

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

Consolidated Financial Statements As Of
December 31, 2012 And 2011

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, LLC:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Grand Canyon Trust and North Rim Ranch, LLC (collectively known as the "Organization"), a not-for-profit organization, which comprise the statement of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities, changes in net assets and cash flows for the years 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 audits. We conducted our audits 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.

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*

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 The Grand Canyon Trust and North Rim Ranch, LLC as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental consolidated schedule of financial position, schedule of activities and schedule of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of The Grand Canyon Trust and North Rim Ranch, LLC's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

JDS Professional Group

April 26, 2013

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Consolidated Statements of Financial Position
As Of December 31, 2012 And 2011

Page -3-

ASSETS	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and cash equivalents	\$ 3,578,354	\$ 4,091,067
Contributions receivable	1,907,800	1,965,000
Receivables - other	3,796	52,520
Land held for sale	297,206	770,580
Livestock inventory	4,236	65,738
Prepaid expenses	18,074	68,038
Total Current Assets	<u>5,809,466</u>	<u>7,012,943</u>
Non-Current Assets:		
Breeding herd, net of accumulated depreciation of \$165,003 and \$214,919, respectively	76,749	52,352
Property and equipment, net of accumulated depreciation of \$1,798,781 and \$1,573,957, respectively	1,782,598	1,904,823
Investments	4,919,920	2,326,878
Conservation easements	1,295,000	1,295,000
Beneficial interest in remainder trust	43,116	40,803
Total Non-Current Assets	<u>8,117,383</u>	<u>5,619,856</u>
TOTAL ASSETS	<u>\$ 13,926,849</u>	<u>\$ 12,632,799</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 104,951	\$ 79,601
Accrued liabilities	72,416	48,162
Total Current Liabilities	<u>177,367</u>	<u>127,763</u>
Net Assets:		
Unrestricted	9,087,531	7,632,891
Temporarily restricted	3,085,656	3,162,203
Permanently restricted	1,795,000	1,795,000
Total	<u>13,968,187</u>	<u>12,590,094</u>
Non-controlling interest	<u>(218,705)</u>	<u>(85,058)</u>
Total Net Assets	<u>13,749,482</u>	<u>12,505,036</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,926,849</u>	<u>\$ 12,632,799</u>

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

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Consolidated Statement Of Activities

For The Year Ended December 31, 2012

Page -4-

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support And Revenue:				
Grants and contributions	\$ 1,413,454	\$ 2,895,398	\$	\$ 4,308,852
In-kind contributions	602,302			602,302
Membership contributions	402,121			402,121
Investment income	327,840			327,840
Cattle revenue, net of cost of sales of \$108,111	110,863			110,863
Change in value of beneficial interest in remainder trust	2,313			2,313
Loss on sale of land	(188,719)			(188,719)
Other income	17,467			17,467
Net assets released from restrictions -				
Satisfaction of restrictions	2,971,945	(2,971,945)		
Total Support And Revenue	<u>5,659,586</u>	<u>(76,547)</u>		<u>5,583,039</u>
Expenses:				
Program services	3,448,775			3,448,775
Education	141,973			141,973
Total Program Services	<u>3,590,748</u>			<u>3,590,748</u>
Development and membership	357,307			357,307
General and administrative	369,268			369,268
Total Support Services	<u>726,575</u>			<u>726,575</u>
Total Expenses	<u>4,317,323</u>			<u>4,317,323</u>
CHANGES IN NET ASSETS BEFORE NON-CONTROLLING INTEREST				
	1,342,263	(76,547)		1,265,716
Less: change in net assets attributable to non-controlling interest	112,377			112,377
Changes In Net Assets For Controlling Entities	<u>\$ 1,454,640</u>	<u>\$ (76,547)</u>	<u>\$</u>	<u>\$ 1,378,093</u>

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

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Consolidated Statements Of Changes In Net Assets
For The Year Ended December 31, 2012

