

THE GRAND CANYON TRUST
AND NORTH RIM RANCH, LLC

Consolidated Financial Statements As Of
December 31, 2016 And 2015

Together With Independent Auditors' Report



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"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, 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 consolidated 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 consolidated 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.

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 consolidated 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, 2016 and 2015, and the results of their changes in net assets 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 consolidated 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

June 22, 2017

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Consolidated Statements of Financial Position
As Of December 31, 2016 And 2015

Page -3-

ASSETS	2016	2015
Current Assets:		
Cash and cash equivalents	\$ 5,501,061	\$ 4,093,247
Contributions receivable	1,022,469	1,160,800
Accounts receivable	47,204	
Note receivable	23,019	11,423
Livestock inventory	50,677	104,159
Prepaid expenses	83,664	199,218
Total Current Assets	<u>6,728,094</u>	<u>5,568,847</u>
Non-Current Assets:		
Breeding herd, net of accumulated depreciation of \$243,312 and \$219,257, respectively	113,568	121,066
Property and equipment, net of accumulated depreciation of \$2,350,301 and \$2,326,830, respectively	1,529,372	1,651,344
Note receivable, net of current portion	23,720	35,316
Investments	7,442,083	7,157,095
Conservation easements	2,295,000	2,295,000
Beneficial interest in remainder trust	41,184	41,736
Total Non-Current Assets	<u>11,444,927</u>	<u>11,301,557</u>
TOTAL ASSETS	<u><u>\$ 18,173,021</u></u>	<u><u>\$ 16,870,404</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 61,368	\$ 161,248
Accrued liabilities	115,081	51,731
Total Current Liabilities	<u>176,449</u>	<u>212,979</u>
Net Assets:		
Unrestricted	13,405,705	11,615,084
Temporarily restricted	2,265,745	2,665,150
Permanently restricted	<u>2,795,000</u>	<u>2,795,000</u>
Total	18,466,450	17,075,234
Non-controlling interest	<u>(469,878)</u>	<u>(417,809)</u>
Total Net Assets	<u>17,996,572</u>	<u>16,657,425</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 18,173,021</u></u>	<u><u>\$ 16,870,404</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, 2016

Page -4-

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support And Revenue:				
Grants and contributions	\$ 2,988,107	\$ 2,000,282	\$	\$ 4,988,389
In-kind contributions	504,528			504,528
Membership contributions	415,525	8,367		423,892
Investment income	251,189	37,602		288,791
Cattle revenue, net of cost of sales of \$258,613	54,864			54,864
Change in value of beneficial interest in remainder trust	(552)			(552)
Other income	19,968			19,968
Net assets released from restrictions -				
Satisfaction of restrictions	<u>2,445,656</u>	<u>(2,445,656)</u>		
Total Support And Revenue	<u>6,679,285</u>	<u>(399,405)</u>		<u>6,279,880</u>
Expenses:				
Program services	3,866,300			3,866,300
Education	<u>232,062</u>			<u>232,062</u>
Total Program Services	<u>4,098,362</u>			<u>4,098,362</u>
Development and membership	429,691			429,691
General and administrative	<u>410,402</u>			<u>410,402</u>
Total Support Services	<u>840,093</u>			<u>840,093</u>
Total Expenses	<u>4,938,455</u>			<u>4,938,455</u>
CHANGES IN NET ASSETS BEFORE NON-CONTROLLING INTEREST	1,740,830	(399,405)		1,341,425
Less: change in net assets attributable to non-controlling interest	<u>49,791</u>			<u>49,791</u>
Changes In Net Assets For Controlling Entities	<u>\$ 1,790,621</u>	<u>\$ (399,405)</u>	<u>\$</u>	<u>\$ 1,391,216</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, 2015

