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**Reviewed Financial Statements**  
Year Ended December 31, 2011



**First Descents**

**Reviewed Financial Statements**  
Year Ended December 31, 2011



May 23, 2012

Along with our reviewed 2011 financials, we would like to provide a detailed explanation of our Team FD platform.

Team FD accounts for First Descents largest single source of revenue; we anticipate that to continue moving forward. It is comprised of athletes who compete in national events, such as the New York Marathon, or any individual challenge they choose to take up on their own in order to raise funds and awareness for First Descents. These athletes are dedicated to the FD cause and many of them are fighters and survivors who have attended our programs.

The operating efficiency of our Team FD platform is at 77%. However, its expenses are unable to be netted against revenue. Due to the costs involved to raise Team FD revenue (race entry fees, athlete apparel, etc..) it skews our overall efficiency ratios. Without Team FD expenses, the programs expenditures as a percentage of total would be 79% versus 69%.

The Team FD revenue is vital to funding our programs, therefore First Descents has made the business decision to focus on increased revenue via Team FD versus another means of fundraising that might offer slightly better efficiencies, but with lower overall revenues.

Oftentimes nonprofits are rated on their overall efficiency level, with industry benchmarks being around 80% of expenditures going towards programming. In the case of First Descents, we are not able to meet current demand for our programs amongst young adult fighters and survivors. On average we always have over 100 people on our waiting list. Without the revenue provided by Team FD we would only be able to serve a fraction of the population we currently serve. We see that as an unacceptable alternative to bringing our efficiency ratios into the 80% range.

This is a significant business decision for First Descents; one that is specifically guided by our mission and young adult cancer fighters and survivors whom we serve.

To learn more about Team FD or to sign up for a challenge of your own please visit: [www.FirstDescents.org/Team-FD](http://www.FirstDescents.org/Team-FD).

Very truly yours,

A handwritten signature in black ink, appearing to be "BL", written over a light blue circular stamp.

Brad Ludden  
Founder/CEO

A handwritten signature in black ink that reads "Kelly Malin".

Kelly Malin  
Chief Operating Officer

# First Descents

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## Independent Accountants' Review Report

First Descents  
Denver, Colorado

We have reviewed the accompanying statement of financial position of First Descents (a non-profit corporation) as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization 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 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report. 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 conformity with accounting principles generally accepted in the United States.

The supplementary information preceding the table of contents is presented to highlight certain information related to First Descents and has not been not subjected to the inquiry and analytical procedures applied in the review of the basic financial statements but was compiled from information that is the representation of management, without audit or review, and we do not express an opinion or provide any assurance on such information.

*Anton Collins Mitchell LLP*

May 23, 2012

# First Descents

## Statement of Financial Position

December 31, 2011

### Assets

Cash and cash equivalents	\$ 464,953
Contributions receivable	54,396
Prepaid expenses	51,142
Inventory	4,510
Property and equipment, net	105,391
Other assets	16,323

**Total assets** \$ 696,715

### Liabilities and Net Assets

Accounts payable and accrued expenses	\$ 28,340
Payable to related party	39,394

Total liabilities 67,734

### Commitments and contingencies

#### Net assets

Unrestricted	478,981
Temporarily restricted	150,000

Total net assets 628,981

**Total liabilities and net assets** \$ 696,715

*See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.*

# First Descents

## Statement of Activities

<i>Year Ended December 31,</i>	2011		
	Unrestricted	Temporarily Restricted	Total
<b>Support, revenue and gains</b>			
Team FD	\$ 806,741	\$ -	\$ 806,741
Net store loss	(342)	-	(342)
Net event income	87,740	-	87,740
General contributions	255,699	-	255,699
Grants	322,206	150,000	472,206
Other income	345	-	345
In kind contributions	227,097	-	227,097
<b>Total support, revenue and gains</b>	<b>1,699,486</b>	<b>150,000</b>	<b>1,849,486</b>
<b>Expenses</b>			
Program services	1,023,516	-	1,023,516
Administrative	110,437	-	110,437
Fundraising:			
Team FD	188,114	-	188,114
General donor development	168,398	-	168,398
<b>Total fundraising</b>	<b>356,512</b>	<b>-</b>	<b>356,512</b>
<b>Total expenses</b>	<b>1,490,465</b>	<b>-</b>	<b>1,490,465</b>
Change in net assets before other expenses	209,021	150,000	359,021
Other expenses	(48,332)	-	(48,332)
Increase in net assets	160,689	150,000	310,689
<b>Net assets, beginning of year</b>	<b>318,292</b>	<b>-</b>	<b>318,292</b>
<b>Net assets, end of year</b>	<b>\$ 478,981</b>	<b>\$ 150,000</b>	<b>\$ 628,981</b>

