

**THE GRAND CANYON TRUST  
AND NORTH RIM RANCH**

Consolidated Financial Statements As Of  
December 31, 2010

Together With Independent Auditors' Report

**JDS** professional  
group  
certified public accountants, consultants and advisors

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
The Grand Canyon Trust and North Rim Ranch:

We have audited the accompanying consolidated statement of financial position of The Grand Canyon Trust and North Rim Ranch (collectively known as the "Organization") as of December 31, 2010, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Grand Canyon Trust and North Rim Ranch as of December 31, 2010, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The consolidated supplemental schedules of financial position, activities and functional expenses are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*JDS Professional Group*

May 20, 2011

*Members:*

*American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants*  
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# THE GRAND CANYON TRUST AND NORTH RIM RANCH

Consolidated Statement of Financial Position  
As Of December 31, 2010

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<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 3,402,927
Contributions receivable	1,481,274
Receivables - other	1,781
Livestock inventory	19,108
Prepaid expenses	26,968
Total Current Assets	<u>4,932,058</u>
Non-Current Assets:	
Breeding herd, net of accumulated depreciation of \$215,992	77,639
Property and equipment, net of accumulated depreciation of \$1,369,068	2,888,611
Investments	2,300,260
Conservation easements	1,295,000
Beneficial interest in remainder trust	46,075
Total Non-Current Assets	<u>6,607,585</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,539,643</u></b>
<b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities:	
Accounts payable	\$ 144,496
Accrued liabilities	63,630
Total Current Liabilities	<u>208,126</u>
Net Assets:	
Unrestricted	7,185,295
Temporarily restricted	2,351,222
Permanently restricted	1,795,000
Total Net Assets	<u>11,331,517</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 11,539,643</u></b>

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

# THE GRAND CANYON TRUST AND NORTH RIM RANCH

Consolidated Statement Of Activities  
For The Year Ended December 31, 2010

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support And Revenue:</b>				
Grants	\$ 408,760	\$ 2,432,125	\$	\$ 2,840,885
Contributions	1,201,088	175,000		1,376,088
In-kind contributions	315,685			315,685
Membership contributions	332,833			332,833
Investment income	176,585	62,729		239,314
Cattle revenue, net of cost of sales of \$54,721	93,432			93,432
Change in value of beneficial in remainder trust	1,337			1,337
Other income	31,863			31,863
Net assets released from restrictions -				
Satisfaction of restrictions	1,644,577	(1,644,577)		
Reclassifications	(65,851)	65,851		
<b>Total Support And Revenue</b>	<b>4,140,309</b>	<b>1,091,128</b>		<b>5,231,437</b>
<b>Expenses:</b>				
Program services	3,162,003			3,162,003
Education	180,227			180,227
<b>Total Program Services</b>	<b>3,342,230</b>			<b>3,342,230</b>
Development and membership	332,013			332,013
General and administrative	383,869			383,869
<b>Total Support Services</b>	<b>715,882</b>			<b>715,882</b>
<b>Total Expenses</b>	<b>4,058,112</b>			<b>4,058,112</b>
<b>CHANGE IN NET ASSETS</b>	<b>82,197</b>	<b>1,091,128</b>		<b>1,173,325</b>
Net Assets, Beginning Of Year	7,103,098	1,260,094	1,795,000	10,158,192
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 7,185,295</b>	<b>\$ 2,351,222</b>	<b>\$ 1,795,000</b>	<b>\$ 11,331,517</b>