Page -5-

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support And Revenue:				
Grants and contributions	\$ 1,799,662	\$ 2,042,029	\$ 1,000,000	\$ 4,841,691
In-kind contributions	841,114			841,114
Membership contributions	520,751	7,176		527,927
Investment income	10,357	(3,605)		6,752
Cattle revenue, net of cost of sales of \$118,934	101,409			101,409
Change in value of beneficial interest in remainder trust	(5,040)			(5,040)
Other income	44,634			44,634
Net assets released from restrictions -				
Satisfaction of restrictions	2,051,237	(2,051,237)		
Total Support And Revenue	5,364,124	(5,637)	1,000,000	6,358,487
Expenses:				
Program services	3,609,605			3,609,605
Education	234,027			234,027
Total Program Services	3,843,632			3,843,632
Development and membership	389,950			389,950
General and administrative	452,153			452,153
Total Support Services	842,103			842,103
Total Expenses	4,685,735			4,685,735
CHANGES IN NET ASSETS BEFORE NON-CONTROLLING INTEREST	678,389	(5,637)	1,000,000	1,672,752
Less: change in net assets attributable to non-controlling interest	32,559			32,559
Changes In Net Assets For Controlling Entities	\$ 710,948	\$ (5,637)	\$ 1,000,000	\$ 1,705,311

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, 2016

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, 2014	\$ 14,993,287	\$ 10,904,136	\$ 2,670,787	\$ 1,795,000	\$ (376,636)
Changes in net assets	1,672,752	710,948	(5,637)	1,000,000	(32,559)
Net contributions (distributions)	<u>(8,614)</u>	<u></u>	<u></u>	<u></u>	<u>(8,614)</u>
Balance, December 31, 2015	16,657,425	11,615,084	2,665,150	2,795,000	(417,809)
Changes in net assets	1,341,425	1,790,621	(399,405)		(49,791)
Net contributions (distributions)	<u>(2,278)</u>	<u></u>	<u></u>	<u></u>	<u>(2,278)</u>
Balance, December 31, 2016	<u>\$ 17,996,572</u>	<u>\$ 13,405,705</u>	<u>\$ 2,265,745</u>	<u>\$ 2,795,000</u>	<u>\$ (469,878)</u>

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, 2016 And 2015

Page -7-

	2016	2015
Cash flows from operating activities:		
Changes in net assets	\$ 1,341,425	\$ 1,672,752
Adjustments to reconcile changes in net assets to net cash provided by operating		
Realized and unrealized (gains) losses on investments	(86,727)	226,093
Depreciation and amortization	185,049	184,190
(Gain) loss on dispositions of livestock	1,599	(19,300)
Loss on dead or missing livestock	19,736	11,010
Changes in value of beneficial interest in remainder trust	522	5,040
(Increase) decrease in contributions receivable	138,331	(106,402)
(Increase) in accounts receivables	(47,204)	
(Increase) in livestock inventory	(15,817)	(91,810)
(Increase) decrease in prepaid expenses	115,554	(121,867)
Increase (decrease) in accounts payable	(99,880)	6,245
Increase (decrease) in accrued expenses	63,350	(9,011)
Net cash provided by operating activities	1,615,938	1,756,940
Cash flows from investing activities:		
Payments on notes receivable		11,327
Purchases of investments	(4,360,613)	(1,891,258)
Proceeds from sale of investments	4,162,352	1,666,045
Proceeds from sale of livestock	8,538	14,853
Purchase of conservation easement		(1,000,000)
Purchases of property and equipment	(15,123)	(39,512)
Purchase of livestock	(1,000)	(7,250)
Net cash (used in) investing activities	(205,846)	(1,245,795)
Cash flows from financing activities:		
Proceeds from capital contributions	251,560	217,994
Distributions of capital	(253,838)	(226,608)
	(2,278)	(8,614)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,407,814	502,531
Cash And Cash Equivalents, Beginning Of Year	4,093,247	3,590,716
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,501,061</u>	<u>\$ 4,093,247</u>

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

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Notes To Consolidated Financial Statements
For The Years Ended December 31, 2016 And 2015

Page -8-

(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 office is located in Flagstaff, Arizona. In addition, the Trust maintains representatives in Utah 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:

1. Quoted prices for similar assets or liabilities in active markets;
2. Quoted prices for identical or similar assets or liabilities in inactive markets;
3. Inputs other than quoted prices that are observable for the asset or liability;
4. 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.