*See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.*

# First Descents

## Statement of Functional Expenses

<i>Year Ended December 31,</i>		2011			
Description of Expenses	Program Services	Supporting Services			Total
		Fundraising			
		Team FD	Development	Administrative	
Salaries	\$ 216,011	\$ 30,000	\$ 107,222	\$ 64,889	\$ 418,122
Payroll taxes and benefits	29,648	5,246	13,490	12,283	60,667
Conferences and meetings	13,083	-	508	2,544	16,135
Events	-	-	22,401	-	22,401
Cost of direct benefit to donors	-	-	61,238	-	61,238
Donated cost of direct benefit to donors	-	-	189,704	-	189,704
Marketing	12,571	54,104	3,813	980	71,468
Postage and shipping	1,563	3,859	2,482	798	8,702
Cost of goods sold	-	-	1,535	-	1,535
Public relations	20,137	3,181	3,182	-	26,500
Participant recruiting	69,123	-	-	-	69,123
Program facilities rent	95,172	-	-	-	95,172
Program meals	57,875	-	-	-	57,875
Program equipment and vehicle rentals	59,701	-	-	-	59,701
Program supplies	19,554	-	-	-	19,554
Contract staff	298,503	-	5,000	-	303,503
Rent, utilities and supplies	439	7,333	5,542	7,285	20,599
Payroll processing expenses	1,178	182	468	203	2,031
Travel and meals	100,326	-	14,519	6,182	121,027
Event entries	-	44,214	-	-	44,214
IT/Web development	21,441	-	6,486	-	27,927
Alumni outreach	25	-	-	-	25
Insurance	1,430	-	-	3,411	4,841
Accounting, legal and consulting	-	-	-	9,761	9,761
Bank and merchant fees	-	39,995	4,461	1,280	45,736
Dues and subscriptions	-	-	-	806	806
Depreciation	5,736	-	417	15	6,168
<b>Total</b>	<b>\$ 1,023,516</b>	<b>\$ 188,114</b>	<b>\$ 442,468</b>	<b>\$ 110,437</b>	<b>\$ 1,764,535</b>
Less expenses netted against revenue:					
Events	-	-	21,593	-	21,593
Cost of direct benefit to donors	-	-	250,942	-	250,942
Cost of goods sold	-	-	1,535	-	1,535
<b>Total expenses</b>	<b>\$ 1,023,516</b>	<b>\$ 188,114</b>	<b>\$ 168,398</b>	<b>\$ 110,437</b>	<b>\$ 1,490,465</b>
Functional expenses as a percentage of total expense	69%	13%	11%	7%	100%

*See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.*



# First Descents

## Statement of Cash Flows

### Increase (Decrease) in Cash and Cash Equivalents

<i>Year Ended December 31,</i>	2011
<b>Cash flows from operating activities</b>	
Change in net assets	\$ 310,689
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	6,168
(Decrease) increase in operating assets:	
Contributions receivable	(54,396)
Prepaid expenses	(37,385)
Inventory	17,013
Other assets	17,062
Increase in operating liabilities:	
Accounts payable and accrued expenses	21,452
Net cash provided by operating activities	280,603
<b>Cash flows from investing activities</b>	
Purchases of property and equipment	(99,183)
Net cash used in investing activities	(99,183)
<b>Cash flows from financing activities</b>	
Borrowed from related party	39,394
Net cash provided by financing activities	39,394
<b>Net increase in cash and cash equivalents</b>	220,814
<b>Cash and cash equivalents, beginning of year</b>	244,139
<b>Cash and cash equivalents, end of year</b>	\$ 464,953

*See accompanying summary of accounting policies, notes to financial statements and independent accountants' review report.*

# First Descents

## Summary of Significant Accounting Policies

### *Organization*

First Descents is a non-profit organization established in 2003 in Colorado, whose mission is to offer 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. First Descents places an emphasis on each individual's experience and provides the right support for every participant to achieve their goals every week. The experience is designed to allow healing to happen naturally and organically, no forced conversations and no structured group sessions or therapy.

First Descents fulfills its mission at no charge to participants, and relies financially on donations and grants to fund continuing operating costs.

### *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as promulgated in the Financial Accounting Standards Board ("FASB") publication, *FASB Accounting Standards Codification*<sup>TM</sup> ("FASB Codification" or "ASC").

### *Cash and Cash Equivalents*

First Descents considers all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

### *Inventory*

Inventory consists of items that are sold via the website and are valued at the lower of cost or market on the first-in, first-out basis.

### *Prepaid Expenses and Other Assets*

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

# First Descents

## Summary of Significant Accounting Policies

### *Contributions Receivable*

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue in years subsequent to initial recognition. Conditional promises to give are not included as support until the conditions are substantially met. At December 31, 2011, contributions receivable consisted of contributions raised via a third-party website which were not remitted to First Descents during 2011, and are expected to be received within one year.

Subsequent to initial recognition, management uses the allowance method to determine the uncollectible amounts. The allowance is based upon historical experience, assessment of the current economic environment, and analysis of subsequent events. At December 31, 2011, management determined that an allowance was not necessary based on the nature of the receivables.

