

**First Descents**

**Financial Statements**

**December 31, 2013**

**(With Independent Auditor's Report Thereon)**

*Kundinger, Corder & Engle, P.C.*

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*Certified Public Accountants*

## **Independent Accountant's Review Report**

### **First Descents Board of Directors:**

We have reviewed the accompanying statement of financial position of First Descents as of December 31, 2013, 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 First Descents 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 of America 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 review 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 of America.

November 21, 2014

**First Descents**  
**Statement of Financial Position**  
**December 31, 2013**

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**Assets**

Cash and cash equivalents	\$ 609,144
Grants and contributions receivable	170,603
Prepaid expenses	66,348
Inventory	8,872
Equipment, net of accumulated depreciation of \$21,771	18,042
Other assets	<u>17,417</u>
Total assets	<u><u>\$ 890,426</u></u>

**Liabilities and Net Assets**

Liabilities:

Accounts payable and accrued expenses	\$ 40,070
Deferred revenue	<u>10,000</u>
Total liabilities	<u>50,070</u>

Net Assets:

Unrestricted	<u>840,356</u>
Total net assets	<u>840,356</u>

Commitments (notes 2 and 3)

Total liabilities and net assets	<u><u>\$ 890,426</u></u>
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See accompanying notes to financial statements and independent accountant's review report.

**First Descents**  
**Statement of Activities**  
**Year Ended December 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue, gains, and support</b>			
Team FD, net (note 1(a))	\$ 561,392	-	561,392
Net event income	303,961	-	303,961
General contributions	610,826	-	610,826
Grants	578,001	-	578,001
Other income	27,754	-	27,754
Net assets released due to satisfaction of time restrictions	50,000	( 50,000)	-
Total revenue, gains, and support	<u>2,131,934</u>	<u>(50,000)</u>	<u>2,081,934</u>
<b>Expenses</b>			
Program services	1,572,164	-	1,572,164
Administrative	158,669	-	158,669
Donor development	207,047	-	207,047
Total expenses	<u>1,937,880</u>	<u>-</u>	<u>1,937,880</u>
<b>Change in net assets</b>	194,054	(50,000)	144,054
Net assets at beginning of year	<u>646,302</u>	<u>50,000</u>	<u>696,302</u>
<b>Net assets at end of year</b>	<u>\$ 840,356</u>	<u>-</u>	<u>840,356</u>

See accompanying notes to financial statements and independent accountant's review report.

**First Descents**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2013**

	<u>Programs</u>	<u>Administrative</u>	<u>Team FD</u>	<u>Development</u>	<u>Total</u>
Salaries and wages	\$ 489,096	66,117	27,987	83,961	667,161
Payroll taxes and benefits	82,910	11,108	4,744	14,233	112,995
Accounting, legal, and consulting	30	28,151	-	-	28,181
Alumni outreach	34,726	-	-	-	34,726
Bank and merchant fees	-	702	31,380	3,590	35,672
Conferences and meetings	11,218	957	-	2,032	14,207
Contract staff	371,531	10,177	-	24,115	405,823
Cost of direct benefit to donors	-	-	-	240,371	240,371
Cost of goods sold	-	-	-	3,456	3,456
Depreciation	12,688	162	-	4,508	17,358
Dues and subscriptions	-	2,916	-	-	2,916
Event entries	-	-	54,943	-	54,943
Events	-	-	-	481,144	481,144
Insurance	2,450	11,740	-	-	14,190
IT and web development	19,945	-	-	-	19,945
Marketing and advertising	37,393	-	26,462	13,024	76,879
Participant recruiting	25,910	-	-	-	25,910
Payroll processing	1,976	268	-	452	2,696
Postage and shipping	2,213	504	1,568	2,985	7,270
Printing and publications	-	-	-	14,744	14,744
Program equipment and rentals	65,870	-	-	-	65,870
Program facility rental	188,439	-	-	-	188,439
Program meals	83,095	-	-	-	83,095
Program supplies	7,919	-	-	-	7,919
Public relations	12,600	-	-	3,488	16,088
Rent, utilities and supplies	27,652	18,636	2,790	18,274	67,352
Travel and meals	94,503	7,231	1,593	21,641	124,968
	<u>1,572,164</u>	<u>158,669</u>	<u>151,467</u>	<u>932,018</u>	<u>2,814,318</u>
Expenses netted against revenue:					
Other Team FD costs	-	-	( 96,524)	-	( 96,524)
Events	-	-	-	( 481,144)	( 481,144)
Cost of direct benefit to donors	-	-	( 54,943)	( 240,371)	( 295,314)
Cost of goods sold	-	-	-	( 3,456)	( 3,456)
Total expenses	<u>\$ 1,572,164</u>	<u>158,669</u>	<u>-</u>	<u>207,047</u>	<u>1,937,880</u>

See accompanying notes to financial statements and independent accountant's review report.

