

FIRST DESCENTS
(a non-profit corporation)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2018

FIRST DESCENTS
(a non-profit corporation)

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ROBERT R. FEIS, CPA

INDEPENDENT AUDITORS' REPORT

**Board of Directors
First Descents
Denver, CO**

We have audited the accompanying financial statements of First Descents (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Descents as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Leis & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS
Brighton, CO

August 18, 2020

FIRST DESCENTS
(a non-profit corporation)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

	<u>2018</u>
<u>ASSETS</u>	
Assets:	
Cash and cash equivalents	\$ 2,106,586
Contributions and grants receivable, net	1,028,212
Prepaid expenses	155,919
Other assets	10,284
Furniture and equipment, net	31,523
 Total Assets	 \$ <u><u>3,332,524</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 11,991
Accrued liabilities	85,595
Deferred revenue	1,103,039
Short term debts	32,958
Total Liabilities	<u>1,233,583</u>
 Net Assets:	
With donor restrictions	1,074,088
Without donor restrictions:	
Undesignated	774,853
Board designated	250,000
	<u>1,024,853</u>
Total Net Assets	<u>2,098,941</u>
 Total Liabilities and Net Assets	 \$ <u><u>3,332,524</u></u>

See independent auditors' report.
The accompanying notes are an integral part of the financial statements.

FIRST DESCENTS
(a non-profit corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals 2018</u>
Revenues:			
Individual contributions, net	\$ 599,294	\$ 327,900	\$ 927,194
Corporate contributions, net	134,144	525,000	659,144
Foundations and other organizations	369,495	562,500	931,995
Program services revenue	138,750	-	138,750
Special events, net	723,690	-	723,690
In-kind donations	192,538	-	192,538
Other income, net	10,959	-	10,959
Net assets released from restrictions:			
Satisfaction of use restrictions	1,117,337	(1,117,337)	-
Total Revenues	<u>3,286,207</u>	<u>298,063</u>	<u>3,584,270</u>
Expenses:			
Program Services:			
Adventure programs	2,334,518	-	2,334,518
	<u>2,334,518</u>	<u>-</u>	<u>2,334,518</u>
Supporting services:			
Management and general	233,269	-	233,269
Fundraising	530,736	-	530,736
Total supporting services	<u>764,005</u>	<u>-</u>	<u>764,005</u>
Total Expenses	<u>3,098,523</u>	<u>-</u>	<u>3,098,523</u>
Change in Net Assets	187,684	298,063	485,747
Net Assets at Beginning of Year	<u>837,169</u>	<u>776,025</u>	<u>1,613,194</u>
Net Assets at End of Year	<u>\$ 1,024,853</u>	<u>\$ 1,074,088</u>	<u>\$ 2,098,941</u>

See independent auditors' report.
The accompanying notes are an integral part of the financial statements.

FIRST DESCENTS
(a non-profit corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

				2018
		Management		Total
	Programs	& General	Fundraising	Functional
				Expenses
Direct program expenses	\$ 1,344,080	\$ -	\$ -	\$ 1,344,080
Salaries and wages	600,956	128,776	292,302	1,022,034
Payroll taxes and benefits	105,825	22,677	51,473	179,975
Contract services	3,945	972	2,083	7,000
Occupancy	72,708	17,911	38,392	129,011
Office expenses	3,298	5,946	4,386	13,630
Information technology	9,669	2,717	9,736	22,122
Travel and meals	30,858	2,215	40,650	73,723
Event costs	-	-	552,897	552,897
Insurance	3,521	5,869	2,348	11,738
Legal, accounting, and consulting	120,016	38,601	27,077	185,694
Bank and merchant fees	483	936	37,343	38,762
Advertising and promotion	24,827	-	12,639	37,466
Printing, postage, and shipping	7,434	3,138	25,387	35,959
Other	350	1,898	137	2,385
Depreciation and amortization	6,548	1,613	3,457	11,618
Total expenses	<u>2,334,518</u>	<u>233,269</u>	<u>1,100,307</u>	<u>3,668,094</u>
OLI project costs netted against revenue	-	-	(73,085)	(73,085)
Special event expenses netted against revenue	-	-	(488,755)	(488,755)
FD store expenses netted against revenue	-	-	(7,731)	(7,731)
Total expenses in the statement of activities	<u>\$ 2,334,518</u>	<u>\$ 233,269</u>	<u>\$ 530,736</u>	<u>\$ 3,098,523</u>

See independent auditors' report.

The accompanying notes are an integral part of the financial statements.