Page -6-

	<u>Total Net Assets</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Non- Controlling Interest</u>
Balance, December 31, 2,010	\$ 11,331,519	\$ 7,185,297	\$2,351,222	\$ 1,795,000	\$
Changes in net assets	1,196,572	447,594	810,981		(62,003)
Net contributions	<u>(23,055)</u>				<u>(23,055)</u>
Balance, December 31, 2011	12,505,036	7,632,891	3,162,203	1,795,000	(85,058)
Changes in net assets	1,265,716	1,454,640	(76,547)		(112,377)
Net contributions	<u>(21,270)</u>				<u>(21,270)</u>
Balance, December 31, 2012	<u><u>\$ 13,749,482</u></u>	<u><u>\$ 9,087,531</u></u>	<u><u>\$3,085,656</u></u>	<u><u>\$ 1,795,000</u></u>	<u><u>\$ (218,705)</u></u>

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

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Consolidated Statement Of Activities
For The Year Ended December 31, 2011

Page -5-

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support And Revenue:				
Grants and contributions	\$ 1,876,145	\$ 3,000,971	\$	\$ 4,877,116
In-kind contributions	424,950			424,950
Membership contributions	383,933			383,933
Investment income	14,223	16,002		30,225
Cattle revenue, net of cost of sales of \$71,808	52,718			52,718
Change in value of beneficial interest in remainder trust	(5,272)			(5,272)
Other income	45,821			45,821
Net assets released from restrictions -				
Satisfaction of restrictions	2,205,992	(2,205,992)		
Total Support And Revenue	4,998,510	810,981		5,809,491
Expenses:				
Program services	3,790,530			3,790,530
Education	180,456			180,456
Total Program Services	3,970,986			3,970,986
Development and membership	295,569			295,569
General and administrative	346,364			346,364
Total Support Services	641,933			641,933
Total Expenses	4,612,919			4,612,919
CHANGES IN NET ASSETS BEFORE NON-CONTROLLING INTEREST	385,591	810,981		1,196,572
Less: change in net assets attributable to non-controlling interest	62,003			62,003
Changes In Net Assets For Controlling Entities	\$ 447,594	\$ 810,981	\$	\$ 1,258,575

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

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Consolidated Statements Of Cash Flows
For The Years Ended December 31, 2012 And 2011

Page -7-

	2012	2011
Cash flows from operating activities:		
Changes in net assets	\$ 1,265,716	\$ 1,196,572
Adjustments to reconcile changes in net assets to net cash provided by operating		
Realized and unrealized gains on investments	(173,572)	6,920
Depreciation and amortization	224,823	244,225
Loss on dispositions	188,719	10,255
Loss on dead or missing livestock	3,491	29,914
Changes in value of beneficial interest in remainder trust	(2,313)	5,272
(Increase) decrease in contributions receivable	57,200	(483,726)
(Increase) decrease in other receivables	48,724	(50,739)
(Increase) decrease in livestock inventory	61,502	(46,630)
(Increase) decrease in prepaid expenses	49,964	(41,070)
Increase (decrease) in accounts payable	25,350	(64,895)
Increase (decrease) in accrued expenses	24,254	(15,468)
Net cash provided by operating activities	<u>1,773,858</u>	<u>790,630</u>
Cash flows from investing activities:		
Purchases of investments	(2,902,272)	(2,972,150)
Proceeds from sale of investments	482,603	2,938,614
Proceeds from sale of livestock	8,128	6,538
Purchase of land held for sale	(159,223)	
Proceeds from sale of land	444,201	
Purchases of property and equipment	(103,268)	(34,837)
Purchase of livestock	(35,470)	(17,600)
Net cash (used in) investing activities	<u>(2,265,301)</u>	<u>(79,435)</u>
Cash flows from financing activities:		
Proceeds from capital contributions	180,666	
Distributions of capital	(201,936)	(23,055)
	<u>(21,270)</u>	<u>(23,055)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(512,713)	688,140
Cash And Cash Equivalents, Beginning Of Year	<u>4,091,067</u>	<u>3,402,927</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,578,354</u>	<u>\$ 4,091,067</u>

The accompanying notes are an integral part of the 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 Mission of the Grand Canyon Trust is to protect and restore the Colorado Plateau-its spectacular landscapes, flowing rivers, clean air, diversity of plants and animals, and areas of beauty and solitude. 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 was the sole member of the Ranch until October 7, 2011, on which date the Ranch accepted a partner. The Trust is allocated 51% of the net income or loss 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.
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, stocks, options and securities: Valued at the closing price reported on the active market on which the individual investments are traded.