Stocks, options and securities: Valued at the closing price reported on the active market on which the individual investments are traded.

Mutual funds: Valued at the published net asset value (NAV) of the shares held at the reporting date.

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 approximates 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, 2016 and 2015. 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, 2016 and 2015, 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 years ended December 31, 2016 and 2015, was \$50,679 and \$48,125, 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.

Subsequent Events

The Organization has performed an evaluation of subsequent events through June 22, 2017, 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.

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 years ended December 31, 2016 and 2015, 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 GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

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, 2013. 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 2013 and 2012, respectively. 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.

(4) Concentration of Credit 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, 2016, such deposits exceeded the FDIC insurance limit by \$1,125,763.

As of December 31, 2016 and 2015, 83% and 86%, respectively, of contributions receivable was from one donor. Additionally, during the years ended December 31, 2016, 47% of total contributions and grants was from two donors. During the year ended December 31, 2015, 21% of total contributions and grants was from one donor.

(5) Temporarily Restricted Net Assets

As of December 31, 2016 and 2015, temporarily restricted net assets consisted of the following:

	2016	2015
Utah forest conservation	\$ 72,167	\$ 65,780
Arizona forest conservation	162,503	13,484
Red Rock opportunity	300,000	300,000
Escalante watershed	3,579	150,008
K2M volunteer program	10,900	1,533
Utah volunteer program		3,974
Intertribal gathering	217,963	361,827
Native American volunteer		126
K2M habitat restoration	71,202	76,416
Grazing reform	616	1,347
Citizen advocacy and outreach	5,554	1,394
Sustainable economic		9,922
Grand canyon fund		29,000
Business incubator		16,647
Bear's Ears		61,978
Wyss Fellowship		129
Land conservation	75,000	86,100
Catapult designs	55,787	
Future of Colorado Plateau	4,431	

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Notes To Financial Statements (Continued)

Page -14-

High donor membership development	12,000	
Endowment fund earnings	362,287	324,685
Timing restriction	911,756	1,160,800
Total temporarily restricted net assets	<u>\$ 2,265,745</u>	<u>\$ 2,665,150</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 carried at \$2,295,000 as of December 31, 2016 and 2015, 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, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and cash equivalents	\$ 43,720	\$	\$	\$ 43,720
Equities, equity mutual funds, and ETFs -				
Large value funds	577,986			577,986
Large growth funds	696,733			696,733
Large blend funds	248,681			248,681
Small/mid cap funds	472,525			472,525
International funds	353,670			353,670
Emerging markets funds	82,860			82,860
Other equities	90,137			90,137
Fixed income, fixed income funds, and ETFs -				
Certificate of deposits	1,589,491			1,589,491
Corporate bond funds	573,537			573,537
Other debt securities and bond funds	353,154			353,154

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Notes To Financial Statements (Continued)

Page -15-

Corporate bonds	732,456		732,456
Preferred stock - financial	1,488,565		1,488,565
Alternative investments-			
Real estate funds and REITs	138,568		138,568
Beneficial interest in remainder trust		41,184	41,184
Total investments	<u>\$7,442,083</u>	<u>\$</u>	<u>\$ 41,184</u>
			<u>\$7,483,267</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, 2015:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	\$ 498,488	\$	\$	\$ 498,488
Equities, equity mutual funds, and ETFs -				
Large value funds	784,114			784,114
Large growth funds	670,046			670,046
Small/mid cap funds	367,439			367,439
International funds	727,149			727,149
Emerging markets funds	16,856			16,856
Other equities	77,594			77,594
Fixed income, fixed income funds, and ETFs -				
Certificate of deposits	1,632,553			1,632,553
Short term bond and income funds	714,768			
Other fixed income funds	598,524			
Other debt securities and bond funds	64,920			64,920
Corporate bonds	112,600			112,600
Preferred stock - financial	819,107			819,107
Alternative investments -				
Real estate funds	72,937			72,937
Beneficial interest in remainder trust			41,736	41,736
Total investments	<u>\$7,157,095</u>	<u>\$</u>	<u>\$ 41,736</u>	<u>\$7,198,831</u>