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

# THE GRAND CANYON TRUST AND NORTH RIM RANCH

Consolidated Statements Of Cash Flows  
For The Years Ended December 31, 2010

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Cash flows from operating activities:	
Changes in net assets	\$ 1,173,325
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Realized and unrealized gains on investments	(198,242)
Depreciation and amortization	328,149
Loss on dead or missing livestock	36,939
Changes in value of beneficial interest in remainder trust	(1,337)
(Increase) in contributions receivable	(925,477)
Decrease in other receivables	1,615
Decrease in livestock inventory	11,380
(Increase) in prepaid expenses	(4,967)
Increase in accounts payable	87,333
Increase in accrued expenses	2,780
Net cash provided by operating activities	<u>511,498</u>
Cash flows from investing activities:	
Purchases of investments	(1,499,829)
Proceeds from sale of investments	1,468,551
Payments on note payable	(474,474)
Purchases of property and equipment	(86,067)
Purchase of livestock	(58,120)
Net cash (used in) investing activities	<u>(649,939)</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(138,441)
Cash And Cash Equivalents, Beginning Of Year	<u>3,541,368</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 3,402,927</u></u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	<u><u>\$ 3,284</u></u>

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

(1) **Reporting Entity**

**Consolidation**

The financial statements have been consolidated to include all accounts of the Grand Canyon Trust (the "Trust"), and North Rim Ranch, LLC (the "Ranch"), and are collectively referred to as the "Organization." All significant inter-company accounts and transactions have been eliminated.

**The Grand Canyon Trust**

The Trust was organized in 1985 as a not-for-profit entity incorporated in the State of Arizona. The purpose of the Trust is to protect and restore the natural resources of the Grand Canyon and the Colorado Plateau, to educate and promote the importance of its careful stewardship, to conduct research, to protect critical habitats, and to disseminate information to the public. The Trust's main offices are located in Flagstaff, Arizona. In addition, the Trust maintains representatives in Moab, Utah, Oregon, and Colorado.

**North Rim Ranch, LLC**

The Ranch is an Arizona limited liability company that began operations on September 28, 2005. The Trust is the sole member of the Ranch. The Ranch is engaged in the business of owning, leasing, managing, conserving and improving certain properties known as the Kane Ranch and the Two Mile Ranch located in Coconino County, Arizona and Kane County, Utah. The activities of the Ranch include livestock grazing consistent with the requirements of state and federal grazing leases and permits.

(2) **Summary Of Significant Accounting Policies**

**Basis Of Accounting**

The consolidated financial statements of the Organization have been prepared on the accrual basis.

**Basis Of Presentation**

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

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Cash And Cash Equivalents

The Organization considers cash and cash equivalents to be cash on hand, demand deposits and short-term investments with original maturities of 90 days or less. The Organization continually monitors its positions with, and the credit quality of, the financial institutions with which funds are held.

Fair Value Measurements

*Fair Value Measurements* requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Mutual funds and common stock:* Valued at the closing price reported on the active market on which the individual investments are traded.

*Beneficial interest in trust:* Valued as reported by the organization holding the trust fund.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes

its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

The carrying amount reported in the statement of financial position for cash and cash equivalents, receivables, accounts payable, and accrued liabilities approximate fair value due to the immediate or short term nature of these items.

#### Accounts Receivable

The Organization believes that its accounts receivable, recorded at fair value, are fully collectible, and therefore, no allowance has been established for the years ended December 31, 2010. The Organization's policy for charging off accounts receivable is when future payments thereon are determined to be improbable.

#### Donated Materials and Services

Donated services and materials which meet the criteria for recognition are recorded in the accompanying financial statements at fair market value as of the date of donation.

#### Contributions And Contributions Receivable

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of donor restrictions. Donor-restricted support, including contributions receivable, is recorded as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a 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.

Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be received in more than one year. As of December 31, 2010, all amounts are expected to be received within one year and as such have not been discounted. Unconditional contributions receivable are recognized as revenue in the period the promise to give is received. Conditional contributions receivable are recognized as receivables and revenue when the conditions on which they depend are substantially met. The Organization believes all contributions receivable are collectible. Accordingly, no allowance for uncollectible receivable has been recorded.

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Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Livestock Inventory

The livestock inventory is held for sale and is recorded at the lower of allocated production costs or market value.