Certificate of deposits: Valued at cost plus accrued earnings which approximates market.

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, 2012. 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, 2012 and 2011, 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.

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, 2012 and 2011, was \$7,104 and \$51,692, respectively.

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 environmental laws governing the protection and use of the public lands on the Colorado Plateau; (iv) participation in the decision-making process for determining the use and management of publicly owned resources on the Colorado Plateau; 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.

Reclassifications

Certain amounts have been reclassified in the prior year for comparative purposes.

Subsequent Events

The Organization has performed an evaluation of subsequent events through April 26, 2013, 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 was considered a disregarded entity, and accordingly, did not file a separate tax return. As of October 7, 2011, the Ranch added a new partner. Accordingly, the Ranch is no longer considered a disregarded entity, and began filing a separate tax return.

The Organization follows *Accounting for Uncertainty in Income Taxes* 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, 2012, 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, 2009. 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 did not file such returns for 2010. During 2011, due to the change in partnership, the Ranch began filing a Form 1065 and related state return again. 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 2009 and 2008, 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, 2012, such deposits exceeded the FDIC insurance limit by approximately \$16,670.

During the year ended December 31, 2012, 77% of contributions receivable was from two donors. Additionally, 23% of total contributions and grants was from one donor.

(5) **Temporarily Restricted Net Assets**

As of December 31, 2012 and 2011, temporarily restricted net assets consisted of the following:

	2012	2011
Utah forest conservation	\$ 66,637	\$ 30,000
Southeast Utah		6,000
Utah county bill	300,000	315,310

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Forest conservation	95,500	140,967
Escalante watershed	45,914	96,444
Air quality program		9,685
Renewable energy		11,840
Grand Canyon NP volunteer		10,707
K2M volunteer program	40,040	11,821
Utah volunteer program	29,201	31,754
Native American issues	64,743	47,602
Native American clean energy future	3,204	3,204
Native American Gathering	55,992	126,520
Colorado River adaptive management		
Native American volunteer		14,292
Escalante volunteer		36,645
Utah wildlands	2,354	12,542
K2M habitat restoration	73,532	67,727
K2M heritage	3,739	6,338
Grassroots lobbying	891	5,973
Arizona open space	15,000	15,000
Flagstaff office	73,365	
North Rim Ranch, LLC	2,250	2,250
Calf creek	7,111	50,000
Restoring Beaver	24,601	
Wyss Fellowship	49,098	
Land conservation	20,761	
Endowment fund earnings	203,923	144,582
Timing restriction	1,907,800	1,965,000
Total temporarily restricted net assets	<u>\$ 3,085,656</u>	<u>\$ 3,162,203</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 as of December 31, 2012 and 2011, 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, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and cash equivalents	\$ 8,726	\$	\$	\$ 8,726
Certificate of deposits	1,270,823			1,270,823
Mutual funds -				
Large cap	727,509			727,509
Mid cap	64,314			64,314
Small cap	122,117			122,117
International	140,134			140,134
Financial	249,558			249,558
Real estate	108,384			108,384
Natural resources	36,056			36,056
Corporate bonds	1,425,330			1,425,330
Government bonds	50,315			50,315
Foreign bonds	249,625			249,625
Stocks and options	182,666			182,666
Securities -				
International	56,105			56,105
Financial	228,258			228,258
Beneficial interest in remainder trust			43,116	43,116
Total investments	<u>\$ 4,919,920</u>	<u>\$</u>	<u>\$ 43,116</u>	<u>\$ 4,963,036</u>

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, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and cash equivalents	\$ 16,120	\$	\$	\$ 16,120
Mutual funds	1,949,512			1,949,512
Common stock	65,722			65,722

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Securities	295,524			295,524
Beneficial interest in remainder trust			40,803	40,803
Total investments	<u>\$ 2,326,878</u>	<u>\$</u>	<u>\$ 40,803</u>	<u>\$ 2,367,681</u>

The investments consist of numerous individual instruments in which no concentrations exist relative to any sectors or geographic areas.

