

GRAND CANYON YOUTH, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2021

(with comparative totals for 2020)

(WITH AUDITOR'S REPORT THEREON)

GRAND CANYON YOUTH, INC.
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Grand Canyon Youth, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021 and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Report Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Grand Canyon Youth, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Grand Canyon Youth, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Report Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Grand Canyon Youth, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Grand Canyon Youth, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

The financial statements for the year ended December 31, 2020 were audited by Fester & Chapman, Certified Public Accountants, and are presented here for comparative purposes. The Independent Auditor's report for Grand Canyon Youth, Inc. was dated April 14, 2021 by Fester & Chapman, Certified Public Accountants. The opinion expressed by Fester & Chapman, Certified Public Accountants, was that Grand Canyon Youth, Inc.'s financial statements presented fairly, in all material respects, the financial position of the Grand Canyon Youth, Inc.

As discussed above, the financial statements of Grand Canyon Youth, Inc. for the year ended December 31, 2020 were audited by Fester & Chapman, Certified Public Accountants. As described in Note 14, we identified revisions that needed to be made to the prior year audited financial statements. As a result, these financial statements have been restated (revised) to reflect these revisions. We audited the adjustments described in Note 14 that were applied. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2020 financial statements of Grand Canyon Youth, Inc. other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements taken as a whole.

Gregg S. Bossen, CPA, PC
Atlanta, Georgia
April 2, 2022

GRAND CANYON YOUTH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

<u>ASSETS</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<i>For Comparative Purposes Only</i>	
			<u>TOTAL</u>	<u>December 31, 2020</u>
CURRENT ASSETS:				
Cash and cash equivalents	\$321,295	\$191,481	\$512,776	\$398,633
Grant and other receivables	244,681		244,681	61,282
Investments	172,588	119,707	292,295	175,478
Prepaid expenses	22,075		22,075	26,249
Total Current Assets	760,639	311,188	1,071,827	661,642
LONG-TERM FIXED ASSETS:				
Long-term fixed assets	1,248,320		1,248,320	1,170,496
Less: Accumulated depreciation	(331,113)		(331,113)	(295,663)
Total Long-Term Fixed Assets, net	917,207	-0-	917,207	874,833
TOTAL ASSETS	\$1,677,846	\$311,188	\$1,989,034	\$1,536,475
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$4,594		\$4,594	\$315
Expedition deposits	26,660		26,660	4,210
Deferred revenue	19,831		19,831	-0-
Note payable, current portion	14,795		14,795	14,181
Total Current Liabilities	65,880	-0-	65,880	18,706
LONG-TERM LIABILITIES:				
Note payable, long-term portion	551,638		551,638	\$566,433
Total Long-Term Liabilities	551,638		551,638	\$566,433
TOTAL LIABILITIES	617,518		617,518	\$585,139
NET ASSETS:				
Without donor restrictions – Board designated	11,500		11,500	11,500
Without donor restrictions - undesignated	1,048,828		1,048,828	688,713
With donor restrictions		311,188	311,188	251,123
Total Net Assets	1,060,328	311,188	1,371,516	951,336
TOTAL LIABILITIES AND NET ASSETS	\$1,677,846	\$311,188	\$1,989,034	\$1,536,475

See Auditor's Report and Notes to Financial Statements

GRAND CANYON YOUTH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>	<i>For Comparative Purposes Only December 31, 2020</i>
PUBLIC SUPPORT & REVENUE:				
Public Support:				
Contributions and grant revenue	\$473,753	\$103,468	\$577,221	\$541,834
Special event income, net of direct costs	24,113		24,113	14,063
In-kind contributions	43,300		43,300	3,311
Net assets, restrictions met	145,140	(145,140)		
Total Public Support	<u>686,306</u>	<u>(41,672)</u>	<u>644,634</u>	<u>559,208</u>
Other Revenue:				
Participant fees	220,417		220,417	6,130
Financial aid awarded (noncash)	52,474		52,474	-0-
Investment income, net of costs	15,097		15,097	12,443
Merchandise sales	1,007		1,007	3,698
Total Other Revenue	<u>288,995</u>	<u>-0-</u>	<u>288,995</u>	<u>22,271</u>
Total Public Support and Revenue	<u>975,301</u>	<u>(41,672)</u>	<u>933,629</u>	<u>581,479</u>
EXPENSES:				
Program services	705,200		705,200	413,237
Management & general	74,439		74,439	77,912
Fundraising	69,478		69,478	59,328
Total Expenses	<u>849,117</u>	<u>-0-</u>	<u>849,117</u>	<u>550,477</u>
CHANGE IN NET ASSETS, BEFORE OTHER ITEMS	126,184	(41,672)	84,512	31,002
Endowment donation	-0-	101,937	101,937	-0-
Federal Covid related grant & tax credits	233,731	-0-	233,731	117,388
CHANGE IN NET ASSETS, AFTER OTHER ITEMS	<u>\$359,915</u>	<u>\$60,265</u>	<u>\$420,180</u>	<u>\$148,390</u>