Property And Equipment

The Organization capitalizes all property and equipment purchases over \$1,000. All property and equipment is stated at cost and depreciated over the following estimated useful lives using the straight line method:

	<u>Estimated Useful Lives</u>
Equipment	3-7 years
Buildings and improvements	10-30 years
Vehicles	5 years

Breeding Herd

The breeding herd consists of purchased livestock and livestock raised on the ranch. Purchased livestock are initially recorded at cost. The cost of livestock raised is based on the accumulated cost of developing such livestock for production use. Livestock is considered mature at two years of age. Depreciation is computed using the straight-line method over their estimated lives of 5 years. Depreciation expense for the year ended December 31, 2010, was \$51,692.

Revenue Recognition

The Organization recognizes cattle sales revenue upon the shipment of the livestock, evidence of a sales arrangement, and the transfer of ownership in the livestock to the customer. Other revenue is recognized when earned.

Program Services

Program services presented in the accompanying consolidated financial statements represent the direct and allocated overhead expenses associated with performing the Organization's basic purposes. These services include: (i) research and study of issues affecting the public lands, water, and other natural resources of the Colorado Plateau, (ii) public education and advocacy on issues affecting the Colorado Plateau, (iii) analysis of and advocacy for public lands and natural resource policies and programs and monitoring of the federal and state agencies charged with administering the environments laws governing the protection and use of public lands in the Colorado Plateau, (iv) participation in the decision-making process for determining the use and management of publicly

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owned resources, and (v) protection and restoration of critical lands, species, waters, air quality, and natural habitats, of the Colorado Plateau.

Functional Allocation Of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the program and supporting services benefitted.

Subsequent Events

The Organization has performed an evaluation of subsequent events through April 22, 2011, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

(3) Income Taxes

The Trust is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Additionally, the Internal Revenue Service has determined that the entity is not a private foundation under Section 509(a) of the Internal Revenue Code. Accordingly, donors are entitled to a charitable deduction for their contribution to the Organization. The accompanying consolidated financial statements do not include a provision for federal or state corporate income taxes.

During 2009, the Trust became the sole member of the Ranch. Accordingly, the Ranch is considered a disregarded entity, and accordingly, does not file a separate tax return.

The Organization adopted the *Accounting for Uncertainty in Income Taxes* accounting standard which requires them to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the year ended December 31, 2010, the Organization's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an effect on its tax-exempt status.

The Trust is no longer subject to U.S. federal tax audits on its Form 990 by taxing authorities for years ending prior to December 31, 2007. 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 Trust believes no issues would arise.

Prior to 2010, the Ranch filed a Form 1065 and related state return. As a disregarded entity, the Ranch will not file such returns for 2010 and future years. The Ranch is no longer subject to U.S. federal and state income tax audits on its Form 1065 and related state return by taxing authorities

for years prior to 2007 and 2006, respectively. The years subsequent to this year contain matters that could be subject to differing interpretations of applicable tax laws and regulations as it relates to the amount and/or timing of income, deductions, and tax credits. Although the outcome of tax audits is uncertain, the Organization believes no issues would arise.

(4) **FDIC and Concentration of Risk**

The Organization’s cash demand deposits are held at several financial institutions at which deposits are insured up to \$250,000 per institution by the FDIC. As of December 31, 2010, such deposits exceeded the FDIC insurance limit by approximately \$174,000.

During the year ended December 31, 2010, 90% of contributions receivable was from one donor. Additionally, 52% of total revenue was from two donors.

(5) **Temporarily Restricted Net Assets**

As of June 30, 2010, temporarily restricted net assets consisted of the following:

Utah forest conservation	\$ 83,204
Southeast Utah	5,000
Forest conservation	17,038
Escalante watershed	120,437
Air quality program	67,938
Renewable energy	32,733
Grand Canyon NP	19,690
K2M volunteer program	22,725
Utah volunteer program	15,000
Native American issues	51,781
Native American clean energy future	8,216
Native American Gathering	7,256
Colorado River adaptive management	70,875
K2M habitat restoration	34,475
Grassroots lobbying - Arizona open spaces	10,000
Land purchase	175,000
Endowment fund earnings	128,580
Timing restriction	1,481,274
Total temporarily restricted net assets	<u><u>\$ 2,351,222</u></u>

(6) **Permanently Restricted Net Assets**

Permanently restricted net assets include contributions from the Alice Wyss Fund, which require, by donor restriction, the principal to be invested in perpetuity, with the income available for unrestricted purposes. The donor further stipulated income be reinvested until the principal reached \$500,000, and the principal of the endowment may be withdrawn in the event the Board of Directors determines a financial emergency exists. As discussed in Note 9, this endowment fund is subject to the State Prudent Management Investors Act.