FIRST DESCENTS
(a non-profit corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>
Cash flows from operating activities:	
Change in Net Assets, Increase (Decrease)	\$ 485,747
Adjustments to reconcile change in assets to net cash provided (used) by operating activities:	
Depreciation	11,618
Discount on contributions and grants receivable	17,500
Change in receivables	(290,190)
Change in prepaid expenses	(16,359)
Change in other assets	(1,364)
Change in accounts payable	(295)
Change in deferred revenue	577,284
Change in other liabilities	<u>75,595</u>
Net cash provided (used) by operating activities	<u>859,536</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(3,962)</u>
Net cash provided (used) by investing activities	<u>(3,962)</u>
Cash flows from financing activities:	
Debt payments	<u>(15,899)</u>
Net cash provided (used) by financing activities	<u>(15,899)</u>
Net increase in cash and cash equivalents	839,675
Cash and cash equivalents at beginning of period	1,266,911
Cash and cash equivalents at end of year	<u>\$ 2,106,586</u>

See independent auditors' report.
The accompanying notes are an integral part of the financial statements.

FIRST DESCENTS
(a non-profit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. Summary of Significant Accounting Policies

A. 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 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.

B. Basis of Accounting

The accrual basis of accounting is used for financial statement presentation. Under the accrual method of accounting, revenues and the related assets are recognized when earned rather than when received, and expenses and the related liabilities are recognized when incurred rather than when paid.

Annual operating budgets are prepared by management and approved by the Board of Directors. The budget is used as a guideline and control document for financial operations.

See independent auditors' report.

FIRST DESCENTS
(a non-profit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. Summary of Significant Accounting Policies – (continued)

C. Financial Statement Presentation

Financial statement presentation follows the requirements under accounting principles generally accepted in the United States of America for *Not-for-Profit Organizations*. Under this presentation the Organization is required to report information regarding its financial position and activities according to two classes of net assets; with donor restrictions and without donor restrictions. Net assets without donor restrictions come primarily from donations, grants, and contributions and are used by the Organization for program or supporting services. Net assets with donor restrictions are those net assets whose use has been limited by donors to later periods of time, after specified dates or to specified purposes.

D. Net Assets

The Organization reports all contributions and grants as unrestricted revenue unless the donor imposes specific restrictions as to the use of the contribution or grant. Net assets with donor restrictions totaled \$1,074,088 as of December 31, 2018.

E. Estimates in the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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.

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

See independent auditors' report.

FIRST DESCENTS
(a non-profit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. Summary of Significant Accounting Policies - (continued)

G. 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, 2018.

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.

H. 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 remaining balance is paid at the time of the program or event.

I. Fair Value Measurements

The Organization has adopted the requirements of Statement of Financial Accounting Standards Codification 820, *Fair Value Measurements*. This statement requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1), inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2), and unobservable inputs from the asset or liability (Level 3).

The Organization's financial instruments include cash and cash equivalents, receivables, and accounts payable. The fair value of these financial instruments approximates their carrying amounts based on current market indicators such as prevailing interest rates and their nearness to maturity.

See independent auditors' report.

FIRST DESCENTS
(a non-profit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. Summary of Significant Accounting Policies - (continued)

J. Property and Equipment

Property and equipment are recorded at cost or fair value, if donated, and depreciated using the straight-line method over an estimated useful life of three to seven years. All expenditures for property and equipment in excess of \$500 is capitalized. Depreciation expense for the year ended December 31, 2018 was \$11,618. Property and equipment consist of the following as of December 31, 2018:

Equipment and Furniture	\$ 64,001
Leasehold Improvements	<u>24,075</u>
Total Property and Equipment	88,076
Less: Accumulated Depreciation	<u>(56,553)</u>
Property and Equipment, Net	\$ <u>31,523</u>

K. Contributions and Support

Contributions are recorded as support with or without donor restrictions, depending on the existence or nature of any donor restrictions.

All donor-restricted support is recorded as an increase in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

L. 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.

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, 2018, donated professional services amounted to \$339,205.

See independent auditors' report.

FIRST DESCENTS
(a non-profit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. Summary of Significant Accounting Policies - (continued)

M. Advertising Costs

Advertising and marketing costs are expensed in the year incurred. Advertising expense for the year ended December 31, 2018 was \$37,466.

N. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Organization places its cash and cash equivalents with creditworthy, high-quality, financial institutions. Concentration risks associated with accounts receivable are limited as no significant balances are due from any single entity.

As of December 31, 2018, the organization's cash deposits had a carrying balance of \$2,106,586 and corresponding bank balances as follows:

Insured Deposits	\$ 389,270
Cash on Hand	38,735
Uninsured Deposits	<u>1,678,581</u>
 Total cash and cash equivalent	 \$ <u>2,106,586</u>

O. Functional Expenses

The costs of providing 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.

P. Asset Liquidity

From time to time, the Organization receives support from restricted contributions and grants. Because a donors' restriction requires resources to be used in a particular manner in a future period, The Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of The Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, The Organization invests cash in excess of daily requirements in short term investments.

See independent auditors' report.