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Notes To Financial Statements (Continued)

Page -16-

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, 2014	\$ 46,776
Change in value of beneficial interest in trust	(5,040)
Balance, December 31, 2015	41,736
Change in value of beneficial interest in trust	(552)
Balance, December 31, 2016	<u>\$ 41,184</u>

For the years ended December 31, 2016 and 2015, investment income consisted of the following:

	2016	2015
Interest and dividends	\$ 221,958	\$ 253,454
Investment management fees	(19,894)	(20,609)
Net realized and unrealized gains (losses)	86,727	(226,093)
	<u>\$ 288,791</u>	<u>\$ 6,752</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 \$41,184 and \$41,736 as of December 31, 2016 and 2015, 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

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Notes To Financial Statements (Continued)

Page -18-

Changes in Endowment Net Assets

Changes in endowment net assets for the year ended December 31, 2016, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$	\$ 324,685	\$ 500,000	\$ 824,685
Investment return		37,602		37,602
Endowment net assets, end of year	<u>\$</u>	<u>\$ 362,287</u>	<u>\$ 500,000</u>	<u>\$ 862,287</u>

Changes in endowment net assets for the year ended December 31, 2015, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$	\$ 328,290	\$ 500,000	\$ 828,290
Investment return		(3,605)		(3,605)
Endowment net assets, end of year	<u>\$</u>	<u>\$ 324,685</u>	<u>\$ 500,000</u>	<u>\$ 824,685</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, 2016 and 2015, 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 held in the endowment 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 Audit Committee, but not less than once annually. Recommendations by the Audit 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) Note Receivable

During 2013, the Organization entered in to a note receivable agreement with Plateau Ranch in the amount of \$80,000 with an annual interest rate of 1.5% with final payment due December 15, 2019. The note was assigned to North Rim Ranch, LLC. As of December 31, 2016, the balance on the note was \$46,739. The maturity schedule is as follows:

<u>Year Ending</u> <u>December 31,</u>	
2017	\$ 23,019
2018	11,771
2019	11,949
	<u>\$ 46,739</u>

(11) Property And Equipment

Property and equipment consisted of the following as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land		
Office	\$ 119,500	\$ 119,500
Program	382,205	382,205
Improvements	1,253,218	1,251,068
Buildings	1,734,337	1,734,337

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Notes To Financial Statements (Continued)

Page -20-

Equipment	326,422	392,792
Vehicles	<u>63,990</u>	<u>98,272</u>
	3,879,672	3,978,174
Less accumulated depreciation	<u>2,350,300</u>	<u>2,326,830</u>
	<u>\$1,529,372</u>	<u>\$1,651,344</u>

Depreciation expense for the years ended December 31, 2016 and 2015, was \$134,370 and \$136,066, 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 during the years ended December 31, 2016 and 2015.

(12) Donated Services

As of December 31, 2016 and 2015, the Organization received donated legal services in the amount of \$504,528 and \$841,144 respectively, which is reflected in program services expense.

Additionally, the Organization received approximately 13,500 hours of volunteer time during the years ended December 31, 2016 and 2015, 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.

(13) 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 2000 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 2002 and a permanently restricted net asset was established.

During 2015, the Organization purchased a conservation easement on 800 acres of land within the Grand Staircase-Escalante National Monument known as the Johnson Lakes Canyon Property (the "Property") near Kanab, Utah for \$1,000,000. 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 the habitat and open space within the Property. The easement is a permanently restricted net asset.

No new easements were purchased during the year ended December 31, 2016.