See Auditor's Report and Notes to Financial Statements

GRAND CANYON YOUTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(with comparative financial information for the year ended December 31, 2020)

				<u>2021</u>	<u>2020</u>
	<u>PROGRAM</u>	<u>MANAGEMENT</u>		<u>TOTAL</u>	<u>TOTAL</u>
	<u>SERVICES</u>	<u>& GENERAL</u>	<u>FUNDRAISING</u>	<u>EXPENSES</u>	<u>EXPENSES</u>
Salaries & wages	\$312,507	\$47,079	\$41,713	\$401,299	\$306,154
Expedition transportation	53,629			\$53,629	\$2,731
Financial aid awarded (noncash)	52,474			\$52,474	\$0
Employee benefits	38,254	4,511	3,820	\$46,585	\$57,071
Logistical support	41,363			\$41,363	\$0
Insurance	32,197	2,408	816	\$35,421	\$30,098
Depreciation	33,333	1,140	977	\$35,450	\$32,618
Payroll taxes	23,125	3,484	3,087	\$29,696	\$23,921
Interest (building loan)	18,955	2,856	2,530	\$24,341	\$22,926
Expedition food	23,865			\$23,865	\$8,352
Supplies	20,283	846	786	\$21,915	\$18,152
Professional fees	4,225	9,825		\$14,050	\$11,057
Postage & printing	227	117	10,430	\$10,774	\$2,963
Permits & fees	10,465			\$10,465	\$1,143
Repairs & maintenance	8,155	264	234	\$8,653	\$1,636
Contracted services	6,702	278	1,470	\$8,450	\$4,257
Rent & utilities	5,521	832	737	\$7,090	\$13,889
Property taxes	3,952	595	528	\$5,075	\$2,502
Bank charges & merchant fees	2,516	33	2,174	\$4,723	\$3,194
Database & website	4,263		55	\$4,318	\$705
Conferences & training	2,746			\$2,746	\$5,060
Grants to other organizations	2,605			\$2,605	\$0
Background checks	1,927	76		\$2,003	\$474
Dues & subscriptions	1,240	86	82	\$1,408	\$350
Other	671	9	39	\$719	\$1,224
TOTAL EXPENSES	\$705,200	\$74,439	\$69,478	\$849,117	\$550,477

See Auditor's Report and Notes to Financial Statements

GRAND CANYON YOUTH, INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>	<i>For Comparative Purposes Only December 31, 2020</i>
BALANCE, DECEMBER 31, 2020, BEFORE PRIOR PERIOD ADJUSTMENTS	\$667,164	\$244,584	\$911,748	\$802,946
PRIOR PERIOD ADJUSTMENTS	33,249	6,339	39,588	
BALANCE, DECEMBER 31, 2020, AFTER PRIOR PERIOD ADJUSTMENTS	700,413	250,923	951,336	802,946
CHANGE IN NET ASSETS	359,915	60,265	420,180	148,390
BALANCE, DECEMBER 31, 2021	<u>\$1,060,328</u>	<u>\$311,188</u>	<u>\$1,371,516</u>	<u>\$951,336</u>

