

GRAND CANYON YOUTH, INC.

AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2022
(with comparative totals for 2021)

(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, 2022 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, 2022 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.

Report on Summarized Comparative Information

We have previously audited Grand Canyon Youth, Inc. 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 2, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gregg S. Bossen, CPA, PC
Atlanta, Georgia
March 7, 2023

GRAND CANYON YOUTH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

<u>ASSETS</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>	<i>For Comparative Purposes Only December 31, 2021</i>
CURRENT ASSETS:				
Cash & cash equivalents	\$548,641	\$222,570	\$771,211	\$512,776
Grant & other receivables	77,556		77,556	244,681
Investments	152,192	114,199	266,391	292,295
Prepaid expenses	7,496		7,496	22,075
Total Current Assets	785,885	336,769	1,122,654	1,071,827
LONG-TERM FIXED ASSETS:				
Long-term fixed assets	1,262,156		1,262,156	1,248,320
Less: Accumulated depreciation	(369,110)		(369,110)	(331,113)
Total Long-Term Fixed Assets, net	893,046	-0-	893,046	917,207
TOTAL ASSETS	\$1,678,931	\$336,769	\$2,015,700	\$1,989,034
<u>LIABILITIES & NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable & accrued expenses	\$11,130		\$11,130	\$4,594
Expedition deposits	29,100		29,100	26,660
Deferred revenue	-0-		-0-	19,831
Note payable, current portion	15,434		15,434	14,795
Total Current Liabilities	55,664	-0-	55,664	65,880
LONG-TERM LIABILITIES:				
Note payable, long-term portion	536,204		536,204	551,638
Total Long-Term Liabilities	536,204	-0-	536,204	551,638
TOTAL LIABILITIES	591,868	-0-	591,868	617,518
NET ASSETS:				
Without donor restrictions – Board designated	18,330		18,330	19,676
Without donor restrictions - undesignated	1,068,733		1,068,733	1,036,769
With donor restrictions		336,769	336,769	315,071
Total Net Assets	1,087,063	336,769	1,423,832	1,371,516
TOTAL LIABILITIES & NET ASSETS	\$1,678,931	\$336,769	\$2,015,700	\$1,989,034

See Auditor's Report and Notes to Financial Statements

GRAND CANYON YOUTH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>	<i>For Comparative Purposes Only December 31, 2021</i>
PUBLIC SUPPORT & REVENUE:				
Public Support:				
Contributions & grant revenue	\$277,298	\$494,847	\$772,145	\$577,221
Special event income, net of direct costs	34,948		34,948	24,113
In-kind contributions	51,667		51,667	43,300
Net assets, restrictions met	476,363	(476,363)		
Total Public Support	<u>840,276</u>	<u>18,484</u>	<u>858,760</u>	<u>644,634</u>
Other Revenue:				
Participant fees	353,270		353,270	220,417
Direct financial aid awarded (noncash)	75,510		75,510	52,474
Investment (loss), net of fees	(13,787)	(9,891)	(23,678)	15,097
Merchandise sales, net of costs	230	2,605	2,835	1,007
Total Other Revenue	<u>415,223</u>	<u>(7,286)</u>	<u>407,937</u>	<u>288,995</u>
Total Public Support and Revenue	<u>1,255,499</u>	<u>11,198</u>	<u>1,266,697</u>	<u>933,629</u>
EXPENSES:				
Program services	1,024,533		1,024,533	705,200
Management & general	82,810		82,810	74,439
Fundraising	107,538		107,538	69,478
Total Expenses	<u>1,214,881</u>	<u>-0-</u>	<u>1,214,881</u>	<u>849,117</u>
CHANGES IN NET ASSETS, BEFORE OTHER ITEMS	40,618	11,198	51,816	84,512
Endowment donation	-0-	500	500	101,937
Federal Covid related grant & tax credits	-0-	-0-	-0-	233,731
CHANGES IN NET ASSETS, AFTER OTHER ITEMS	<u>\$40,618</u>	<u>\$11,698</u>	<u>\$52,316</u>	<u>\$420,180</u>

See Auditor's Report and Notes to Financial Statements

GRAND CANYON YOUTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(with comparative financial information for the year ended December 31, 2021)

