

FIRST DESCENTS AND SUBSIDIARY

Consolidated Financial Statements
As Of December 31, 2021

Together With Independent Auditors' Report

JDS professional
group
certified public accountants, consultants and advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
First Descents:

Opinion

We have audited the accompanying consolidated financial statements of First Descents and Subsidiary (collectively referred to as the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Members:

American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants

10303 E. Dry Creek Road, Suite 400 • Englewood, CO 80112 • 303 771 0123 • 303 771 0078 fax

Independent Auditors' Report (Continued)**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Independent Auditors' Report (Continued)

Restatement

As discussed in Note 12 to the consolidated financial statements, certain errors resulted in an understatement of amounts previously reported for contributions and grants receivable and an overstatement of deferred revenue. Accordingly, net assets as of December 31, 2020, have been restated to correct these errors. Our opinion is not modified with respect to this matter

We are required to communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

JDS Professional Group

December 15, 2023

FIRST DESCENTS AND SUBSIDIARY

Consolidated Statement Of Financial Position
As Of December 31, 2021

Page -4-

ASSETS

Current Assets:

Cash and cash equivalents	\$ 7,720,225
Contributions and grants receivable	1,333,747
Prepaid expenses	445,209
Total Current Assets	<u>9,499,181</u>

Property and equipment, net of accumulated depreciation	<u>90,464</u>
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TOTAL ASSETS	<u>\$ 9,589,645</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 33,180
Accrued liabilities	98,423
Deferred revenue	382,833
Refundable advances	237,738
Refundable advance - PPP	257,560
Total Liabilities	<u>1,009,734</u>

Net Assets:

Without Donor Restrictions	7,074,833
With Donor Restrictions	1,505,078
Total Net Assets	<u>8,579,911</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,589,645</u>
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The accompanying notes are an integral part of the consolidated financial statements

FIRST DESCENTS AND SUBSIDIARYConsolidated Statement Of Activities
For The Year Ended December 31, 2021

Page -5-

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Contributions and grants	\$ 2,227,969	\$ 1,478,593	\$ 3,706,562
Program services revenue, net of cost of goods sold	463,441		463,441
Government grant	257,561		257,561
Special events, net of direct benefit to donor	408,227		408,227
Contributions of nonfinancial assets	138,761		138,761
Other income	5,371		5,371
Net assets released from restrictions - Satisfaction of purpose restriction	1,749,993	(1,749,993)	
Total Revenue And Support	<u>5,251,323</u>	<u>(271,400)</u>	<u>4,979,923</u>
Expenses:			
Program Services - Adventure programs	<u>2,459,636</u>		<u>2,459,636</u>
Supporting Services - General and administrative	271,225		271,225
Fundraising	602,716		602,716
Total Supporting Services	<u>873,941</u>		<u>873,941</u>
Total Expenses	<u>3,333,577</u>		<u>3,333,577</u>
CHANGES IN NET ASSETS FROM OPERATIONS	1,917,746	(271,400)	1,646,346
Net Assets, Beginning Of Year, As Originally Reported	4,637,646	702,710	5,340,356
Restatement	519,441	1,073,768	1,593,209
Net Assets, Beginning Of Year, Restated	<u>5,157,087</u>	<u>1,776,478</u>	<u>6,933,565</u>
NET ASSETS, END OF YEAR	<u>\$ 7,074,833</u>	<u>\$ 1,505,078</u>	<u>\$ 8,579,911</u>

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

FIRST DESCENTS AND SUBSIDIARYConsolidated Statement Of Functional Expenses
For The Year Ended December 31, 2021

Page -6-

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 1,042,130	\$ 129,077	\$ 346,782	\$ 1,517,989
Payroll taxes and benefits	162,075	29,568	78,268	269,911
Adventure trips and related expenses	792,174			792,174
Contract services	59,358	235	14,343	73,936
Occupancy	90,992	9,356	20,441	120,789
Office expenses	52,381	6,908	18,877	78,166
Information technology	16,854	2,172	7,893	26,919
Travel and meals	53,130	641	43,485	97,256
Insurance	17,448	1,274	13,518	32,240
Legal, accounting, and consulting	90,224	48,462	16,606	155,292
Bank and merchant fees	3,621	39,075	1,109	43,805
Advertising and promotion	55,509	10	14,150	69,669
Printing, postage, and shipping	9,228	1,734	12,753	23,715
Other	2,394	1,101	10,969	14,464
Depreciation and amortization	12,118	1,612	3,522	17,252
Total Expenses	<u>\$ 2,459,636</u>	<u>\$ 271,225</u>	<u>\$ 602,716</u>	<u>\$ 3,333,577</u>

