cash: CGY's cash and cash equivalents on deposit at financial institutions are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC). Balances may at times exceed insured amounts, however, the Organization manages the concentration of credit risk by maintaining deposits in multiple, high quality financial institutions.

Furniture and Equipment: Furniture and equipment are recorded at cost or estimated fair value at time of purchase or gift. All 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 \$19,479 and \$22,944 for the years ended December 31, 2013 and 2012, respectively.

Prepaid Expenses: Prepaid expenses consist of amounts paid in advance for insurance relating to the subsequent year.

Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

(with comparative financial information as of and for the year ended December 31, 2012)

NOTE 1 - BACKGROUND AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

In-Kind Contributions: In-kind contributions represent services and property 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 property are measured at the estimated fair value of the contributions received.

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.

GCY has a conditional grant with an installment of \$159,757 payable during the year ended December 31, 2014. This installment requires certain actions from GCY in that subsequent year in order to receive payment. While management believes that GCY will meet these conditions, they have not been met as of the end of the fiscal year. Accordingly, the payment for the subsequent year has not been recorded in these financial statements.

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. GCY's Forms 990 *Return of Organization Exempt From Income Tax* are generally subject to examination for three years after they are filed, and the related State of Arizona Forms 99 are generally subject to examination for four years from the later of the due date or the file date of the tax return.

Fair Value of Financial Instruments: GCY's cash, accounts receivable and accounts payable represent financial instruments. The carrying value of these financial instruments approximates their fair value.

Expense Allocation: The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

(with comparative financial information as of and for the year ended December 31, 2012)

NOTE 1 - BACKGROUND AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

GCY defines program expenses as any cost directly contributing to its mission of providing youth (ages 11–19) 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.

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 the GCY's financial statements for the year ended December 31, 2012 from which the summarized information was derived.

NOTE 2 - ACCOUNTS RECEIVABLE

GCY had \$5,692 and \$4,558 in accounts receivable at December 31, 2013 and 2012. Management expects full payment to be received and has, as such, elected to not provide an allowance for doubtful accounts.

NOTE 3 - OPERATING LEASE

GCY leases its office space and warehouse under an operating lease agreement that expires August 31, 2015. Future rents are as follows:

2014	\$	40,920
2015		<u>29,040</u>
	\$	<u><u>69,960</u></u>

NOTE 4 - CONCENTRATION OF REVENUES

GCY received supporting grants from a grantor which comprised 24% and 23% of total program fees and support for the years ended December 31, 2013 and 2012, respectively. The organizational implications of these concentrations are recognized by management and the board.

Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

(with comparative financial information as of and for the year ended December 31, 2012)

NOTE 5 - IN-KIND REVENUE AND EXPENSE

During the years ended December 31, 2013 and 2012, GCY received donated services and materials which amounted to \$87,005 and \$88,719, respectively. This support is reflected in the financial statements as revenue and expense in accordance with accounting principles generally accepted in the United States of America.

NOTE 6 - RESTRICTED NET ASSETS

Temporarily restricted net assets of \$11,817 and \$10,846 as of December 31, 2013 and 2012, respectively, consisted of contributions and grants to be used for future river trips.

Permanently restricted net assets of \$4,000 and \$0 as of December 31, 2013 and 2012, respectively, consisted of contributions restricted by donors for the creation of an endowment fund.

NOTE 7 - RELATED PARTY TRANSACTIONS

During the years ended December 31, 2013 and 2012, members of the Board of Directors were paid \$1,660 and \$3,365, respectively, for driving and guiding services. The members are compensated at rates comparable with other drivers and guides. Also, during the years ended December 31, 2013 and 2012, GCY paid \$41,165 and \$39,970, 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 16, 2014, which was the date GCY's financial statements were issued.