Permanently restricted funds also include conservation easements on lands in Utah, which are valued at \$1,295,000, and are restricted in perpetuity for specified uses of the lands as discussed in Note 12. The conservation easements have no annual earnings.

(7) **Investments**

The following table presents the Organizations's fair value hierarchy and major categories for those assets measured at fair value on a recurring basis as of December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and cash equivalents	\$ 402,722	\$	\$	\$ 402,722
Mutual funds	1,093,114			1,093,114
Common stock	804,424			804,424
Beneficial interest in remainder trust			46,075	46,075
Total investments	<u>\$ 2,300,260</u>	<u>\$</u>	<u>\$ 46,075</u>	<u>\$ 2,346,335</u>

For the year ended December 31, 2010, investment income consisted of the following:

Interest and dividends	\$ 49,351
Investment expenses	(8,279)
Net realized and unrealized gains	<u>198,242</u>
Total investment income	<u>\$ 239,314</u>

(8) **Beneficial Interest in Remainder Trust**

During 2004, the Organization was informed that it was a beneficiary of various charitable remainder trusts administered by a financial institution. During the term of the charitable remainder trust, the financial institution will make distributions to the grantor or other designated

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beneficiaries as required in the Trust document. At the end of the charitable remainder trusts term, the assets will be distributed to the defined beneficiaries. The Organization has recorded its beneficial interest in the charitable remainder trusts at the Organization's share of the fair value of the assets, which was \$46,075 as of December 31, 2010. The Organization has recorded the change in value of the beneficial interest in the remainder trust as a component of the change in unrestricted net assets on the consolidated statement of activities and changes in net assets.

(9) **Endowment Funds**

The State of Arizona enacted the State Prudent Management of Institutional Funds Act (SPMIFA), which was effective on September 1, 2009. SPMIFA prescribes new guidelines for expenditure of a donor-restricted endowment fund in the absence of overriding, explicit donor stipulations and eliminates SMIFA's historic-dollar value threshold. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**General**

The Organization's endowment consists of donor-restricted endowment funds. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions and are reported entirely as permanently restricted net assets.

**Interpretation of Relevant Law**

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions

- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Changes in Endowment Net Assets

Changes in endowment net assets for the year ended December 31, 2010, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets,				
beginning of year	\$ 65,851	\$	\$ 500,000	\$ 565,851
Reclassification	(65,851)	65,851		
Investment return		62,729		62,729
Endowment net assets,				
end of year	<u>\$</u>	<u>\$ 128,580</u>	<u>\$ 500,000</u>	<u>\$ 628,580</u>

Endowment funds consist of donor restricted funds.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations that may occur after the investment of permanently restricted contributions and appropriation that was deemed prudent by the Board. As of December 31, 2010, the fund did not have a deficiency.

Return Objectives and Risk Parameters

The endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a mix of relevant benchmarks, while assuming a moderate level of investment risk. The Organization may invest in cash and cash equivalents, equity, fixed income, and specialized investments.

Strategies Employed for Achieving Objectives

The Organization employs a conservative investment strategy with the objective of preserving principal and achieving maximum rate of return possible.

Spending Policy And How The Investment Objectives Relate To Spending Policy

The Organization has not spent endowment earnings, and was in the process of developing a spending policy as of December 31, 2010.

(10) Property And Equipment

Property and equipment consisted of the following as of December 31, 2010:

Land	
Office	\$ 119,500
Program	1,152,786
Improvements	1,113,956
Buildings	1,486,188
Equipment	246,117
Vehicles	<u>139,131</u>
	4,257,678
Less: accumulated depreciation	<u>1,369,067</u>
	<u>\$ 2,888,611</u>

Depreciation expense for the year ended December 31, 2010, was \$269,134.