The changes in the investments for which the Organization has used Level 3 inputs to determine the fair value are as follows:

Balance, December 31, 2010	\$	46,075
Change in value of beneficial interest in trust		<u>(5,272)</u>
Balance, December 31, 2011		40,803
Change in value of beneficial interest in trust		<u>2,313</u>
Balance, December 31, 2012	\$	<u>43,116</u>

For the year ended December 31, 2012 and 2011, investment income consisted of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 165,423	\$ 43,015
Investment expenses	(11,156)	(5,870)
Net realized and unrealized gains	<u>173,573</u>	<u>(6,920)</u>
	<u>\$ 327,840</u>	<u>\$ 30,225</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 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 \$43,116 and \$40,803 as of December 31, 2012 and 2011, respectively. 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, 2012, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$	\$ 144,582	\$ 500,000	\$ 644,582
Investment return		59,341		59,341
Endowment net assets, end of year	<u>\$</u>	<u>\$ 203,923</u>	<u>\$ 500,000</u>	<u>\$ 703,923</u>

Changes in endowment net assets for the year ended December 31, 2011, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$	\$ 128,580	\$ 500,000	\$ 628,580
Investment return		16,002		16,002
Endowment net assets, end of year	<u>\$</u>	<u>\$ 144,582</u>	<u>\$ 500,000</u>	<u>\$ 644,582</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, 2012 and 2011, 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

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The assets of the Organization are invested 30-50% in equities, 30-50% in fixed income and 0-20% in cash. The overall investment goals and investing strategy are subject to periodic review by the Finance Committee, but not less than once annually. Recommendations by the Finance Committee will be submitted to the full Board for approval.

Spending Policy And How The Investment Objectives Relate To Spending Policy

The objective is to maintain the purchasing power of the endowment assets over time as well as to provide additional real growth through new gifts and investment return. Prior to appropriating funds from the endowment to the Trust expenditure budget, the Executive Director shall inform the Board of Trustees, who may authorize such appropriation on an annual basis if necessary.

(10) Property And Equipment

Property and equipment consisted of the following as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land		
Office	\$ 119,500	\$ 119,500
Program	382,206	382,206
Improvements	1,148,861	1,127,956
Buildings	1,520,949	1,500,949
Equipment	312,093	249,397
Vehicles	97,770	98,772
	<u>3,581,379</u>	<u>3,478,780</u>
Less accumulated depreciation	1,798,781	1,573,957
	<u>\$1,782,598</u>	<u>\$1,904,823</u>

Depreciation expense for the year ended December 31, 2012 and 2011, was \$231,927 and \$237,789, respectively.

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, 2012.

The Organization entered into a contract on November 29, 2012, for improvements on the volunteer barn. The repairs are not to exceed \$218,738. As of December 31, 2012, \$20,000 had been paid relative to such contract.

(11) **Donated Services**

As of December 31, 2012 and 2011, the Organization received donated legal services in the amount of \$602,302 and \$424,950 respectively, which is reflected in program services expense.

Additionally, the Organization received 18,000 and 14,528 hours of volunteer time during the year ended December 31, 2012 and 2011, respectively, 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. During the year ended December 31, 2012 and 2011, the Organization was 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 \$4,623 to the BLM and \$4,303 to USFS during the year ended December 31, 2012. The Organization paid a total of \$26,319 to the BLM and \$3,268 to USFS during the year ended December 31, 2011.

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 \$1.35/AUM and \$2.40/AUM for the years ended December 31, 2012 and 2011, respectively. If no cattle are grazed, the state assesses a base charge of a\$.05/acre. The Organization paid \$804 and \$1,694 to Arizona State Land Department during the year ended December 31, 2012 and 2011, respectively.

Additionally, during the year ended December 31, 2012 and 2011, 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 \$68,021 and \$69,959 during the year ended December 31, 2012 and 2011, respectively.