See Auditor's Report and Notes to Financial Statements

GRAND CANYON YOUTH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>December 31, 2021</u>	<i>For Comparative Purposes Only <u>December 31, 2020</u></i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$420,180	\$148,390
Adjustments to reconcile excess to net cash provided by operating activities:		
Depreciation	35,450	32,618
Net unrealized gains on investments	(7,849)	(10,645)
(Increase) in receivables	(183,400)	(46,167)
Decrease in prepaid expenses	4,173	255
Increase / (decrease) in accounts payable & accrued expenses	4,281	(26,270)
Increase / (decrease) in expedition deposits	22,450	(21,375)
Increase in deferred revenue	19,831	-0-
Net cash provided by operating activities	315,116	76,806
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(77,824)	(245,511)
Purchase of investments	(108,968)	(1,740)
Net cash (used) by investing activities	(186,792)	(247,251)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(14,181)	(12,386)
Net cash (used) by financing activities	(14,181)	(12,386)
NET CHANGE IN CASH	114,143	(182,831)
CASH AT BEGINNING OF YEAR	398,633	581,464
CASH AT END OF YEAR	\$512,776	\$398,633
 <u>Supplemental disclosure of cash flow information</u>		
Cash paid for interest	\$24,341	\$22,926
Purchase of building with note payable	-0-	\$593,000

See Auditor's Report and Notes to Financial Statements

GRAND CANYON YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Nature of Organization:

Grand Canyon Youth, Inc. ("GCY") offers educational outdoor expeditions that connect young people (typically ages 10 – 19) to the transformative power of the rivers and canyons of the Southwest. GCY has served over 10,000 youth in the 24 years since its founding in 1998. Expeditions typically run from March through October, take place on eight sections of river in Utah and Arizona, including Grand Canyon, and range from 1 – 18 days long. The GCY warehouse & office are located in Flagstaff, Arizona.

In 2019, just prior to the pandemic, GCY facilitated 76 expeditions, serving a record 1,093 youth participants from across the country who spent 4,751 days in the outdoors. Then in 2020, all trips were canceled due to the Covid-19 pandemic. In 2021, a rebuilding year while the pandemic continued, GCY served 287 youth on 26 outdoor expeditions. GCY continues to be one of the most affordable programs of its kind. Participants typically pay only 25 - 45% of the actual cost of operating the programs; the rest is funded by grants, contributions & special events. Additionally, in 2021 over \$52,000 of direct financial aid was awarded to 131 participants, to help ensure cost is not a barrier to participate. GCY continually strives to connect underrepresented and underserved youth to the river.

The focus of GCY's programs continues to be both the educational & community service curriculum, along with valuing the teachable moments that occur along with the river, where learning is not an abstract concept but something concrete & hands-on. During 2021, participants engaged in 9,500 hours of community service, were required to earn a portion of the cost of their trip, and participated in educational projects related to the cultural or natural history of the Southwest. A "citizen science" project is included on nearly every expedition. Several long-term programs focus on serving Indigenous youth, youth healing from trauma and other underserved populations. GCY is proud of and grateful for its collaborative relationships with the U.S. Geological Survey, the U.S. Department of the Interior (BLM), Grand Canyon National Park, Glen Canyon National Recreation Area, Native American Tribes, various nonprofit organizations and dozens of schools and youth groups.

(B) Basis of Presentation:

These financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles. These statements reflect application of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under these standards, all contributions are immediately recognized as revenue as soon as pledged (or if not pledged when received) regardless of any restrictions on use placed by the contributor. The basic financial statements are then shown divided into two net asset groups. These are:

Without Donor Restrictions:

All assets which either have no imposed restrictions on use or restrictions have been met by December 31, 2021.

With Donor Restrictions:

All contributions by foundations, organizations, corporations and individuals with restrictions on use that have not been met by December 31, 2021. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration of the time and/or purpose of the restrictions, donor restricted net assets are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

See Auditor's Report

GRAND CANYON YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
-continued-

NOTE 1: ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

(C) Support and Revenue:

Grand Canyon Youth, Inc. recognizes the contributions and exchange transactions based on the FASB ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. Also, ASU 2018-08 clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional.

