

GRAND CANYON YOUTH, INC.

Financial Statements
and
Auditors' Report

December 31, 2014
(with comparative totals for 2013)

CONTENTS

| | |
|--------------------------------------|-------|
| Independent Auditors' Report..... | 1 - 2 |
| Financial Statements: | |
| Statement of Financial Position..... | 3 |
| Statement of Activities..... | 4 |
| Statement of Cash Flows..... | 5 |
| Notes to Financial Statements..... | 6 - 9 |

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, 2014, and the related statements of activities 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 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 16, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial information from which it has been derived.

Fester & Chapman P.C.

April 20, 2015

Grand Canyon Youth, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2014

(with comparative financial information as of December 31, 2013)

| ASSETS | | 2014 | 2013 |
|--|--|-------------------|-------------------|
| Cash | | \$ 254,682 | \$ 176,775 |
| Accounts receivable | | 10,009 | 5,692 |
| Prepaid expenses | | 14,577 | 13,278 |
| Furniture and equipment, net of \$167,709 and \$154,128 in accumulated depreciation, respectively | | <u>18,133</u> | <u>29,400</u> |
| Total assets | | <u>\$ 297,401</u> | <u>\$ 225,145</u> |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | | \$ 13,804 | |
| Trip deposits | | <u>40,285</u> | <u>\$ 26,605</u> |
| Total liabilities | | 54,089 | 26,605 |
| Net assets: | | | |
| Unrestricted | | 198,447 | 182,723 |
| Temporarily restricted | | 31,365 | 11,817 |
| Permanently restricted | | <u>13,500</u> | <u>4,000</u> |
| Total net assets | | <u>243,312</u> | <u>198,540</u> |
| Total liabilities and net assets | | <u>\$ 297,401</u> | <u>\$ 225,145</u> |

The accompanying notes are an integral part of these statements.

Grand Canyon Youth, Inc.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2014

(with comparative financial information for the year ended December 31, 2013)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Totals | |
|--|-------------------|---------------------------|---------------------------|-------------------|------------------|
| | | | | 2014 | 2013 |
| Program fees and support: | | | | | |
| Program fees | \$ 367,722 | | | \$ 367,722 | \$293,427 |
| Contributions and grant revenue | 268,049 | \$ 31,365 | \$ 9,500 | 308,914 | 234,815 |
| In-kind contributions | 134,390 | | | 134,390 | 87,005 |
| Special event income | 33,385 | | | 33,385 | 25,922 |
| Miscellaneous income | 791 | | | 791 | 2,450 |
| Loss on disposal of assets | | | | | |
| | <u>804,337</u> | <u>31,365</u> | <u>9,500</u> | <u>845,202</u> | <u>643,619</u> |
| Net assets released from restrictions | <u>11,817</u> | <u>(11,817)</u> | | | |
| Total program fees and support | <u>816,154</u> | <u>19,548</u> | <u>9,500</u> | <u>845,202</u> | <u>643,619</u> |
| Expenses: | | | | | |
| Program expenses | 732,651 | | | 732,651 | 620,846 |
| Management and general | 42,825 | | | 42,825 | 40,196 |
| Fundraising and public relations | 24,954 | | | 24,954 | 20,650 |
| Total expenses | <u>800,430</u> | | | <u>800,430</u> | <u>681,692</u> |
| Change in net assets | 15,724 | 19,548 | 9,500 | 44,772 | (38,073) |
| Net assets, beginning of year | <u>182,723</u> | <u>11,817</u> | <u>4,000</u> | <u>198,540</u> | <u>236,613</u> |
| Net assets, end of year | <u>\$ 198,447</u> | <u>\$ 31,365</u> | <u>\$ 13,500</u> | <u>\$ 243,312</u> | <u>\$198,540</u> |

The accompanying notes are an integral part of these statements.

Grand Canyon Youth, Inc.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2014

(with comparative financial information for the year ended December 31, 2013)

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 44,772 | \$ (38,073) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 13,581 | 19,479 |
| Change in: | | |
| Accounts receivable | (4,317) | (1,134) |
| Prepaid expenses | (1,299) | (3,900) |
| Accounts payable and accrued expenses | 13,804 | (455) |
| Trip deposits | <u>13,680</u> | <u>1,190</u> |
| Net cash provided (used) by operating activities | 80,221 | (22,893) |
| Cash flows from investing activities: | | |
| Purchase of furniture and equipment | <u>(2,314)</u> | <u>(3,218)</u> |
| Net cash used by investing activities | <u>(2,314)</u> | <u>(3,218)</u> |
| Net increase (decrease) in cash | 77,907 | (26,111) |
| Cash, beginning of year | <u>176,775</u> | <u>202,886</u> |
| Cash, end of year | <u>\$ 254,682</u> | <u>\$ 176,775</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, 2014

(with comparative financial information as of and for the year ended December 31, 2013)

NOTE 1 - BACKGROUND AND SUMMARY OF ACCOUNTING POLICIES

Grand Canyon Youth, Inc. (GCY) is a nonprofit corporation, incorporated in February 2000, in the state of Arizona. 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: GCY maintains cash balances at several financial institutions located throughout northern Arizona. The balances, at times, may temporarily exceed the federally insured limits of \$250,000 at a single institution. GCY has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk related to these accounts.

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 \$13,581 and \$19,479 for the years ended December 31, 2014 and 2013, respectively.

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

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.

Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

(with comparative financial information as of and for the year ended December 31, 2013)

NOTE 1 - BACKGROUND AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

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 grant with an installment of \$164,819 receivable during the year ended December 31, 2015. This installment requires certain actions from GCY in that subsequent year in order to receive payment. While management believes that GCY will meet conditions required to earn the grant revenue, such requirements had not been met as of December 31, 2014. Accordingly, the payment for the subsequent year has not been recorded as a receivable 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 from the latter of the due date or the filing date with the Internal Revenue Service and four years from the latter of the due date or the filing date with the State of Arizona.

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.

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 GCY's financial statements for the year ended December 31, 2013 from which the summarized information was derived.

Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

(with comparative financial information as of and for the year ended December 31, 2013)

NOTE 2 - ACCOUNTS RECEIVABLE

GCY had \$10,009 and \$5,692 in accounts receivable at December 31, 2014 and 2013, respectively. 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 of \$29,040 are due in 2015 under this agreement.

NOTE 4 - CONCENTRATION OF REVENUES

GCY received supporting grants from one grantor which comprised 19% and 24% of total program fees and support for the years ended December 31, 2014 and 2013, respectively.

NOTE 5 - IN-KIND REVENUE AND EXPENSE

During the years ended December 31, 2014 and 2013, GCY received donated services and materials which amounted to \$134,390 and \$87,005, 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 \$31,365 and \$11,817 as of December 31, 2014 and 2013, respectively, consisted of contributions to be used for future river trips.

Permanently restricted net assets of \$13,500 and \$4,000 as of December 31, 2014 and 2013, respectively, consisted of contributions restricted by donors for the creation of an endowment fund.

Net assets of \$11,817 and \$10,846 were expended for donor intended purposes during the years ended December 31, 2014 and 2013, respectively.

Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

(with comparative financial information as of and for the year ended December 31, 2013)

NOTE 7 - RELATED PARTY TRANSACTIONS

During the years ended December 31, 2014 and 2013, members of the Board of Directors were paid \$1,545 and \$1,660, 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, 2014 and 2013, GCY paid \$44,698 and \$41,165, 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 20, 2015, which was the date GCY's financial statements were issued.