	<u>PROGRAM</u> <u>SERVICES</u>	<u>MANAGEMENT</u> <u>& GENERAL</u>	<u>FUNDRAISING</u>	<u>2022</u> <u>TOTAL</u> <u>EXPENSES</u>	<u>2021</u> <u>TOTAL</u> <u>EXPENSES</u>
Salaries & wages	\$474,728	\$58,905	\$78,313	\$611,946	\$401,299
Direct financial aid awarded (noncash)	75,510			75,510	52,474
Logistical support (including in-kind)	73,085			73,085	41,363
Expedition transportation	69,054			69,054	53,629
Employee benefits	56,098	4,894	7,422	68,414	46,585
Payroll taxes	35,747	4,435	5,897	46,079	29,696
Insurance	41,111	2,012	683	43,806	35,421
Expedition food	41,334			41,334	23,865
Depreciation	35,631	1,246	1,120	37,997	35,450
Supplies	27,217	148	540	27,905	21,915
Interest (building loan)	21,901	783	1,044	23,728	24,341
Contracted services	17,235	45	1,085	18,365	8,450
Permits & fees	14,285			14,285	10,465
Conferences & training	8,010	800	650	9,460	2,746
Postage & printing	92	25	9,254	9,371	10,774
Professional fees	465	8,110		8,575	14,050
Repairs & maintenance	8,161	152	202	8,515	8,653
Utilities	6,550	812	1,081	8,443	7,090
Database & website	7,745		115	7,860	4,318
Bank charges & merchant fees	3,778	167		3,945	4,723
Background checks	2,786	102		2,888	2,003
Property taxes	2,375	85	113	2,573	5,075
Dues & subscriptions	1,394	14	19	1,427	1,408
Other	241	75		316	719
Grants to other organizations					2,605
TOTAL EXPENSES	<u><u>\$1,024,533</u></u>	<u><u>\$82,810</u></u>	<u><u>\$107,538</u></u>	<u><u>\$1,214,881</u></u>	<u><u>\$849,117</u></u>

GRAND CANYON YOUTH, INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>	<i>For Comparative Purposes Only December 31, 2021</i>
BALANCE, DECEMBER 31, 2021, BEFORE PRIOR PERIOD ADJUSTMENT	\$1,056,445	\$315,071	\$1,371,516	\$911,758
PRIOR PERIOD ADJUSTMENT	(10,000)	10,000	-0-	39,588
BALANCE, DECEMBER 31, 2021, AFTER PRIOR PERIOD ADJUSTMENT	1,046,445	325,071	1,371,516	951,336
CHANGES IN NET ASSETS	40,618	11,698	52,316	420,180
BALANCE, DECEMBER 31, 2022	<u>\$1,087,063</u>	<u>\$336,769</u>	<u>\$1,423,832</u>	<u>\$1,371,516</u>

See Auditor's Report and Notes to Financial Statements

GRAND CANYON YOUTH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>December 31, 2022</u>	<i>For Comparative Purposes Only <u>December 31, 2021</u></i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$52,316	\$420,180
Adjustments to reconcile excess to net cash provided by operating activities:		
Depreciation	37,997	35,450
Net unrealized losses / (gains) on investments	27,118	(7,849)
Decrease / (Increase) in receivables	167,125	(183,400)
Decrease in prepaid expenses	14,579	4,173
Increase in accounts payable & accrued expenses	6,536	4,281
Increase in expedition deposits	2,440	22,450
(Decrease) / Increase in deferred revenue	(19,831)	19,831
Net cash provided by operating activities	288,280	315,116
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, equipment and building improvements	(13,836)	(77,824)
Investment Activity	(1,214)	(108,968)
Net cash (used) by investing activities	(15,050)	(186,792)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(14,795)	(14,181)
Net cash (used) by financing activities	(14,795)	(14,181)
NET CHANGE IN CASH	258,435	114,143
CASH AT BEGINNING OF YEAR	512,776	398,633
CASH AT END OF YEAR	\$771,211	\$512,776

Supplemental disclosure of cash flow information

Cash paid for interest	\$23,728	\$24,341
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See Auditor's Report and Notes to Financial Statements

GRAND CANYON YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 almost 12,000 youth in the 25 years since its founding in 1998. Expeditions generally 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, while in 2022, 754 youth participated on 61 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 2022 over \$75,000 of direct financial aid was awarded to a record 301 participants, to help ensure cost is not a barrier to participation. 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 the river, where learning is not an abstract concept but something concrete & hands-on. During 2022, participants and their trip coordinators engaged in over 19,000 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 "community science" project is included on nearly every expedition. Several long-term programs focus on serving Indigenous youth, youth healing from trauma, refugee youth and other underserved populations. GCY is proud of and grateful for its collaborative relationships with the U.S. Geological Survey, the Bureau of Land Management, Grand Canyon National Park, Glen Canyon National Recreation Area, Native American Tribes, various nonprofit organizations and dozens of schools and youth groups, including seven new organizations in 2022.