**First Descents**  
**Statement of Cash Flows**  
**Year Ended December 31, 2013**

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**Cash flows from operating activities:**

Change in net assets	\$	144,054
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		17,358
Gain on sale of assets		( 1,912)
(Increase) decrease in operating assets:		
Grants and contributions receivable		(41,413)
Prepaid expenses		31,872
Inventory		(4,801)
Other assets		(12,222)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		(75,003)
Deferred revenue		10,000
Net cash provided by operating activities		<u>67,933</u>

**Cash flows from investing activities:**

Purchase of property and equipment		(4,115)
Proceeds from sale of property and equipment		<u>62,000</u>
Net cash provided by investing activities		<u>57,885</u>

**Cash flows from financing activities:**

Proceeds from loan		100,000
Payments on loan		<u>(100,000)</u>
Net cash provided by financing activities		<u>-</u>

<b>Net increase in cash and cash equivalents</b>		125,818
Cash and cash equivalents at beginning of year		<u>483,326</u>
<b>Cash and cash equivalents at end of year</b>	<b>\$</b>	<b><u><u>609,144</u></u></b>

See accompanying notes to financial statements and independent accountant's review report.

**First Descents**  
**Notes to Financial Statements**  
**December 31, 2013**

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

**(a) General**

First Descents is a Colorado non-profit corporation established in 2003, 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 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.

First Descents 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. First Descents relies financially on donations and grants to fund its activities. Team FD is the primary fundraising platform used to support these activities. Under Team FD, individuals sign up for challenging events and ask for support for First Descents in honor of their challenge. Total contributions raised, net of expenses, were \$561,392 during the year ended December 31, 2013.

**(b) Basis of Accounting**

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

**(c) Financial Statement Presentation**

First Descents is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. There were no temporarily or permanently restricted net assets at December 31, 2013.

**(d) Cash and Cash Equivalents**

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

# First Descents

## Notes to Financial Statements, Continued

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### (1) Summary of Significant Accounting Policies, Continued

#### (e) Grants and Contributions

Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### (f) Grants and Contributions Receivable

Unconditional grants and contributions receivable are recognized as revenue in the period the pledge is received. Grants and 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 grants and contributions receivable are recognized when the conditions on which they depend are substantially met. There were no conditional grants or contributions receivable at December 31, 2013.

First Descents uses the allowance method to determine uncollectible unconditional grants and contributions receivable. The allowance is based on prior years' experience and management's analysis of specific pledges made. At December 31, 2013, management considers all grants and contributions receivable to be collectible. Accordingly, there is no allowance for uncollectible amounts. At December 31, 2013, all grants and contributions receivable are due within one year.

#### (g) 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.

#### (h) 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.

#### (i) Concentrations of Credit Risk

First Descents places its cash accounts with creditworthy, high quality financial institutions and, at times, balances may exceed federally insured limits.



# First Descents

## Notes to Financial Statements, Continued

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### **(1) Summary of Significant Accounting Policies, Continued**

#### **(j) Property and Equipment**

Property and equipment is recorded at cost or, if donated, at the approximate fair market value at the date of donation. First Descents capitalizes assets with useful lives of more than one year and a cost of \$500 or greater. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

#### **(k) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **(l) Donated Services**

Many individuals volunteer their time and perform a variety of tasks that assist First Descents in its program, administrative and fundraising activities. The value of these services is not reflected in the accompanying financial statements because the services do not meet the criteria for recognition.

#### **(m) Functional Allocation of Expenses**

The costs of providing the various programs and related supporting services have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the appropriate programs and supporting services benefited.

#### **(n) Income Tax Status**

First Descents is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the charitable contribution deduction. Income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income in the year ended December 31, 2013.

Management is required to evaluate tax positions taken by First Descents and recognize a tax liability (or asset) if it has taken an uncertain position that likely would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements and determined there are none. First Descents is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to December 31, 2010.

# First Descents

## Notes to Financial Statements, Continued

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**(1) Summary of Significant Accounting Policies, Continued**

**(o) Subsequent Events**

Management is required 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 Foundation's financial statements were available to be issued on November 21, 2014 and this is the date through which subsequent events were evaluated.

**(2) Employee Benefit Plan**

First Descents 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 the maximum amount established by the IRS. First Descents matches an amount equal to 100% of employee contributions, not to exceed 2% of the employee's compensation. Employer contributions are vested immediately. During 2013, First Descents contributed \$11,664 to the plan.

**(3) Leases**

First Descents leased office space under an agreement that terminated in July 2014. Rent expense under the lease for the year ended December 31, 2013 totaled \$40,929. First Descents entered into an office space lease in March 2014 that expires in February 2016. Future minimum lease payments under both leases at December 31, 2013 are as follows for years ending December 31:

2014	\$ 50,559
2015	36,188
2016	<u>6,061</u>
	<u>\$ 92,808</u>