The Organization reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future un-discounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount of fair value less costs to sell. Management does not believe that there were any asset impairments for the year ended December 31, 2010.

(11) Donated Services

The Organization received donated legal services in the amount of \$315,685, which is reflected in program services.

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Additionally, the Organization received approximately 15,000 hours of volunteer time during the year ended December 31, 2010, to assist with its various programs. These hours are not recorded in the consolidated financial statements because they are not for specific professional services and are not readily quantifiable.

(12) **Conservation Easements**

During 2000, the Organization received a conservation easement on 400 acres of land along the Virgin River near St. George, Utah. By receiving this easement, the Organization agrees to monitor the land in perpetuity to ensure that the land retains its character and is not used other than as specified in the conservation easement. This easement will help preserve habitat along a tributary of the Virgin River. The easement was valued at \$1,000,000, and contribution revenue of \$1,000,000 was recognized in the year received and a permanently restricted asset was established.

During 2001, the Organization purchased a conservation easement on 100 acres of land along the Virgin River near Rockville, Utah for \$100,000. By receiving this easement, the Organization agrees to monitor the land in perpetuity to ensure that the land retains its character and is not used other than as specified in the conservation easement. This easement will help preserve key riparian habitat along the Virgin River. The easement is a permanently restricted net asset.

During 2002, the Organization received a conservation easement on 176 acres of land adjacent to Zion National Park in Utah. By receiving this easement, the Organization agrees to monitor the land in perpetuity to ensure that the land retains its character and is not used other than as specified in the conservation easement. This easement will help protect Zion National Park from encroaching development. The easement was valued at \$195,000, and contribution revenue of \$195,000 was recognized in the year and a permanently restricted net asset was established.

(13) **Commitments Related to Grazing Leases and Permits**

The Organization holds grazing permits issued by the United States Forest Service (USFS) and the bureau of Land Management (BLM). The USFS permits authorize grazing up to 800 adult cattle on the Kane Ranch allotments and up to 104 adult cattle on the Burro allotment, which is part of the Two Mile Ranch. The Organization is obligated to pay an annual grazing fee of \$1.35/AUM to the USFS (AUM is defined as one adult animal and calf grazing for one month). The Organization paid a total of \$21,999 to the BLM and \$3,179 to USFS during the year ended December 31, 2010.

The BLM permit authorizes grazing up to 981 adult cattle on the Kane Ranch and up to 1,375 adult cattle on the Two Mile Ranch allotments. The Organization is obligated to pay grazing fees to the BLM in the same manner as fees are paid to the USFS. With agency approval, the Organization may take non-use and graze fewer cattle than are authorized by the permit.

The Organization also holds two grazing leases with the Arizona State Land Department. One lease is for the state lands on the Kane Ranch and the other is for the state lands on the Two Mile Ranch. State lands are scattered across the federal lands and annual grazing fees are assessed at the rater of \$2.40/AUM. If no cattle are grazed, the state assesses a base charge of a\$.05/acre. The Organization paid \$1,389 to Arizona State Land Department during the year ended December 31, 2010.

Additionally, during the year ended December 31, 2010, the Organization obtained validation that terms and conditions required by the United States Forest Service were met related to grazing permits.

(14) **Employee Benefit Plan**

The Organization established a qualified 401(k) salary defined plan (the “Plan”). The Plan covers all eligible employees as defined by the Plan. Participants may voluntarily contribute a portion of their annual wages up to the limits established by the Internal Revenue Service. The Organization contributes 4% of the participants’ salaries. The Organization made contributions to the Plan of \$62,109 during the year ended December 31, 2010.

(15) **Contingencies**

The Organization periodically is subject to claims and lawsuits that arise in the ordinary course of business. It is the opinion of management, the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial positions, results of operations, or liquidity of the Organization.