(14) Commitments Related to Grazing Leases and Permits

The Organization holds grazing permits issued by the United States Forest Service, the Bureau of Land Management and Arizona State Land Department. The Organization is obligated to pay grazing fees to these government agencies which amounted to \$16,153 and \$12,131 during the years ended December 31, 2016 and 2015, respectively.

Additionally, during the years ended December 31, 2016 and 2015, the Organization obtained validation that terms and conditions required by the United States Forest Service were met related to grazing permits.

(15) 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 \$73,613 and \$66,807 during the years ended December 31, 2016 and 2015, respectively.

(16) **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.

(17) **Expenses**

Total expenses incurred during the years ended December 31, 2016 and 2015, are as follows:

	2016	2015
Total expenses as reported by function	\$ 4,938,455	\$ 4,685,735
Cost of cattle sales	258,613	118,934
Total expenses	<u>\$ 5,197,068</u>	<u>\$ 4,804,669</u>

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Consolidated Schedule Of Financial Position

As of December 31, 2016

Page -23-

	The Grand Canyon Trust	North Rim Ranch	Eliminations	Consolidated
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 5,490,727	\$ 10,334	\$	\$ 5,501,061
Contributions receivable	1,022,469			1,022,469
Accounts receivable		47,204		47,204
Note receivable		23,019		23,019
Livestock inventory		50,677		50,677
Prepaid expenses	74,496	9,168		83,664
Total Current Assets	6,587,692	140,402	-	6,728,094
Non-current Assets:				
Breeding herd, net		113,568		113,568
Property and equipment, net	748,937	780,435		1,529,372
Note receivable, net of current portion		23,720		23,720
Investments	7,442,083			7,442,083
Investment in partnership	1,526,723		(1,526,723)	
Conservation easements	2,295,000			2,295,000
Beneficial interest in remainder trust	41,184			41,184
Total Non-Current Assets	12,053,927	917,723	(1,526,723)	11,444,927
TOTAL ASSETS	\$ 18,641,619	\$ 1,058,125	\$ (1,526,723)	\$ 18,173,021
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ 60,088	\$ 1,280	\$	\$ 61,368
Accrued expenses	115,081			115,081
Total Current Liabilities	175,169	1,280	-	176,449
Net Assets:				
Unrestricted	13,405,705	1,526,723	(1,526,723)	13,405,705
Temporarily restricted	2,265,745			2,265,745
Permanently restricted	2,795,000			2,795,000
Total Net Assets	18,466,450	1,526,723	(1,526,723)	18,466,450
Non-controlling interest		(469,878)		(469,878)
TOTAL LIABILITIES AND NET ASSETS	\$ 18,641,619	\$ 1,058,125	\$ (1,526,723)	\$ 18,173,021

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Consolidated Schedule Of Activities
For The Year Ended December 31, 2016

Page -24-

	The Grand Canyon Trust	North Rim Ranch	Eliminations	Consolidated
Support And Revenue:				
Grants and contributions	\$ 4,988,389	\$	\$	\$ 4,988,389
In-kind contributions	504,528			504,528
Membership contributions	423,892			423,892
Investment income	288,791			288,791
Cattle revenue, net		54,864		54,864
Change in value of beneficial interest in remainder trust	(552)			(552)
Equity share of net loss of investee	(51,824)		51,824	-
Other income (loss)	40,159	(263)	(19,928)	19,968
Total Support And Revenue	<u>6,193,383</u>	<u>54,601</u>	<u>31,896</u>	<u>6,279,880</u>
Expenses:				
Program services	3,730,012	156,216	(19,928)	3,866,300
Education	232,062			232,062
Total Program Services	<u>3,962,074</u>	<u>156,216</u>	<u>(19,928)</u>	<u>4,098,362</u>
Development and membership	429,691			429,691
General and administrative	410,402			410,402
Total Support Services	<u>840,093</u>			<u>840,093</u>
Total Expenses	4,802,167	156,216	(19,928)	4,938,455
CHANGES IN NET ASSETS BEFORE NON-CONTROLLING INTEREST	1,391,216	(101,615)	51,824	1,341,425
Add: net loss attributable to non-controlling interest		49,791		49,791
Changes in net assets for controlling interest	<u>\$ 1,391,216</u>	<u>\$ (51,824)</u>	<u>\$ 51,824</u>	<u>\$ 1,391,216</u>

