

First Descents

Financial Statements

December 31, 2014

(With Independent Accountant's Review Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Independent Accountant's Review Report

First Descents

Board of Directors:

We have reviewed the accompanying financial statements of First Descents, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the 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.

Accountant's 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

Accountant's 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.

Kundinger, Corder & Engle, P.C.

October 21, 2015

First Descents
Statement of Financial Position
December 31, 2014

Assets

Cash and cash equivalents	\$ 859,286
Grants and contributions receivable (note 2)	315,972
Prepaid expenses	172,617
Inventory	10,100
Equipment, net of accumulated depreciation of \$28,270	11,543
Other assets	4,000
Total assets	<u>\$ 1,373,518</u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 100,615
Deferred revenue	4,000
Total liabilities	<u>104,615</u>

Net assets:

Unrestricted	1,021,403
Temporarily restricted (note 3)	247,500
Total net assets	<u>1,268,903</u>

Commitments (notes 4 and 5)

Total liabilities and net assets	<u>\$ 1,373,518</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, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support			
OLI Project, net of direct costs of \$72,176	\$ 396,289	–	396,289
Special events, net of direct costs of \$502,326	275,373	–	275,373
Corporate programs	114,900	–	114,900
General contributions	368,251	247,500	615,751
Grants	1,167,355	–	1,167,355
Other income	7,135	–	7,135
Total revenue and support	<u>2,329,303</u>	<u>247,500</u>	<u>2,576,803</u>
Expenses			
Program services	1,667,051	–	1,667,051
Administrative	207,066	–	207,066
Donor development	274,139	–	274,139
Total expenses	<u>2,148,256</u>	<u>–</u>	<u>2,148,256</u>
Change in net assets	181,047	247,500	428,547
Net assets at beginning of year	<u>840,356</u>	<u>–</u>	<u>840,356</u>
Net assets at end of year	<u>\$ 1,021,403</u>	<u>247,500</u>	<u>1,268,903</u>

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

First Descents
Statement of Functional Expenses
Year Ended December 31, 2014

	Program Services	Administrative	OLI Project	Donor Development	Total
Salaries and wages	\$ 561,455	71,843	-	85,133	718,431
Payroll taxes and benefits	81,945	16,126	-	22,457	120,528
Accounting, legal, and consulting	3,871	52,054	-	22,851	78,776
Alumni outreach	29,869	-	-	-	29,869
Bank and merchant fees	201	1,260	21,302	35,373	58,136
Conferences and meetings	6,658	300	-	1,021	7,979
Contract staff	425,970	243	-	37,931	464,144
Direct special event costs	-	-	-	502,326	502,326
Depreciation	4,744	650	-	1,105	6,499
Dues and subscriptions	4,279	1,952	-	1,859	8,090
Event entries	60	-	23,741	-	23,801
Insurance	2,521	7,416	-	716	10,653
Marketing and advertising	67,050	1,344	22,323	28,173	118,890
Payroll processing	2,237	1,042	-	763	4,042
Postage and shipping	3,000	907	1,120	2,348	7,375
Equipment and rentals	22,285	-	-	-	22,285
Program facility rental	162,436	-	-	-	162,436
Program supplies	2,105	-	-	-	2,105
Rent, utilities and supplies	28,866	44,715	2,114	16,017	91,712
Travel and meals	257,499	7,214	1,576	18,392	284,681
	<u>1,667,051</u>	<u>207,066</u>	<u>72,176</u>	<u>776,465</u>	<u>2,722,758</u>
Expenses netted against revenue:					
OLI Project costs	-	-	(48,436)	-	(48,436)
Direct special event costs	-	-	(23,740)	(502,326)	(526,066)
Total expenses	<u>\$ 1,667,051</u>	<u>207,066</u>	<u>-</u>	<u>274,139</u>	<u>2,148,256</u>

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

First Descents
Statement of Cash Flows
Year Ended December 31, 2014

Cash flows from operating activities:

Change in net assets	\$ 428,547
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	6,499
(Increase) decrease in operating assets:	
Grants and contributions receivable	(145,369)
Prepaid expenses	(106,269)
Inventory	(1,228)
Other assets	13,417
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	60,545
Deferred revenue	(6,000)
Net cash provided by operating activities	<u>250,142</u>
Net increase in cash and cash equivalents	250,142
Cash and cash equivalents at beginning of year	<u>609,144</u>
Cash and cash equivalents at end of year	<u><u>\$ 859,286</u></u>

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

First Descents
Notes to Financial Statements
December 31, 2014

(1) Summary of Significant Accounting Policies

(a) General

First Descents is a Colorado non-profit corporation established in 2003, whose mission is to provide life-changing outdoor adventures to young adults impacted by cancer. First Descents 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. 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. The OLI (Out Living It) Project is the primary 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. Total contributions raised, net of expenses, were \$396,289 during the year ended December 31, 2014.

(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 permanently restricted net assets at December 31, 2014.

(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

(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, 2014.

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, 2014, management considers all grants and contributions receivable to be collectible. Accordingly, there is no allowance for uncollectible amounts.

(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, 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.

(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

(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 Goods and Services

During 2014, First Descents received donated goods totaling approximately \$240,000. The donated items were received in connection with auctions held at special events. Proceeds from the sale of these donated items are included in special event revenue in the accompanying statement of activities.

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, 2014.

First Descents
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(n) Income Tax Status, Continued

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, 2011.

(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 October 21, 2015 and this is the date through which subsequent events were evaluated.

(2) Grants and Contributions Receivable

Grants and contributions receivable are due as follows at December 31, 2014:

Due in one year	\$ 53,472
Due in one to five years	<u>175,000</u>
	\$ <u>315,972</u>

Amounts due in more than one year are not discounted to net present value because the amount is not significant.

(3) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2014:

Contributions receivable	\$ 237,500
Sponsorship for 2015 event	<u>10,000</u>
	\$ <u>247,500</u>

First Descents
Notes to Financial Statements, Continued

(4) 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 2014, First Descents contributed \$13,210 to the plan.

(5) Leases

First Descents leases office space under an agreement that expires in February 2016. Future minimum lease payments at December 31, 2014 are as follows for years ending December 31:

2015	\$ 36,188
2016	<u>6,061</u>
	<u>\$ 42,249</u>

Office rent expense for the year ended December 31, 2014 was \$55,563.