

GRAND CANYON YOUTH, INC.

Financial Statements  
and  
Auditors' Report

December 31, 2015  
(with comparative totals for 2014)

## 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, 2015, 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 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial information from which it has been derived.

*Fester & Chapman P.C.*

May 11, 2016

Grand Canyon Youth, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2015

(with comparative financial information as of December 31, 2014)

ASSETS		2015	2014
Cash		\$ 230,756	\$ 254,682
Accounts receivable		1,206	10,009
Investments		128,630	
Prepaid expenses		14,322	14,577
Furniture and equipment, net of \$176,073 and \$167,709 in accumulated depreciation, respectively		<u>27,963</u>	<u>18,133</u>
Total assets		<u>\$ 402,877</u>	<u>\$ 297,401</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued expenses		\$ 3,821	\$ 13,804
Trip deposits		<u>51,074</u>	<u>40,285</u>
Total liabilities		54,895	54,089
Net assets:			
Unrestricted:			
Unrestricted		255,774	198,447
Board designated for endowment		<u>11,500</u>	<u>          </u>
Total unrestricted net assets		267,274	198,447
Temporarily restricted		65,558	31,365
Permanently restricted for endowment		<u>15,150</u>	<u>13,500</u>
Total net assets		<u>347,982</u>	<u>243,312</u>
Total liabilities and net assets		<u>\$ 402,877</u>	<u>\$ 297,401</u>

The accompanying notes are an integral part of these statements.

Grand Canyon Youth, Inc.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

(with comparative financial information for the year ended December 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2015</u>	<u>2014</u>
Program fees and support:					
Program fees	\$ 400,740			\$ 400,740	\$ 367,722
Contributions and grant revenue	292,295	\$ 65,558	\$ 1,650	359,503	308,914
In-kind contributions	59,310			59,310	134,390
Special event income	38,402			38,402	33,385
Miscellaneous income	1,349			1,349	791
Net loss on investments	<u>(1,635)</u>			<u>(1,635)</u>	
	790,461	65,558	1,650	857,669	845,202
Net assets released from restrictions	<u>31,365</u>	<u>(31,365)</u>			
Total program fees and support	<u>821,826</u>	<u>34,193</u>	<u>1,650</u>	<u>857,669</u>	<u>845,202</u>
Expenses:					
Program expenses	676,667			676,667	732,651
Supporting services:					
Management and general	46,010			46,010	42,825
Fundraising	<u>30,322</u>			<u>30,322</u>	<u>24,954</u>
Total supporting services	<u>76,332</u>			<u>76,332</u>	<u>67,779</u>
Total expenses	<u>752,999</u>			<u>752,999</u>	<u>800,430</u>
Change in net assets	68,827	34,193	1,650	104,670	44,772
Net assets, beginning of year	<u>198,447</u>	<u>31,365</u>	<u>13,500</u>	<u>243,312</u>	<u>198,540</u>
Net assets, end of year	<u>\$ 267,274</u>	<u>\$ 65,558</u>	<u>\$ 15,150</u>	<u>\$ 347,982</u>	<u>\$ 243,312</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, 2015  
(with comparative financial information for the year ended December 31, 2014)

	2015					2014
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	
Payroll and payroll taxes	\$ 281,386	\$ 17,292	\$ 8,137	\$ 25,429	\$ 306,815	\$ 291,474
Employee benefits	28,569	2,905	1,367	4,272	32,841	29,001
Trip transportation	74,302				74,302	64,666
Trip food	48,465				48,465	44,867
Logistical support	55,675				55,675	177,315
Financial aid	13,610				13,610	
Insurance	44,303	6,561	2,604	9,165	53,468	44,083
Rent and utilities	45,491	4,943	2,326	7,269	52,760	49,276
Depreciation	7,742	563	59	622	8,364	13,581
Permits and fees	35,072				35,072	32,942
Small equipment and supplies	10,060	143	67	210	10,270	4,050
Fundraising events			15,635	15,635	15,635	11,443
Contract labor	15,296	854		854	16,150	10,803
Postage and printing		2,928		2,928	2,928	1,746
Educational materials	2,101				2,101	3,531
Accounting		9,004		9,004	9,004	10,084
Other expenses	14,595	817	127	944	15,539	11,568
	<u>\$ 676,667</u>	<u>\$ 46,010</u>	<u>\$ 30,322</u>	<u>\$ 76,332</u>	<u>\$ 752,999</u>	<u>\$ 800,430</u>

The accompanying notes are an integral part of these statements.