(16) **Expenses**

Total expenses incurred are as follows:

Total expenses as reported by function	\$ 4,058,112
Cost of cattle sales	54,721
Total expenses	<u>\$ 4,112,833</u>

# THE GRAND CANYON TRUST AND NORTH RIM RANCH

## Consolidated Schedule of Financial Position

As of December 31, 2010

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	The Grand Canyon Trust	North Rim Ranch	Eliminations	Consolidated
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 3,350,643	\$ 52,284	\$	\$ 3,402,927
Contributions receivable	1,481,274			1,481,274
Receivables - other	1,781			1,781
Livestock inventory		19,108		19,108
Prepaid expenses	18,416	8,552		26,968
Total Current Assets	<u>4,852,114</u>	<u>79,944</u>		<u>4,932,058</u>
Non-current Assets:				
Breeding herd, net		77,639		77,639
Property and equipment, net	1,378,113	1,510,498		2,888,611
Investments	2,300,260			2,300,260
Investment in partnership	1,645,262		(1,645,262)	
Conservation easements	1,295,000			1,295,000
Beneficial interest in remainder trust	46,075			46,075
Total Non-Current Assets	<u>6,664,710</u>	<u>1,588,137</u>	<u>(1,645,262)</u>	<u>6,607,585</u>
<b>TOTAL ASSETS</b>	<u>\$ 11,516,824</u>	<u>\$ 1,668,081</u>	<u>\$ (1,645,262)</u>	<u>\$ 11,539,643</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Accounts payable	\$ 126,171	\$ 18,325		\$ 144,496
Accrued expenses	59,136	4,494		63,630
Total Current Liabilities	<u>185,307</u>	<u>22,819</u>		<u>208,126</u>
Net Assets:				
Unrestricted	7,185,295	1,645,262	(1,645,262)	7,185,295
Temporarily restricted	2,351,222			2,351,222
Permanently restricted	1,795,000			1,795,000
Total Net Assets	<u>11,331,517</u>	<u>1,645,262</u>	<u>(1,645,262)</u>	<u>11,331,517</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 11,516,824</u>	<u>\$ 1,668,081</u>	<u>\$ (1,645,262)</u>	<u>\$ 11,539,643</u>

# THE GRAND CANYON TRUST AND NORTH RIM RANCH

Consolidated Schedule of Activities and Changes in Net Assets  
For the Year Ended December 31, 2010

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	The Grand Canyon Trust	North Rim Ranch	Eliminations	Consolidated
<b>Support And Revenue:</b>				
Grants	\$ 2,840,885	\$	\$	\$ 2,840,885
Contributions	1,376,088			1,376,088
In-kind contributions	315,685			315,685
Membership contributions	332,833			332,833
Investment income	239,194	120		239,314
Cattle revenue, net		93,432		93,432
Change in value of beneficial interest in remainder trust	1,337			1,337
Equity share of net loss of investee	(487,058)		487,058	
Other income	59,739	23,360	(51,236)	31,863
<b>Total Support And Revenue</b>	<u>4,678,703</u>	<u>116,912</u>	<u>435,822</u>	<u>5,231,437</u>
<b>Expenses:</b>				
Program services	2,609,269	603,970	(51,236)	3,162,003
Education	180,227			180,227
<b>Total Program Services</b>	<u>2,789,496</u>	<u>603,970</u>	<u>(51,236)</u>	<u>3,342,230</u>
Development and membership	332,013			332,013
General and administrative	383,869			383,869
<b>Total Support Services</b>	<u>715,882</u>			<u>715,882</u>
<b>Total Expenses</b>	3,505,378	603,970	(51,236)	4,058,112
<b>CHANGES IN NET ASSETS</b>	1,173,325	(487,058)	487,058	1,173,325
Net Assets, Beginning Of Year	10,158,192	1,808,986	(1,808,986)	10,158,192
Equity contributions		323,334	(323,334)	
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 11,331,517</u>	<u>\$ 1,645,262</u>	<u>\$ (1,645,262)</u>	<u>\$ 11,331,517</u>