

**FIRST DESCENTS**

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**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT ACCOUNTANTS'  
REVIEW REPORT**

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**DECEMBER 31, 2016**



**Crady, Puca & Associates**

*Certified Public Accountants & Consultants*

**FIRST DESCENTS**

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## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

To the Board of Directors  
of First Descents

We have reviewed the accompanying financial statements of First Descents (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### ***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.

### ***Accountants' Responsibility***

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### ***Accountants' Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

***Crady, Puca & Associates***

Centennial, Colorado  
October 21, 2017

**FIRST DESCENTS**  
**Statement of Financial Position**  
**As of December 31, 2016**

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**ASSETS**

Cash and cash equivalents	\$	1,120,782
Contributions and grants receivable, net		454,100
Prepaid expenses		167,317
Other assets		8,920
Furniture and equipment, net		13,687
<b>Total assets</b>	<b>\$</b>	<b>1,764,806</b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued liabilities	\$	54,045
Deferred revenue		1,360
<b>Total liabilities</b>		<b>55,405</b>

**NET ASSETS**

Unrestricted		704,437
Temporarily Restricted		1,004,964
<b>Total net assets</b>		<b>1,709,401</b>
<b>Total liabilities and net assets</b>	<b>\$</b>	<b>1,764,806</b>

See accompanying notes and independent accountants' review report.

**FIRST DESCENTS**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue and Support:</b>			
Grants and contributions	\$ 1,076,453	\$ 285,464	\$ 1,361,917
OLI Project income, net	670,525		670,525
Special events, net	208,255		208,255
Program services revenue	149,500		149,500
In-kind contributions	244,392		244,392
Other	13,633		13,633
Net assets released from restrictions - Satisfaction of time and program restrictions	855,240	(855,240)	-
<b>Total Revenue and Support</b>	<u>3,217,998</u>	<u>(569,776)</u>	<u>2,648,222</u>
<b>Expenses:</b>			
Program services - Adventure programs	<u>2,096,223</u>	-	<u>2,096,223</u>
	2,096,223	-	2,096,223
Supporting services - Management and general	167,172	-	167,172
Fundraising	657,591	-	657,591
Total supporting services	<u>824,763</u>	-	<u>824,763</u>
<b>Total Expenses</b>	<u>2,920,986</u>	<u>-</u>	<u>2,920,986</u>
<b>Changes in net assets</b>	297,012	(569,776)	(272,764)
<b>Net assets, beginning of year</b>	<u>407,425</u>	<u>1,574,740</u>	<u>1,982,165</u>
<b>Net assets, end of year</b>	<u>\$ 704,437</u>	<u>\$ 1,004,964</u>	<u>\$ 1,709,401</u>

See accompanying notes and independent accountants' review report.

**FIRST DESCENTS**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2016**

	Program Services	Supporting Services			Total Expenses
	Outdoor Adventure	Management and General	Fundraising	Total	
Salaries and wages	\$ 546,156	\$ 78,781	\$ 260,243	\$ 339,024	\$ 885,180
Payroll taxes and benefits	100,519	14,500	47,897	62,397	162,916
Contract staff	218,056	-	-	-	218,056
Event entry fees, OLI	-	-	31,221	31,221	31,221
Program equipment and vehicle rentals	100,231	-	-	-	100,231
Program facility rental	206,512	-	-	-	206,512
Program meals	96,378	-	-	-	96,378
Program outfitters	384,148	-	-	-	384,148
Program suppliers	35,849	-	-	-	35,849
Program travel scholarships	97,179	-	-	-	97,179
Fundraising event expenses	-	-	291,988	291,988	291,988
Occupancy	56,463	32,689	57,730	90,419	146,882
Insurance	5,339	2,670	5,339	8,009	13,348
IT expenses	1,987	639	2,659	3,298	5,285
Legal, accounting and consulting	118,627	28,872	51,483	80,355	198,982
Bank and merchant fees	424	394	38,761	39,155	39,579
Dues and subscriptions	8,245	2,406	5,741	8,147	16,392
Marketing and advertising	8,041	-	15,636	15,636	23,677
Travel	97,111	3,173	31,727	34,900	132,011
Postage and shipping	5,503	440	6,829	7,269	12,772
Printing and publications	6,905	1,226	11,624	12,850	19,755
Miscellaneous	-	107	1,254	1,361	1,361
Depreciation	2,550	1,275	2,550	3,825	6,375
Total expenses	2,096,223	167,172	862,682	1,029,854	3,126,077
OLI entry fees netted against revenue	-	-	(16,989)	(16,989)	(16,989)
Special events costs netted against revenue	-	-	(188,102)	(188,102)	(188,102)
Total expenses in the statement of activities	\$ 2,096,223	\$ 167,172	\$ 657,591	\$ 824,763	\$ 2,920,986

See accompanying notes and independent accountants' review report.