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

FIRST DESCENTS AND SUBSIDIARY

Consolidated Statement of Cash Flows
For The Year Ended December 31, 2021

Page -7-

Cash flows from operating activities:	
Changes in net assets from operations	\$ 1,646,346
Adjustments to reconcile changes in net assets from operations to net cash provided by operating activities:	
Depreciation and amortization	16,393
Forgiveness of PPP	(257,560)
Changes in assets and liabilities -	
Decrease in contributions and grants receivable	266,819
(Increase) in prepaid expenses	(108,076)
Increase in accounts payable	9,914
Increase in accrued liabilities	51,446
Increase in refundable advances	56,029
(Decrease) in deferred revenue	(76,853)
Net cash provided by operating activities	<u>1,604,458</u>
Cash flows from investing activities:	
Purchases of fixed assets	(76,386)
Net cash (used in) investing activities	<u>(76,386)</u>
Cash flows from financing activities:	
Proceeds from refundable advance - PPP	257,561
Net cash provided by financing activities	<u>257,561</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,785,633
Cash And Cash Equivalents, Beginning Of Year	<u>5,934,592</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,720,225</u>

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

FIRST DESCENTS AND SUBSIDIARY

Consolidated Notes To Financial Statements
For The Year Ended December 31, 2021

Page -8-

(1) Nature Of The Organization

First Descents (“FD”), is a nonprofit organization established in 2003; formed under the laws of the State of Colorado and is located in Denver, Colorado. First Descents provides life-changing outdoor adventures to young adults impacted by cancer and other serious health conditions. As a leader in adventure-based healing, the Organization uses outdoor adventure, community building, and skills development to improve health outcomes and quality of life for young adults impacted by cancer and other serious health conditions. All services are fully adaptive and free of charge. The Organization achieves diversified revenues through events, major gifts, foundation and corporate grants, and grassroots peer-to-peer fundraising.

Stoke Broker, Inc (“SB”), a wholly owned for-profit subsidiary of First Descents, was established in 2016, in the state of Montana. In April 2020, First Descents acquired ownership of Stoke Broker, Inc. via donation. Stoke Broker, Inc. creates life-defining adventures that ignite impact for private, corporate, and impact-oriented clients.

The financial statements have been consolidated to include all accounts of FD and SB, and are collectively referred to as the “Organization”. All significant inter-company accounts and transactions have been eliminated.

(2) Summary Of Significant Accounting Policies

Method Of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

Basis Of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and with donor restrictions as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash And Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and demand deposit accounts. The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are recorded at acquisition cost, or fair market value at the date of donation. Expenditures for maintenance, repairs and minor replacements are charged to operations, and expenditures for major replacements and betterments in excess of \$500 are capitalized. Depreciation is provided using the straight-line method using estimated useful service lives ranging from 3 to 7 years.

Compensated Absences

The Organization accrues for the costs of compensated absences to the extent that the employee's right to receive payment relates to service already rendered, the obligation vests or accumulates, payment is probable, and the amount can be reasonably estimated.

Measure Of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consists of those items attributable to the Organization's ongoing program services and investment earnings. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature.

Revenue And Revenue Recognition

The Organization recognizes revenue from contributions when cash, securities, other assets, or unconditional promises to give are received. Unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year.

Conditional promises to give with a measurable performance or other barrier and a right of

return/right or release are not recognized until the conditions on which they depend have been met. As of December 31, 2021, the Organization had refundable advances of \$237,738.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported 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.

Certain donated services, goods, and facilities that meet the criteria for recognition, are reflected in the financial statements at their estimated fair market value at the time of the donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Program services revenue consists of net revenue from adventure trips sold to customers which are recognized at a point in time, which is when the trip takes place. During the year ended December 31, 2021, the Organization had \$382,833 in advanced program services which is reflected in deferred revenue.

Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled \$69,669 for the year ended December 31, 2021.

Methods Used For Allocation Of Expenses From Management And General Activities

Program expenses consist of all expenses paid for operating both of the youth centers. Management and general expenses include oversight, business management, general record keeping, budgeting and other such management and administrative activities that support the youth centers and overall organization. Fundraising expenses include the cost of publicizing and conducting fundraising events, writing grant applications and conducting other activities to solicit contributions from individuals and other organizations.

The cost of providing program and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Time and effort
Payroll taxes and benefits	Time and effort
Travel and meals	Time and effort
Occupancy	Square footage
Office expenses	Square footage
Information technology	Square footage
Insurance	Square footage
Printing, postage, and shipping	Square footage
Depreciation and amortization	Square footage

Evaluation of Subsequent Events

The Organization has performed an evaluation of subsequent events through TBD, which is the date the consolidated financial statements were available to be issued, and has considered any relevant matters in the preparation of the consolidated financial statements and footnotes.