### *Property and Equipment*

Property and equipment is recorded at cost, or if donated, at fair value on the date of donation. First Descents capitalizes all additions and donations of property and equipment over \$500 which are expected to have a useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to seven years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation is removed from the accounts, and any resulting gain or loss is included in the statement of activities. Repair and maintenance costs are charged to expense when incurred.

### *Impairment of Long-Lived Assets*

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, by a charge to the statement of activities, to its current fair value. Management has determined that there were no indicators of impairment during the year ended December 31, 2011.

### *Unrestricted Net Assets*

Unrestricted net assets are available for use in general operations.

# First Descents

## Summary of Significant Accounting Policies

### *Temporarily Restricted Net Assets*

Temporarily restricted net assets consist of amounts that are subject to donor restrictions that may or will be met by expenditures or actions of First Descents and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure.

Donor-restricted contributions, including promises to give, are recorded as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a donor 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.

### *Permanently Restricted Net Assets*

Permanently restricted net assets consist of assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of First Descents. These restrictions stipulate that resources must be maintained permanently, but permit us to expend the income generated in accordance with the provisions of the gift agreements. There were no permanently restricted net assets at December 31, 2011.

### *Revenue Recognition*

Revenue is recognized when earned and collectability is reasonably assured. Contributions are recognized when cash, other assets, or an unconditional promise to give is received.

### *In Kind Services and Materials*

In kind professional services are recorded at the respective fair values of the services received. Donated materials are recorded at fair value at the date of donation. Volunteers contribute time to First Descents' program, administrative, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by the FASB Codification.

### *Expenses*

Expenses are recognized when incurred. Expenses paid in advance but not yet incurred are deferred to the applicable period.

# First Descents

## Summary of Significant Accounting Policies

### *Functional Allocation of Expenses*

The costs of conducting the First Descents program and supporting service activities are presented on a functional basis in the statement of activities. The details of functional expenses by natural classification are presented in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue, expenses, and distributions during the reporting period. Actual results could differ from those estimates, and those differences could be material.

### *Credit Risk*

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. First Descents has never experienced any losses related to these balances. All of First Descents non-interest bearing cash balances were fully insured at December 31, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for certain eligible accounts. Beginning 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and First Descents non-interested bearing cash balances may again exceed federally insured limits. First Descents had \$145,345 interest-bearing amounts on deposit in excess of federally insured limits at December 31, 2011.

### *Taxes and Tax-Exempt Status*

First Descents is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. First Descents qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). However, income from activities not directly related to First Descents' tax-exempt purpose is subject to taxation as unrelated business income.

First Descents believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status, and that it has taken no material uncertain tax positions that qualify for recognition or disclosure in the financial statements. First Descents is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2008.

*See accompanying independent accountants' review report.*

# First Descents

## Notes to Financial Statements

### 1. TEAM FD

Team FD is First Descents largest single source of support, representing \$806,741 during the year ended December 31, 2011. Team FD is a fundraising platform where individuals sign up for challenging events and ask for support for First Descents in honor of their challenge. Expenses incurred to generate this support are reported as fundraising expenses and were \$188,114 during the year ended December 31, 2011.

### 2. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at:

<i>December 31,</i>	2011
Vehicle	\$ 92,000
Fixtures and equipment	28,158
	120,158
Less accumulated depreciation	(14,767)
	\$ 105,391

### 3. RESTRICTIONS ON NET ASSETS

#### *Temporarily Restricted Net Assets*

Temporarily restricted net assets consist of contributions restricted by donors for particular purposes or periods as follows at:

<i>December 31,</i>	2011
Purpose:	
2012 Recruiting	\$ 50,000
Research Study	50,000
Alumni Outreach	50,000
	\$ 150,000

# First Descents

## Notes to Financial Statements

### 4. COMMITMENTS AND CONTINGENCIES

#### *Lease*

On December 1, 2011, First Descents entered into an operating lease for real property and improvements to be used as office space which expires on November 30, 2014. The lease requires a \$5,000 deposit and payments ranging from \$2,500 to \$3,500 per month. The payments for first year of the lease are gross, and the remaining months are net with a minimum expense reimbursement of \$955, which is included as part of the future minimum lease payment. Rent expense is recorded based on the payments made as First Descents believes the results are immaterially different from the straight-line method. Rent expense under this lease for the year ended December 31, 2011 totaled \$2,500.

Future minimum payments on the leases are as follows:

2012	\$ 32,701
2013	40,928
2014	38,751
Total	\$ 112,380

### 5. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011, First Descents borrowed funds, interest free, from several board members to cover certain costs, resulting in a payable of \$39,394. These funds were repaid subsequent to year-end.

During the year ended December 31, 2011, an entity controlled by a board member provided in-kind contributions of accounting services and use of office space valued at \$20,000 and \$3,300, respectively.

### 6. SUBSEQUENT EVENTS

First Descents has evaluated subsequent events through May 23, 2012, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.