**FIRST DESCENTS**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2016**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (272,764)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	6,375
Discount on contributions and grants receivable	20,864
Loss on write-off of obsolete inventory	10,100
Loss on disposal of assets	797
Changes in operating assets and liabilities:	
(Increase) decrease in assets:	
Receivables	39,776
Prepays	34,179
Deposits	(4,920)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	(339)
Deferred revenue	(18,302)
Net cash used by operating activities	<u>(184,234)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of property and equipment	<u>(10,712)</u>
Net cash used in investing activities	<u>(10,712)</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (194,946)

**Cash and cash equivalents - beginning of the year** 1,315,728

**Cash and cash equivalents - end of the year** \$ 1,120,782

See accompanying notes and independent accountants' review report.

**1. Summary of Significant Accounting Policies**

**Nature of the Organization**

First Descents (the "Organization") is a non-profit corporation established in 2003; formed under the laws of the State of Colorado and is located in Denver, Colorado.

The mission of the Organization is to provide life-changing outdoor adventures to young adults impacted by cancer. The Organization offers young adult cancer fighters and survivors a free outdoor adventure experience designed to empower them to climb, paddle, and surf beyond their diagnosis, defy their cancer, reclaim their lives, and connect with others doing the same. The Organization places an emphasis on each individual's experience and provides the right support for every participant to achieve their goals for the week. The experience is designed to allow healing to happen naturally and organically, no forced conversations and no structured group sessions or therapy.

The Organization's programs are available to young adults with cancer regardless of their financial means. All meals, accommodations, and program activities are provided free of charge, including travel scholarships when needed. The Organization relies financially on donations and grants to fund its activities. The OLI (Out Living It) Project is one fundraising platform used to support these activities. Under the OLI Project, individuals sign up for challenging events and ask for support for First Descents in honor of their challenge.

The majority of the Organization's revenue is derived from the OLI project, contributions, grants and special events.

**Basis of Accounting**

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, prepaid expenses, payables and other liabilities.

**Financial Statement Presentation**

The Organization reports 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.

As of December 31, 2016, the Organization had no permanently restricted net assets.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.



**1. Summary of Significant Accounting Policies (continued)**

**Contributions and Grants Receivable**

Unconditional contributions and grants receivable are recognized as revenue in the period the pledge is received. Unconditional contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met. There were no conditional grants or contributions as of December 31, 2016.

The Organization uses the allowance method to record uncollectible accounts. The allowance is based on past experience and on management's analysis of specific pledges made.

**Prepaid Expenses**

Prepaid expenses consist of expenses paid in advance of services or goods provided. The majority of such amounts are for down payments to secure outfitter services and lodging for upcoming programs and to secure facility rentals for future fundraising activities. Typically, 25-50% is paid upfront to secure the reservations and the rest is paid at the time of the program or event.

**Property and Equipment**

Property and equipment are stated at cost, or fair value if contributed. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$500. Depreciation of property and equipment is charged to expense over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives are three to seven years.

**Contributions and Support**

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is recorded as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Contributed Goods and Services**

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with its programs and general operations throughout the year that are not recognized as contributions in the financial statements because the nature of the services do not meet the recognition criteria.

**1. Summary of Significant Accounting Policies (continued)**

**Contributed Goods and Services (continued)**

Donated goods and services meeting the criteria for recognition in the financial statements are reflected as in-kind contributions at their estimated fair market value on the date of receipt. For the year ended December 31, 2016, donated professional services amounted to \$212,940. Of this amount, \$157,415 is included in program, \$30,115 in management and general and the balance of \$25,410 is included in fundraising expense.

**Advertising**

Advertising and marketing costs are expensed when incurred. For the year ended December 31, 2016, advertising expense amounted to \$23,677.

**Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, receivables, payables, and deferred revenue of the Organization approximate fair value because of the short maturity of these instruments. The fair value of contribution and grant receivables is estimated by discounting future cash flows using discounts of 4.5% based upon economic conditions at the time the pledges were made.

**Concentrations of Risk**

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents and receivables.

The Organization places its cash accounts with creditworthy, high-quality financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC). Such account balances may, at times, exceed the federally insured limit. As of December 31, 2016, the amount in excess of the FDIC limit was approximately \$820,800.

Credit risk with respect to receivables is limited due to the number and credit worthiness of the individuals and entities from whom the amounts are due.

**Functional Allocation of Expenses**

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

**FIRST DESCENTS**  
**Notes to Financial Statements**  
**December 31, 2016**

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**1. Summary of Significant Accounting Policies (continued)**

**Income Tax Status**

The Organization qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and accordingly, is exempt from federal income taxes or related income pursuant to Section 501(a) of the Code. Therefore, no provision for federal income tax is recorded in the accompanying financial statements. Income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization did not have unrelated business income subject to tax during the year ended December 31, 2016.

The Organization is no longer subject to U.S. Federal tax audits on its Form 990 by taxing authorities for fiscal years ending prior to December 31, 2013. The years subsequent to this year contain matters that could be subject to differing interpretations of applicable tax laws and regulations. Although the outcome of tax audits is uncertain, the Organization believes no issues would arise.

**2. Contributions and Grants Receivable**

The following is a summary of unconditional contributions and grants receivable as of December 31, 2016:

Receivable in less than one year	\$	330,464
Receivable in one to five years		<u>144,500</u>
Face value of contributions and grants receivable		474,964
Less: discount to net present value		<u>(20,864)</u>
Total contributions and grants receivable, net	\$	<u>454,100</u>

Amounts receivable are reflected at the present value of estimated future cash flows using a discount of 4.5% based upon economic conditions at time the pledges were made.

As of December 31, 2016, all grants and contributions receivable are deemed collectible and therefore no allowance has been recorded on grants and contributions receivable.

**3. Property and Equipment**

Property and equipment consist of the following as of December 31, 2016:

Equipment and furniture	\$	49,917
Less: accumulated depreciation		<u>(36,230)</u>
Property and equipment, net	\$	<u>13,687</u>

Depreciation expense for the year ended December 31, 2016 amounted to \$6,375.

**FIRST DESCENTS**  
**Notes to Financial Statements**  
**December 31, 2016**

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**4. Net Assets**

Temporarily restricted net assets are restricted for the following purposes as of December 31, 2016:

Time restrictions	\$ 732,464
Innovation fund	62,500
FD Tributaries	210,000
	<u>\$ 1,004,964</u>

**5. Special Events**

Special events for the year ended December 31, 2016 consisted of:

Income	\$ 396,357
Less: Direct benefit to donors	(188,102)
Special event revenue, net	<u>\$ 208,255</u>

**6. OLI Project**

OLI Project for the year ended December 31, 2016 consisted of:

Income	\$ 687,514
Less: Direct benefit to donors	(16,989)
Special event revenue, net	<u>\$ 670,525</u>

**7. Operating Lease Commitment**

In August 2016, the Organization entered into an amended agreement to lease office space that expires July 31, 2021.

Future minimum lease payments under this agreement are as follows:

<u>Year Ended</u> <u>December 31,</u>	
2017	\$ 50,923
2018	50,923
2019	50,923
2020	50,923
2021	29,705
Total	<u>\$ 233,397</u>

Office rent expense for the year ended December 31, 2016 amounted to \$54,033.

**8. Retirement Plan**

The Organization sponsors a defined contribution plan qualified under Section 403(b) of the Internal Revenue Code. Eligible employees may contribute a portion of their gross salaries to the 403(b) plan up to a maximum amount established by the IRS. The Organization matched an amount equal of 100% of employee contributions, not to exceed 2% of eligible employee compensation. For the year ended December 31, 2016, employer contributions amounted to \$17,854.

**9. Subsequent Events**

Management of the Organization adopted the provisions of the accounting standard, "*Subsequent Events*". This statement requires management to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Organization's financial statements were available to be issued on October 21, 2017 and this is the date through which subsequent events were evaluated.