FIRST DESCENTS
(a non-profit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. Summary of Significant Accounting Policies - (continued)

P. Asset Liquidity – (continued)

Financial assets at year end	\$ 3,301,001
Less: current liabilities	<u>(1,233,583)</u>

Financial assets available to meet cash needs for general expenditures within one year	\$ <u>2,067,418</u>
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Q. Deferred Revenue

Grant revenue received in advance is deferred and recognized during the grant period. The deferred revenue balance at December 31, 2018 was \$1,103,039.

2. Income Taxes

First Descents is exempt from income tax under Internal Revenue Code Section 501(c) (3).

In accordance with accounting principles generally accepted in the United States of America, a private entity is required to disclose any material uncertain tax positions that management believes does not meet a “more-likely-than-not” standard of being sustained under an income tax audit and to record a liability for any such income tax, including penalties and related interest expense. Management has not identified any uncertain tax positions that require the recording of a liability mentioned above or further disclosure. Income tax years ending December 31, 2016 through 20189 remain subject to examination by the Internal Revenue Service.

3. Contributions and Grants Receivable

The following is a summary of unconditional contributions and grants receivable as of December 31, 2018:

Receivable in less than one year	\$ 570,871
Receivable in one to five years	<u>497,800</u>
Face value of contributions and grants receivable	1,068,671
Less: discount to net present value	<u>(40,459)</u>
Total contributions and grants receivable, net	\$ <u>1,028,212</u>

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

See independent auditors' report.

FIRST DESCENTS
(a non-profit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

3. Contributions and Grants Receivable – (continued)

As of December 31, 2018, all grants and contributions receivable are deemed collectible and therefore, no allowance has been recorded on grants and contributions receivable.

4. Net Assets

Net Assets with Donor Restrictions are restricted for the following purposes as of December 31, 2018:

Time	<u>\$1,074,088</u>
Total	<u>\$1,074,088</u>

5. Special Events

Special events for the year ended December 31, 2018 consisted of:

Income	\$1,212,445
Less: Direct benefit to donors	<u>(488,755)</u>
Special event revenue, net	<u>\$ 723,690</u>

6. OLI Project

OLI Project for the year ended December 31, 2018 consisted of:

Income	\$ 759,998
Less: Direct expenses	<u>(11,003)</u>
OLI Project revenue, net	<u>\$ 748,995</u>

7. Operating Lease

In January 2014, the Organization entered into a lease agreement for office space in Denver, Colorado. That lease has since been amended to extend the lease term and increase the space leased. The lease expires on December 31, 2020 and has monthly lease payments that increase at a rate of 3% per year. The rent expense for 2018 was \$53,107. Future minimum lease payments are as follows:

December 31, 2019	\$ 71,272
2020	<u>73,411</u>
Total	<u>\$ 144,683</u>

See independent auditors' report.

FIRST DESCENTS
(a non-profit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. Deferred Compensation Plan

The Organization has adopted a defined contribution plan under Internal Revenue Code Section 403(b). Under this plan employees are allowed to contribute and defer up to \$18,500 of their annual compensation. As the employer, the Organization is required to contribute an amount not to exceed two-percent (2%) of the employee's annual compensation. The employer contribution totaled \$18,345 for the year ended December 31, 2018.

9. Change in Accounting Principle

During the year ended December 31, 2018, the organization adopted the provisions of *ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities*, which requires several changes in non-profit reporting. This includes reducing the net asset classification from 3 to 2 and requiring additional disclosures. These changes have been applied retrospectively. This change had no impact on total net assets at the beginning of the year, or the change in net assets. The unrestricted net assets were converted to net assets without donor restrictions and temporarily and permanently restricted net assets were converted to net assets with donor restrictions.

10. Subsequent Events

In accordance with the provisions of Statement of Financial Accounting Standards Codification 855, Subsequent Events, management must evaluate, through the date the financial statements are issued or are 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 the date of the Independent Accountant's Review Report and this is the date through which subsequent events were evaluated. The Organization identified the following subsequent events requiring disclosure.

The COVID-19 outbreak, which was declared a worldwide pandemic on March 11, 2020 by the World Health Organization ("WHO"), has caused business disruption in a variety of industries, markets and geographic regions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The extent to which the Organization's operational and financial performance will be affected is also uncertain. Therefore, while the Organization expects this matter to negatively impact their business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

See independent auditors' report.

FIRST DESCENTS
(a non-profit corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

10. Subsequent Events – (continued)

During 2020, the Organization acquired, through donation, a 100% equity interest in Stoke Broker, a for-profit C-Corporation. The Organization anticipates that, over time, Stoke Broker will provide the Organization with an independent and source of annual income for its operations. Due to its controlling interest in Stoke Broker, the Organization will report the combined activities and net position of both entities.

See independent auditors' report.