Additionally, effective January 1, 2020 GCY adopted Accounting Standards Codification (ASC) 606. *Revenue from Contracts with Customers* and has recognized earned revenue, participant fees and merchandise sales, following the five-step framework listed below which was used to determine the amount and timing of revenue recognition:

- Identify the contract(s) with the customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The Support and Revenue for the organization are as follows:

Contributions and Grant Revenue (Contributions):

Support from these sources is recognized in the accounting period in which the contribution and grants are pledged (or if not pledged, when received). These contributions and grant revenue include: individuals, businesses, foundations and organizations. Additionally, contributions with conditions are not recognized until the conditions have been met.

In-Kind Contributions:

Significant in-kind contributions of services and equipment (that would have otherwise been purchased by the organization) are recorded in the financial statements in the year they are received and in accordance with FASB ASU 2020-07. The value of volunteer services received, for which GCY is also deeply grateful, is not reflected in the financial statements. See Note 8 for more information.

Participant Fees (Exchange Transactions):

Participant fees are earned when participants are able to complete their expedition. Participant fees are recognized in the accounting period when the expedition occurs.

See Auditor's Report

GRAND CANYON YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
-continued-

NOTE 1: ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(C) Support and Revenues (continued):

Federal Covid Related Grants & Tax Credits (Contributions):

Support from these sources is generally recognized in the accounting period in which the contribution and grants are pledged (or if not pledged, when received). During the year ended December 31, 2021, Grand Canyon Youth, Inc. recorded federal covid related grant revenues for both the Paycheck Protection Plan Loan (fully forgiven) as well as the Employee Retention Credit programs. See Note 13 for more information regarding revenue recognition of these amounts.

Financial Aid Awarded (noncash):

Financial aid awarded to participants funded by grants, contributions & special events.

Merchandise Sales (Exchange Transaction):

Merchandise sold by the organization which includes shirts, mugs, stickers, etc. Merchandise sales are recognized in the accounting period when the merchandise is sold and delivered.

(D) Income Taxes:

Grand Canyon Youth, Inc. is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code. During the year ended December 31, 2021, Grand Canyon Youth, Inc. had no unrelated business income as defined by Section 512 of the Code and, therefore no provision for income tax is necessary.

Grand Canyon Youth, Inc. adopted the income standard related to the recognition and measurement of uncertain tax positions. The adoption of this standard had no financial statement effect for Grand Canyon Youth, Inc. Grand Canyon Youth, Inc. is no longer subject to federal tax examinations and state income tax examinations if the statute of limitations has expired.

(E) Receivables:

Grants and other receivables consist of uncollected grant awards, uncollected participant fees and uncollected federal tax credits. GCY uses the allowance method to determine uncollectible receivables. Also, GCY uses the direct write-off method for receivables which have been determined to be uncollectible. On a periodic basis, GCY evaluates its receivables and establishes an allowance for doubtful accounts based on its past experience and current credit conditions. Based on management's evaluation of collectability of the receivables, no allowance for doubtful accounts was recorded for the year ended December 31, 2021.

Receivables for GCY are expected to be collected as follows as of December 31, 2021:

	<u>December 31, 2021</u>	<i>For Comparative Purposes Only</i> <u>December 31, 2020</u>
Due within one year:		
Grants and other receivables	\$244,681	\$61,282
Total Receivables	<u>\$244,681</u>	<u>\$61,282</u>

See Auditor's Report

GRAND CANYON YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
-continued-

NOTE 1: ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(F) Prepaid Expenses:

Prepaid expenses consist of amounts paid in advance for workers compensation insurance, and river permit fees relating to the subsequent year.

(G) Fixed Assets:

Grand Canyon Youth, Inc. follows the practice of capitalizing, at cost, expenditures for fixed assets in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of assets as follows:

Building and improvements	20 - 40 years
Vehicle equipment	5 - 20 years
Program equipment	3 - 10 years
Office equipment	3 - 7 years

(H) Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(I) Expedition Deposits:

Expedition deposits received in advance are recorded as liabilities on the statement of financial position and recognized as revenue during the period in which the expedition occurs.

(J) Functional Allocation of Expenses:

The costs of providing program services 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 the basis of estimates of proportional use or time and effort.

GCY defines program expenses as any cost directly contributing to its mission of offering educational outdoor expeditions that connect young people to the transformative power of the rivers and canyons of the Southwest.