(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:

	<u>2012</u>	<u>2011</u>
Total expenses as reported by function	\$ 4,317,323	\$ 4,612,919
Cost of cattle sales	108,111	71,808
Total expenses	<u>\$ 4,425,434</u>	<u>\$ 4,684,727</u>

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Consolidated Schedule Of Financial Position

As of December 31, 2012

Page -23-

	<u>The Grand Canyon Trust</u>	<u>North Rim Ranch</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 3,563,325	\$ 15,029	\$	\$ 3,578,354
Contributions receivable	1,907,800			1,907,800
Receivables - other		3,796		3,796
Livestock inventory		4,236		4,236
Land held for sale	297,206			297,206
Prepaid expenses	16,159	1,915		18,074
Total Current Assets	<u>5,784,490</u>	<u>24,976</u>		<u>5,809,466</u>
Non-current Assets:				
Breeding herd, net		76,749		76,749
Property and equipment, net	590,509	1,192,089		1,782,598
Investments	4,919,920			4,919,920
Investment in partnership	1,510,193		(1,510,193)	
Conservation easements	1,295,000			1,295,000
Beneficial interest in remainder trust	43,116			43,116
Total Non-Current Assets	<u>8,358,738</u>	<u>1,268,838</u>	<u>(1,510,193)</u>	<u>8,117,383</u>
TOTAL ASSETS	<u>\$ 14,143,228</u>	<u>\$ 1,293,814</u>	<u>\$ (1,510,193)</u>	<u>\$ 13,926,849</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 102,625	\$ 2,326	\$	\$ 104,951
Accrued expenses	72,416			72,416
Total Current Liabilities	<u>175,041</u>	<u>2,326</u>		<u>177,367</u>
Net Assets:				
Unrestricted	9,087,531	1,510,193	(1,510,193)	9,087,531
Temporarily restricted	3,085,656			3,085,656
Permanently restricted	1,795,000			1,795,000
Total Net Assets	<u>13,968,187</u>	<u>1,510,193</u>	<u>(1,510,193)</u>	<u>13,968,187</u>
Non-controlling interest		(218,705)		(218,705)
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,143,228</u>	<u>\$ 1,293,814</u>	<u>\$ (1,510,193)</u>	<u>\$ 13,926,849</u>

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Consolidated Schedule Of Activities
For The Year Ended December 31, 2012

Page -24-

	<u>The Grand Canyon Trust</u>	<u>North Rim Ranch</u>	<u>Eliminations</u>	<u>Consolidated</u>
Support And Revenue:				
Grants and contributions	\$ 4,308,852	\$	\$	\$ 4,308,852
In-kind contributions	602,302			602,302
Membership contributions	402,121			402,121
Investment income	327,840			327,840
Cattle revenue, net		110,863		110,863
Change in value of beneficial interest in remainder trust	2,313			2,313
Loss on sale of land	(188,719)			(188,719)
Equity share of net loss of investee	(116,963)		116,963	-
Other income (loss)	36,849	1	(19,383)	17,467
Total Support And Revenue	<u>5,374,595</u>	<u>110,864</u>	<u>97,580</u>	<u>5,583,039</u>
Expenses:				
Program services	3,127,955	340,203	(19,383)	3,448,775
Education	141,973			141,973
Total Program Services	<u>3,269,928</u>	<u>340,203</u>	<u>(19,383)</u>	<u>3,590,748</u>
Development and membership	357,307			357,307
General and administrative	369,268			369,268
Total Support Services	<u>726,575</u>			<u>726,575</u>
Total Expenses	3,996,503	340,203	(19,383)	4,317,323
CHANGES IN NET ASSETS BEFORE NON-CONTROLLING INTEREST				
	1,378,092	(229,339)	116,963	1,265,716
Add: net loss attributable to non-controlling interest		112,377		112,377
Changes in net assets for controlling interest	<u>\$ 1,378,092</u>	<u>\$ (116,962)</u>	<u>\$ 116,963</u>	<u>\$ 1,378,093</u>