(3) Tax Exempt Status

FD is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code. As such, donors are entitled to a charitable deduction for their contribution to FD. Income from activities not directly related to FD's tax-exempt purpose is subject to taxation as unrelated business income. During the year ended December 31, 2021, FD did not incur any income tax expense.

SB is a single member C-Corp owned and controlled by FD. As of December 31, 2021, SB has a net operating loss carry forward of \$551,730. The resulting deferred tax asset as of December 31, 2021 amounted to \$90,760. The deferred tax asset has been fully allowed for as SB does not expect to utilize and has not been recorded for the tax benefits of the net operating loss carry forwards due to the uncertainty of the realization. Accordingly, this has not been reflected in the financial statements. During the year ended December 31, 2021, the deferred tax asset allowance increased by \$46,416. For the year ended December 31, 2021, SB did not incur any income tax expense.

Management believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

FD is no longer subject to U.S. federal audits on its Form 990 and Form 990-T by taxing authorities for years ending prior to December 31, 2019. The Organization is no longer subject to state audits on its Form CO 112 state tax return by taxing authorities for the year ending prior to December 31, 2018. FD acquired SB in 2020. Accordingly, all tax returns are subject to U.S. federal and state tax audits on its Form 1120 and Form CO 112. 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.

(4) **Property And Equipment**

Property and equipment consisted of the following as of December 31, 2021:

Equipment and furniture	\$ 150,088
Intangible assets	9,945
Software	5,000
Leasehold improvements	7,291
	<u>172,324</u>
Less: accumulated depreciation and amortization	(81,860)
	<u><u>\$ 90,464</u></u>

(5) **Deferred Revenue**

The following table provides information about significant changes in deferred revenue due on program services for the year ended December 31, 2021:

Deferred revenue, beginning of year	\$ 309,591
Revenue recognized that was included in deferred revenue at the beginning of the year	(309,591)
Revenue recognized during the year	(1,238,692)
Increase in deferred revenue due to cash received during the year	1,621,525
	<u><u>\$ 382,833</u></u>

(6) **Refundable Advance - Paycheck Protection Program**

On April 13, 2020, the Organization qualified for and received a refundable advance pursuant to the Paycheck Protection Program (“PPP”), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate amount of \$257,561. The advance was forgiven during the year ended

December 31, 2021, and is reflected in government grant on the statement of activities.

On March 24, 2021, the Organization qualified for and received a refundable advance pursuant to the Paycheck Protection Program (“PPP”), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate principal amount of \$257,560. Subsequent to year end, the principal amount of the advance was forgiven and will be recognized as revenue in 2022.

(7) Net Asset With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2021:

<u>Subject to The Passage of Time:</u>	
Time restricted	\$ 1,228,593
<u>Subject to Expenditure for Specified Purpose:</u>	
Travel assistance	150,000
Healthcare worker programs	100,000
MS Programs	26,485
Total	<u>1,505,078</u>

(8) Contributed Nonfinancial Assets

Gifts-In-Kind

The Organization received gifts-in-kind for the year ended December 31, 2021:

Office space	\$ 70,115
Professional fees	68,646
	<u>\$ 138,761</u>

During the year ended December 31, 2021, all gifts-in-kind were utilized to carry out the mission of the Organization. The professional fees and office space were valued and reported at the estimated fair value in the financial statements based on current rates.

All gifts-in-kind received by the Organization for the year ended December 31, 2021, were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

(9) **Employee Benefit Plans**

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 \$19,500 of their annual compensation. As the employer, the Organization is required to contribute an amount not to exceed four-percent (4%) of the employee’s annual compensation. The employer contribution totaled \$43,501 for the year ended December 31, 2021.

(10) **Liquidity And Availability Of Financial Assets**

Financial assets at year end	
Cash and cash equivalents	\$ 7,720,225
Contributions and grants receivable	1,333,747
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,053,972</u>

(11) **Expenses**

Total expenses incurred for the year ended December 31, 2021, were the following:

	Total Expenses	Less Direct Costs	Total Expenses Reported By Function
Program services	\$ 2,459,636	\$	\$ 2,459,636
Fundraising	602,716		602,716
Direct benefit to donor	402,820	(402,820)	
Costs of goods sold	1,084,842	(1,084,842)	
General administration	271,225		271,225
	<u>\$ 4,821,239</u>	<u>\$ (1,487,662)</u>	<u>\$ 3,333,577</u>

(12) **Restatement**

The 2020 net assets were restated in the amount of \$1,593,209 to properly reflect contributions and grants in the correct accounting period. The change in net assets for the year ended 2020 increased by \$1,862,709 after restatement. Such restatement did not have an impact on the 2021 financial statements.