(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, 2022.

With Donor Restrictions:

All contributions by foundations, organizations, corporations and individuals with restrictions on use that have not been met by December 31, 2022. 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, 2022
-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 6 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, 2022
-continued-

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

(C) Support and Revenue (continued):

Direct Financial Aid Awarded (noncash):

Direct financial aid awarded to participants funded by grants, contributions and special events.

Merchandise Sales (Exchange Transactions):

Merchandise sold by the organization which includes logo 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, 2022, 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 federal tax credits, uncollected insurance refunds, and uncollected car rental overcharges. 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, 2022.

As noted in the prior year's audited financial statement notes, GCY applied for \$202,319 of federal Employee Retention Tax Credits for 2020 and 2021. During 2022, all but \$70,524 of this amount was received, representing the amount applied for in December 2021 for the final qualified quarter (Q3 2021). A query to the Internal Revenue Service by GCY about the delay suggested that this amount is under final review by the Internal Revenue Service due to the size of the tax credit. GCY expects it to be received (along with applicable interest) in the coming months. The \$70,524 is accounted for as a Grant Receivable on the balance sheet at December 31, 2022.

See Auditor's Report

GRAND CANYON YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
-continued-

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

(E) Receivables (continued):

Receivables for GCY are expected to be collected as follows as of December 31, 2022:

	<u>December 31, 2022</u>	<i>For Comparative Purposes Only</i> <u>December 31, 2021</u>
Due within one year:		
Grants and other receivables	\$77,556	\$244,681
Total Receivables	\$77,556	\$244,681

(F) Investment Balances and Performances:

Investment balances, consisting of reserve and endowment funds and totaling \$266,391 at December 31, 2022, declined \$27,118 due to unrealized losses during 2022 (realized losses were \$506). This temporary decline is expected, given the stock market's dismal 2022 performance, and was significantly better than the overall performance of the markets, due to GCY's conservatively invested portfolio, managed by the Arizona Community Foundation. Note that GCY's investment policy takes a long-term approach and management anticipates the eventual recovery of these unrealized losses.

(G) Prepaid Expenses:

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

(H) 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

(I) 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.

(J) 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.

See Auditor's Report

GRAND CANYON YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
-continued-

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

(K) 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.

(L) Concentration of Major Source of Revenue:

For the year ended December 31, 2022, GCY received \$219,473 from the Catena Foundation which is greater than 10% of its total revenue and support of \$1,267,197. 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 \$933,629.

(M) 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.

(N) 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 and other events unforeseen at this time. 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.

Management considered all events through March 7, 2023, the date the financial statements were available for release, in preparing the financial statements and the related disclosures. Management is not aware of any other significant events that occurred subsequent to December 31, 2022, but prior to the issuance of this report, that would have a material impact on the financial statements.

See Auditor's Report

GRAND CANYON YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
-continued-

NOTE 2: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following represents GCY's financial assets at December 31, 2022:

	<u>2022</u>	<i>For Comparative Purposes Only</i> <u>2021</u>
Financial assets at year-end, net of current liabilities:		
Cash and cash equivalents	\$771,211	\$512,776
Grants and other receivables	77,556	244,681
Investments	266,391	292,295
Prepaid expenses	7,496	22,075
Less: Current liabilities	<u>(55,664)</u>	<u>(65,880)</u>
Total financial assets, net of current liabilities	1,066,990	1,005,947
Less amounts not available to be used within one year or for projects outside of general operating activities:		
Board designated operating reserves, without restrictions	(133,862)	(149,029)
Board designated quasi endowment fund, without restrictions	(18,330)	(19,676)
Donor restricted endowment funds	(114,199)	(123,590)
Other net assets with donor restrictions	<u>(222,570)</u>	<u>(191,481)</u>
Financial assets available to meet cash needs for general expenditures over the next twelve months	<u>\$578,029</u>	<u>\$522,171</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.

See Auditor's Report

GRAND CANYON YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022
-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 \$266,391 and \$292,295 at December 31, 2022 and 2021, respectively.