(K) Concentration of Major Source of Revenue:

For the year ended December 31, 2021, GCY received \$213,081 from the Catena Foundation which is greater than 10% of its total revenue and support of \$1,269,297. For the year ended December 31, 2020, GCY received \$207,166 from the Catena Foundation which is greater than 10% of its total revenue and support of \$581,479.

See Auditor's Report

GRAND CANYON YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
-continued-

NOTE 1: ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(L) Concentration of Credit Risk:

Grand Canyon Youth, Inc. maintains bank accounts with financial institutions whose balances are insured by the Federal Deposit Insurance Corporation (FDIC) within limits. Periodically, bank account balances may exceed FDIC coverage. No credit risk is expected from uninsured deposits.

(M) Evaluation of Subsequent Events:

GCY's ongoing profitability may experience instability and estimates included in the financial statements may change due to current political and economic conditions as a result of the public health concerns related to the ongoing COVID-19 pandemic. The duration and intensity of these impacts and resulting disruption to which these events effect the organization's business will depend on future developments, which are highly uncertain and cannot be predicted at this time.

GCY, along with river outfitters across the country, are expecting significant increases in field staff (guides & drivers) pay in the years subsequent to 2021. An Executive Order dated January 30, 2022 requires contractors on federal lands to pay at least the federal minimum wage of \$15/hour. Traditionally field staff in the river guiding industry are paid on a per-day rate, not hourly. This will result in significant increases in field staff compensation and workers comp insurance, which typically average 25-30% of total expenses in a "normal" year (last normal year was 2019, pre-pandemic). GCY is currently analyzing what these changes will mean to GCY. There are currently lawsuits and pending federal legislation to exempt river outfitters from this Executive Order.

Management considered all events through April 2, 2022, the date the financial statements were available for release, in preparing the financial statements and the related disclosures. Other than the significant field staff compensation increases for 2022 mentioned in the preceding paragraph, management is not aware of any other significant events that occurred subsequent to December 31, 2021, but prior to the issuance of this report, that would have a material impact on the financial statements.

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GRAND CANYON YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
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NOTE 2: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents GCY's financial assets at December 31, 2021:

	<u>2021</u>	<i>For Comparative Purposes Only</i> <u>2020</u>
Financial assets at year-end, net of current liabilities:		
Cash and cash equivalents	\$512,776	\$398,633
Grants and other receivables	244,681	61,282
Investments	292,295	175,478
Prepaid expenses	22,075	26,249
Less: Current liabilities	<u>(65,880)</u>	<u>(18,706)</u>
Total financial assets, net of current liabilities	1,005,947	642,936
Less amounts not available to be used within one year or for projects outside of general operating activities:		
Board designated operating reserves, without restrictions	(115,000)	-0-
Board designated quasi endowment fund, without restrictions	(11,500)	(11,500)
Donor restricted endowment fund	(119,707)	(17,770)
Other net assets with donor restrictions	<u>(191,481)</u>	<u>(233,153)</u>
Financial assets available to meet cash needs for general expenditures over the next twelve months	<u>\$568,259</u>	<u>\$380,513</u>

As a part of GCY's liquidity plan, excess cash is temporarily invested in money market funds and reserve funds. GCY operates with a balanced budget and anticipates covering its general expenditures by collecting revenue from contributions, grants, and other revenues, and by utilizing donor-restricted and unrestricted resources from current and prior years gifts.

GRAND CANYON YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
-continued-

NOTE 3: FAIR VALUE OF INVESTMENTS

As required by FASB Accounting Standards Codification (ASC) 820, investments are valued at their fair value in the Statement of Financial Position. In accordance with the statement, fair value is defined as the price that the Organization would receive upon selling an asset in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset. A three-tier hierarchy was established by the ASC to maximize the use of the observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Inputs that are unobservable, including the Organization's own assumptions in determining the fair value of assets.

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the asset in its entirety falls is determined based on the lowest level input that is significant to the asset in its entirety. Assessing the significance of a particular input to the asset in its entirety requires judgment and considers factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's perceived risk of liquidity profile of that asset.

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 Arizona Community Foundation (ACF) investment pool, measured on a recurring basis, were \$292,295 and \$175,478 at December 31, 2021 and 2020, respectively.