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Schedule Of Functional Expenses
For The Year Ended December 31, 2016

Page -25-

	Program Services		Supporting Services		Total
	Program Services	Education	Development and Membership	General Administrative	
Employee compensation and taxes	\$ 1,968,834	\$ 130,231	\$ 311,492	\$ 271,547	\$ 2,682,104
Benefits	49,023	4,004	10,754	9,832	73,613
Bank Charges				6,068	6,068
Advertising	12,406	6,033	679		19,118
Books, publications slides and maps	5,630	2,948	233		8,811
Depreciation and amortization	165,629	3,546	8,481	7,393	185,049
Fees, licenses and dues	27,255	19,820	14,634	6,063	67,772
Honorarium	79,617	1,426	649		81,692
Grants and contributions	382,223	31,389	13,427	2,050	429,089
Legal, consulting, and professional fees	517,732			18,542	536,274
Meeting, conferences and events	121,405	1,458	8,118	11,431	142,412
Membership acquisition	310	598	5,667		6,575
Printing and postage	18,698	21,501	46,578		89,460
Board expense				2,683	12,482
Miscellaneous	8,888			530	9,418
Insurance	1,216			26,360	27,576
Rent				15,645	15,645
Taxes	6,184				6,184
Repairs and maintenance	19,390	1,141	2,738	2,282	25,551
Office supplies	11,942	162			12,104
Office expense	21,487	640	1,845	938	24,910
Utilities	21,043	1,235	2,008	6,149	30,435
Volunteer expense	18,188				18,188
Vehicle expense	2,936				2,936
Travel and meals	406,264	5,930	2,388	10,407	424,989
Total	\$ 3,866,300	\$ 232,062	\$ 429,691	\$ 410,402	\$ 4,938,455

THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Schedule Of Functional Expenses
For The Year Ended December 31, 2015

Page -26-

	Program Services		Supporting Services		Total
	Program Services	Education	Development and Membership	General Administrative	
Employee compensation and taxes	\$ 1,636,657	\$ 131,253	\$ 255,249	\$ 265,655	\$ 2,288,814
Benefits	45,323	3,835	8,114	9,534	66,807
Bank Charges	128			4,641	4,769
Advertising	4,243	5,556	1,642		11,441
Books, publications slides and maps	2,984	2,044	726	21	5,775
Depreciation and amortization	164,076	4,048	7,873	8,194	184,191
Fees, licenses and dues	27,764	13,586	7,466	5,256	54,071
Honorarium	57,251	1,320	480		59,051
Grants and contributions	326,159	44,493	10,828	15,905	397,386
Land Purchase	25,000				25,000
Legal, consulting, and professional fees	853,061		385	17,875	871,321
Meeting, conferences and events	41,424	1,031	3,876	7,753	54,084
Membership acquisition		2,457	12,983		15,440
Printing and postage	14,146	19,485	65,558	1,466	100,654
Board expense				11,459	11,459
Miscellaneous	9,570	264		12	9,846
Insurance	10,990			32,054	43,044
Rent				12,811	12,811
Taxes	6,846			(110)	6,736
Repairs and maintenance	3,943			20,455	24,398
Office supplies	11,520	101			11,620
Office expense	11,498	391	852	14,022	26,762
Utilities	9,491	371		18,548	28,411
Volunteer expense	17,588			123	17,710
Vehicle expense	5,068				5,068
Travel and meals	324,875	3,792	13,917	6,480	349,065
Total	\$ 3,609,605	\$ 234,027	\$ 389,950	\$ 452,153	\$ 4,685,735