Grand Canyon Youth, Inc.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

(with comparative financial information for the year ended December 31, 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 104,670	\$ 44,772
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	8,364	13,581
Net loss on investments	1,635	
Change in:		
Accounts receivable	8,803	(4,317)
Prepaid expenses	255	(1,299)
Accounts payable and accrued expenses	(9,983)	13,804
Trip deposits	<u>10,789</u>	<u>13,680</u>
Net cash provided by operating activities	124,533	80,221
Cash flows from investing activities:		
Purchase of furniture and equipment	(18,194)	(2,314)
Purchase of investments	<u>(130,265)</u>	<u>          </u>
Net cash used by investing activities	<u>(148,459)</u>	<u>(2,314)</u>
Net (decrease) increase in cash	(23,926)	77,907
Cash, beginning of year	<u>254,682</u>	<u>176,775</u>
Cash, end of year	<u>\$ 230,756</u>	<u>\$ 254,682</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, 2015

(with comparative financial information as of and for the year ended December 31, 2014)

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.

Concentration of Credit Risk: GCY maintains cash balances at several financial institutions located throughout northern Arizona. The balances, at times, may 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 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 \$8,364 and \$13,581 for the years ended December 31, 2015 and 2014, respectively.

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.

Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

(with comparative financial information as of and for the year ended December 31, 2014)

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.

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 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, 2014 from which the summarized information was derived.

Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

(with comparative financial information as of and for the year ended December 31, 2014)

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

At December 31, 2015, GCY's investments deposited with Arizona Community Foundation (ACF) totaling \$128,360 consisted of permanently restricted endowment funds with a fair value of \$13,196 and unrestricted funds of \$115,164.

Net loss on investments consists of the following for the year ended December 31, 2015:

Realized gain from investments	\$ 1,337
Unrealized (losses) from investments	<u>(2,972)</u>
Net loss on investments	<u>\$ (1,635)</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.

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 3 inputs.

Fair value of assets measured on a recurring basis at December 31, 2015, was as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment pool - ACF	\$ 39,808	\$ 88,822		\$ 128,630

Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

(with comparative financial information as of and for the year ended December 31, 2014)

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, 2015, were as follows:

2016	\$	44,296
2017		44,884
2018		45,472
2019		46,060
2020		<u>30,968</u>
	\$	<u>211,680</u>

NOTE 4 - CONCENTRATION OF REVENUES

GCY received supporting grants from one grantor which comprised 20% and 19% of total program fees and support for the years ended December 31, 2015 and 2014, respectively.

NOTE 5 - IN-KIND REVENUE AND EXPENSE

During the years ended December 31, 2015 and 2014, GCY received the following donated services and materials:

	<u>2015</u>	<u>2014</u>
Outfitter services	\$ 33,340	\$ 112,830
Permits and fees	18,682	15,601
Other	<u>7,288</u>	<u>5,959</u>
	<u>\$ 59,310</u>	<u>\$ 134,390</u>

NOTE 6 - RESTRICTED NET ASSETS

Temporarily restricted net assets of \$65,558 and \$31,365 as of December 31, 2015 and 2014, respectively, consisted of contributions to be used for future river trips.

Net assets of \$31,365 and \$11,817 were expended for donor intended purposes during the years ended December 31, 2015 and 2014, respectively.

Permanently restricted net assets of \$15,150 and \$13,500 as of December 31, 2015 and 2014, respectively, consisted of contributions restricted by donors for the creation of an endowment fund.

Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

(with comparative financial information as of and for the year ended December 31, 2014)

NOTE 6 - RESTRICTED NET ASSETS - CONTINUED

Endowment Description: GCY's endowment fund is classified as permanently restricted net assets if donor imposed restrictions require the corpus 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.

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.

Activity of the endowment fund is as follows:

Year ended December 31, 2015:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Endowment net assets, beginning of year			\$ 13,500	\$ 13,500
Contributions	\$ 11,500		1,650	13,150
Endowment net assets, end of year	<u>\$ 11,500</u>	<u>\$</u>	<u>\$ 15,150</u>	<u>\$ 26,650</u>

Grand Canyon Youth, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

(with comparative financial information as of and for the year ended December 31, 2014)

NOTE 6 - RESTRICTED NET ASSETS - CONTINUED

Year ended December 31, 2014:

	<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				
Contributions			\$ 13,500	\$ 13,500
Endowment net assets, end of year	<u>\$</u>	<u>\$</u>	<u>\$ 13,500</u>	<u>\$ 13,500</u>

NOTE 7 - RELATED PARTY TRANSACTIONS

During the years ended December 31, 2015 and 2014, GCY paid \$47,965 and \$44,698, 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 May 11, 2016, which was the date GCY's financial statements were available to be issued.