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NOTE 4: LONG-TERM FIXED ASSETS:

At December 31, 2021, the value of such assets is as follows:

	<u>2021</u>	<i>For Comparative Purposes Only</i> <u>2020</u>
Land	\$300,000	\$300,000
Building and improvements	487,470	487,470
Program equipment	330,407	330,407
Vehicle equipment	77,824	-0-
Office equipment	52,619	52,619
Less: Accumulated depreciation	(331,113)	(295,663)
Total Long-Term Fixed Assets, net	\$917,207	\$874,833

NOTE 5: NOTE PAYABLE - BUILDING

On January 30, 2020, GCY borrowed \$593,000 to finance the purchase of their building. Payments of \$3,210, including interest at 4.24% are due monthly, with a \$316,736 balloon payment due January 2035. The note is secured by a deed of trust on the building. For the year ended December 31, 2021, the Note Payable is detailed below:

	<u>2021</u>	<i>For Comparative Purposes Only</i> <u>2020</u>
Total Note Payable	\$566,433	\$580,614
Less: Current Portion	(14,795)	(14,181)
Total Note Payable, Long-Term Portion	\$551,638	\$566,433

Total future payments for the Note Payable are as follows:

For the years ended:	
December 31, 2022	\$14,795
December 31, 2023	15,434
December 31, 2024	16,037
December 31, 2025	16,795
December 31, 2026	17,521
Thereafter	485,851
	\$566,433

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NOTE 6: DEFERRED REVENUE

Deferred revenue represents contributions and grants collected for 2022 which total \$19,831. For the year ended December 31, 2021, deferred revenue is \$19,831 and is shown on the Statement of Financial Position as a current liability.

NOTE 7: RELATED PARTY

For the year ended December 31, 2021, GCY received a donation of \$101,937 for the endowment fund from a relative of one of the organization's employees. The donation is 8% of GCY's total revenue and support of \$1,269,297 and is shown on the Statement of Activities.

NOTE 8: IN-KIND CONTRIBUTIONS

The In-kind contributions revenue account consists of items contributed to the Organization that can be recorded in the statement of activities under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) and are detailed below:

	<u>2021</u>	<i>For Comparative Purposes Only</i> <u>2020</u>
Logistical support	\$37,700	\$-0-
Professional fees	2,100	1,700
Contracted services	2,000	1,261
Permits & fees	1,500	-0-
Dues & subscriptions	-0-	350
	\$43,300	\$3,311

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	<u>2021</u>	<i>For Comparative Purposes Only</i> <u>2020</u>
Programmatic support and logistics	\$191,481	233,153
Endowment fund (See Note 10)	119,707	17,770
	\$311,188	\$250,923

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NOTE 10: ENDOWMENT FUND

Endowment Description: The endowment fund is held and managed by the Arizona Community Foundation (ACF). GCY's endowment fund is classified as net assets with donor restrictions if donor-imposed restrictions require the endowment to be maintained in perpetuity.

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 GCY to retain as a fund of perpetual donation. In accordance with GAAP, deficiencies of this nature are reported as net assets with or without donor restrictions, depending on the underlying net asset classification.

Activity of the endowment fund is as follows:

	2021	<i>For Comparative Purposes Only</i> 2020
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$17,770	\$17,770
Contributions	101,937	-0-
Endowment net assets, end of year	\$119,707	\$17,770

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NOTE 11: QUASI-ENDOWMENT FUND

The quasi-endowment account is held and managed by the Arizona Community Foundation. Absent donor restrictions, the quasi-endowment fund is classified as board designated net assets, without donor restrictions.

	2021	<i>For Comparative Purposes Only 2020</i>
	<i>Without Donor Restrictions, Board Designated</i>	<i>Without Donor Restrictions, Board Designated</i>
Quasi-Endowment net assets, beginning of year	\$11,500	\$11,500
Quasi-Endowment net assets, end of year	\$11,500	\$11,500

NOTE 12: SPECIAL EVENT – RIVER TALES

River Tales is a virtual special event that GCY has held the past two Novembers (2020 & 2021) to replace its beloved longtime, in-person "Rivers & Reels" event. The change to a virtual event came in 2020 during the Covid-19 pandemic when an in-person event for 600 community members was no longer viable. River Tales is a one-night virtual story-telling event held over YouTube where members of the GCY community (youth participants, parents, guides, supporters, collaborators, etc.) share river stories with the attending audience. It is hosted by the Executive Director and attendees can donate to a live portal or participate in a week-long online auction of outdoor gear, etc. that culminates on the night of the event. Local business members help to sponsor this annual event.

