

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

Consolidated Financial Statements As Of  
December 31, 2017 And 2016

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, 2017 and 2016, 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, 2017 and 2016, 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***

August 21, 2018

# THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Consolidated Statements of Financial Position  
As Of December 31, 2017 And 2016

Page -3-

ASSETS	2017	2016
Current Assets:		
Cash and cash equivalents	\$ 5,908,809	\$ 5,501,061
Contributions receivable	662,049	1,022,469
Accounts receivable	26,350	47,204
Note receivable	23,019	23,019
Livestock inventory	27,005	50,677
Prepaid expenses	94,654	83,664
Total Current Assets	<u>6,741,886</u>	<u>6,728,094</u>
Non-Current Assets:		
Breeding herd, net of accumulated depreciation of \$261,653 and \$243,312, respectively	64,870	113,568
Property and equipment, net of accumulated depreciation of \$2,482,042 and \$2,350,301, respectively	1,452,936	1,529,372
Note receivable, net of current portion	12,297	23,720
Investments	11,036,219	7,442,083
Conservation easements	2,295,000	2,295,000
Beneficial interest in remainder trust	43,318	41,184
Total Non-Current Assets	<u>14,904,640</u>	<u>11,444,927</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 21,646,526</b></u>	<u><b>\$ 18,173,021</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 90,354	\$ 61,368
Accrued liabilities	126,544	115,081
Total Current Liabilities	<u>216,898</u>	<u>176,449</u>
Net Assets:		
Unrestricted	15,780,673	13,405,705
Temporarily restricted	2,903,678	2,265,745
Permanently restricted	2,795,000	2,795,000
Total	21,479,351	18,466,450
Non-controlling interest	(49,723)	(469,878)
Total Net Assets	<u>21,429,628</u>	<u>17,996,572</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 21,646,526</b></u>	<u><b>\$ 18,173,021</b></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, 2017

Page -4-

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support And Revenue:</b>				
Grants and contributions	\$ 3,668,507	\$ 2,332,717	\$	\$ 6,001,224
In-kind contributions	961,999			961,999
Membership contributions	601,740	245,982		847,722
Investment income	1,046,425	151,270		1,197,695
Cattle revenue, net of cost of sales of \$202,489	31,402			31,402
Change in value of beneficial interest in remainder trust	2,134			2,134
Other income	4,008			4,008
Net assets released from restrictions -				
Satisfaction of restrictions	2,092,036	(2,092,036)		
<b>Total Support And Revenue</b>	<b>8,408,251</b>	<b>637,933</b>		<b>9,046,184</b>
<b>Expenses:</b>				
Program services	4,509,251			4,509,251
Education	207,265			207,265
<b>Total Program Services</b>	<b>4,716,516</b>			<b>4,716,516</b>
Development and membership	459,394			459,394
General and administrative	403,644			403,644
<b>Total Support Services</b>	<b>863,038</b>			<b>863,038</b>
<b>Total Expenses</b>	<b>5,579,554</b>			<b>5,579,554</b>
<b>CHANGES IN NET ASSETS BEFORE NON-CONTROLLING INTEREST</b>	<b>2,828,697</b>	<b>637,933</b>		<b>3,466,630</b>
Less: change in net assets attributable to non-controlling interest	16,149			16,149
<b>Changes In Net Assets For Controlling Entities</b>	<b>\$ 2,844,846</b>	<b>\$ 637,933</b>	<b>\$</b>	<b>\$ 3,482,779</b>

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, 2017

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, 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>(2,278)</u>
Balance, December 31, 2016	17,996,572	13,405,705	2,265,745	2,795,000	(469,878)
Changes in net assets	3,466,630	2,844,846	637,933		(16,149)
Transfer of equity between non- controlling interest		(469,878)			469,878
Net contributions (distributions)	<u>(33,574)</u>				<u>(33,574)</u>
Balance, December 31, 2017	<u>\$ 21,429,628</u>	<u>\$ 15,780,673</u>	<u>\$ 2,903,678</u>	<u>\$ 2,795,000</u>	<u>\$ (49,723)</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 -5-