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GRAND CANYON YOUTH, INC.
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NOTE 4: LONG-TERM FIXED ASSETS:

At December 31, 2022, the value of such assets is as follows:

	<u>2022</u>	<i>For Comparative Purposes Only</i> <u>2021</u>
Land	\$300,000	\$300,000
Building and improvements	490,770	487,470
Program equipment	340,943	330,407
Vehicle equipment	77,824	77,824
Office equipment	52,619	52,619
Less: Accumulated depreciation	<u>(369,110)</u>	<u>(331,113)</u>
Total Long-Term Fixed Assets, net	<u>\$893,046</u>	<u>\$917,207</u>

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, 2022, the Note Payable is detailed below:

	<u>2022</u>	<i>For Comparative Purposes Only</i> <u>2021</u>
Total Note Payable	\$551,638	\$566,433
Less: Current Portion	<u>(15,434)</u>	<u>(14,795)</u>
Total Note Payable, Long-Term Portion	<u>\$536,204</u>	<u>\$551,638</u>

Total future principal payments for the Note Payable are as follows:

For the years ended:	
December 31, 2023	15,434
December 31, 2024	16,037
December 31, 2025	16,795
December 31, 2026	17,521
December 31, 2027	18,278
Thereafter	<u>467,573</u>
	<u>\$551,638</u>

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NOTE 6: 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>2022</u>	<i>For Comparative Purposes Only</i> <u>2021</u>
Logistical support	\$38,958	\$37,700
Supplies	5,800	-0-
Repairs & Maintenance	3,650	-0-
Salaries & wages	2,300	-0-
Permits & fees	959	1,500
Professional fees	-0-	2,100
Contracted services	-0-	2,000
	\$51,667	\$43,300

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS:

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

	<u>2022</u>	<i>For Comparative Purposes Only</i> <u>2021</u>
Programmatic support and logistics	\$222,570	\$191,481
Endowment funds (See Note 8)	114,199	123,590
	\$336,769	\$315,071

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GRAND CANYON YOUTH, INC.
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DECEMBER 31, 2022
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NOTE 8: ENDOWMENT FUNDS:

Endowment Description: The endowment funds are held and managed by the Arizona Community Foundation (ACF). GCY's endowment funds are 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 funds are 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 funds are 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 funds.

Spending Policy: ACF makes approximately five percent of the funds' fair value available for distribution to GCY annually, calculated as the average of the fair value of the previous twelve quarters of the funds. From time to time, the fair value of assets associated with GCY's endowment funds may fall below the level that the donor or UPMIFA requires GCY to retain as funds of perpetual donations. 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. As of December 31, 2022, GCY has not yet taken any distributions from its endowment funds, but instead has allowed the funds to continue to grow.

Activity of the endowment funds is as follows:

	2022	<i>For Comparative Purposes Only 2021</i>
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$123,590	\$20,616
Contributions	500	101,937
Change in value	(9,891)	1,037
Endowment net assets, end of year	\$114,199	\$123,590

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires GCY to retain as a fund of perpetual duration. Deficiencies of this nature exist in the donor restricted endowment funds, which together have an original gift value of \$120,207, a current value of \$114,199, and a deficiency of \$6,008 as of December 31, 2022. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions for donor restricted endowment funds.

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NOTE 9: 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.

	2022	<i>For Comparative Purposes Only 2021</i>
	Without Donor Restrictions, <u>Board Designated</u>	<i>Without Donor Restrictions, <u>Board Designated</u></i>
Quasi-Endowment net assets, beginning of year	\$19,676	\$17,474
Investment Income	352	1,531
Change in value	(1,698)	671
Quasi-Endowment net assets, end of year	\$18,330	\$19,676

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NOTE 10: SPECIAL EVENT – RIVER TALES:

River Tales is a special event that GCY has held the past three Novembers to replace its beloved longtime, in-person, pre-pandemic "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 was developed as a one-night 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. In 2022, the in-person component was added back, as well as the virtual. River Tales 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 businesses help to sponsor this annual event that was attended by over 250 in person and virtually in 2022.

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>2022</u>	<u>2021</u>
Auction	\$14,779	\$7,420
Sponsorships	14,000	8,300
Donations	5,750	10,765
Ticket Sales	3,590	-0-
Donated Food	3,000	-0-
Total Revenue	41,119	26,485

DIRECT COSTS:

Food (in-kind)	\$3,000	\$-0-
Contracted services	1,341	1,478
Space Rental	705	-0-
Supplies	596	45
Printing & postage	289	208
Merchant fees	235	641
Other	5	-0-
Total Costs	6,171	2,372

Special Events Income, net of direct costs	\$34,948	\$24,113
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NOTE 11: PRIOR PERIOD ADJUSTMENT:

For the year ended December 31, 2021, there was an understatement of net assets with donor restrictions and with an offsetting overstatement of net assets without donor restrictions.

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

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
Understatement of Net assets with donor restrictions	(10,000)	10,000	-0-
	<hr/>	<hr/>	<hr/>
Total Prior Period Adjustment	<u>(\$10,000)</u>	<u>\$10,000</u>	<u>\$-0-</u>