In accordance with generally accepted accounting principles, the special event is shown net of direct costs on the Statement of Activities; specific revenues and costs are detailed below:

REVENUE:

	<u>2021</u>	<u>2020</u>
Donations	\$10,765	\$11,201
Sponsorships	8,300	4,000
Auction	7,420	-0-
Total Revenue	26,485	15,201

DIRECT COSTS:

Contracted services	\$1,478	\$635
Merchant fees	641	392
Printing & postage	208	-0-
Supplies	45	111
Total Costs	2,372	1,138

Special Events Income, net of direct costs	\$24,113	\$14,063
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NOTE 13: FEDERAL COVID RELATED GRANTS AND TAX CREDITS

(i) Paycheck Protection Program Loan

On March 27, 2020, the federal Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) was enacted. The CARES Act provided relief to small businesses and nonprofit organizations through the creation of the Paycheck Protection Program (“PPP”). Provided certain criteria are met, the loans and all accrued interest are to be forgiven. Amounts forgiven, or likely to be forgiven, are recognized as government grant revenue when these criteria are met.

In the prior fiscal year, GCY received a PPP loan during the 1st round of loan disbursements in an amount of \$77,800 of which \$77,800 was previously recognized as revenue in FY 2020, based on criteria being met and the loan fully forgiven. In FY 2021, GCY received a second PPP loan of \$71,00 which was expended in 2021 on salaries and other allowed costs, and officially forgiven in total on July 21, 2021. The \$71,000 is shown on the Statement of Activities as part of federal covid related grants and tax credits.

(ii) Employee Retention Tax Credit

Also within the CARES Act, Congress created the Employee Retention Credit (“ERC”), a fully refundable payroll tax credit, to provide aid to employers impacted by the COVID-19 pandemic.

As originally passed, the ERC was available to eligible employers from March 13, 2020 to December 31, 2020, and was equal to 50% of up to \$10,000 in qualified wages paid to an employee during the year, a maximum credit opportunity of up to \$5,000 per employee for the 2020 tax year. Subsequent legislation (the Consolidated Appropriations Act, the American Rescue Plan Act, and the Infrastructure Bill) was enacted to address the continued economic impact of the COVID-19 pandemic which included certain enhancements and amendments to the ERC. Among the enhancements were:

1. an extension of the ERC through September 30, 2021; and
2. an increase of the ERC to 70% of up to \$10,000 in qualified wages paid to an employee per quarter, an increase in the credit opportunity of \$7,000 per employee per quarter for the 2021 tax year.

In accordance with GAAP, the ERC was recorded as revenue in the same year that the payroll expenses occurred. Therefore, GCY recorded a prior period adjustment for 2020 to recognize the 2020 ERC of \$39,588 in revenue, the same year that the expenses occurred (See Note 14). For 2021, the ERC was \$162,731 and is shown on the Statement of Activities as part of federal covid related grants and tax credits.

For the year ended December 31, 2021, total federal covid related grants and tax credits are \$233,731 (\$71,000 PPP and \$162,731 ERC).

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NOTE 14: PRIOR PERIOD ADJUSTMENTS

For the year ended December 31, 2020, there are two prior period adjustments needed. First, a prior period adjustment was needed to correct the net assets with donor restrictions which were understated. Secondly, a prior period adjustment was needed to record a grant receivable due from a federal covid related tax credit which was not known or applied for at the original issuance of the financial statements for the year ended December 31, 2020. (See Note 13)

In accordance with Generally Accepted Accounting Principles, the prior period adjustments are shown on the Statement of Changes in Net Assets as a Prior Period Adjustments and are detailed below:

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Understatement of Net assets with donor restrictions	(6,339)	6,339	-0-
2020 Grant receivable	39,588	-0-	39,588
Total Prior Period Adjustments	\$33,249	\$6,339	\$39,588

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