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support And Revenue:</b>				
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	2,445,656	(2,445,656)		
<b>Total Support And Revenue</b>	<b>6,679,285</b>	<b>(399,405)</b>	<b>0</b>	<b>6,279,880</b>
<b>Expenses:</b>				
Program services	3,866,300			3,866,300
Education	232,062			232,062
<b>Total Program Services</b>	<b>4,098,362</b>			<b>4,098,362</b>
Development and membership	429,691			429,691
General and administrative	410,402			410,402
<b>Total Support Services</b>	<b>840,093</b>			<b>840,093</b>
<b>Total Expenses</b>	<b>4,938,455</b>			<b>4,938,455</b>
<b>CHANGES IN NET ASSETS BEFORE NON-CONTROLLING INTEREST</b>	<b>1,740,830</b>	<b>(399,405)</b>	<b>0</b>	<b>1,341,425</b>
Less: change in net assets attributable to non-controlling interest	49,791			49,791
<b>Changes In Net Assets For Controlling Entities</b>	<b>\$ 1,790,621</b>	<b>\$ (399,405)</b>	<b>\$ 0</b>	<b>\$ 1,391,216</b>

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, 2017 And 2016

Page -7-

	2017	2016
Cash flows from operating activities:		
Changes in net assets	\$ 3,466,630	\$ 1,341,425
Adjustments to reconcile changes in net assets to net cash provided by operating		
Realized and unrealized (gains) losses on investments	(864,065)	(86,727)
Depreciation and amortization	188,652	185,049
(Gain) loss on dispositions of livestock	4,307	1,599
Loss on dead or missing livestock	20,339	19,736
Changes in value of beneficial interest in remainder trust	(2,134)	522
(Increase) decrease in contributions receivable	360,420	138,331
(Increase) in accounts receivables	20,854	(47,204)
(Increase) in livestock inventory	(14,399)	(15,817)
(Increase) decrease in prepaid expenses	(10,990)	115,554
Increase (decrease) in accounts payable	28,986	(99,880)
Increase (decrease) in accrued expenses	11,463	63,350
Net cash provided by operating activities	<u>3,210,063</u>	<u>1,615,938</u>
Cash flows from investing activities:		
Proceeds on notes receivable	11,423	
Purchases of investments	(8,113,923)	(4,360,613)
Proceeds from sale of investments	5,383,853	4,162,352
Proceeds from sale of livestock	21,231	8,538
Purchases of property and equipment	(55,805)	(15,123)
Purchase of livestock	(15,520)	(1,000)
Net cash (used in) investing activities	<u>(2,768,741)</u>	<u>(205,846)</u>
Cash flows from financing activities:		
Proceeds from capital contributions	194,836	251,560
Distributions of capital	(228,410)	(253,838)
	<u>(33,574)</u>	<u>(2,278)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>407,748</b>	<b>1,407,814</b>
Cash And Cash Equivalents, Beginning Of Year	<u>5,501,061</u>	<u>4,093,247</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 5,908,809</u></b>	<b><u>\$ 5,501,061</u></b>

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, 2017 And 2016

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 was allocated 88% and 51% of the net income or loss of the Ranch during the years ended December 31, 2017 and 2016, respectively. 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 of accounting in accordance with accounting principles generally accepted in the United States of America.

### 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, 2017 and 2016, 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, 2017 and 2016, was \$56,412 and \$50,679, 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; (v) protection and restoration of critical lands, species, waters, air quality, and natural habitats of the Colorado Plateau; and (vi) collaboration with tribes across the Plateau aimed at pursuing sustainable economic development, cultural preservation, and conservation objectives on tribal and ancestral public lands.

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 August 21, 2018, 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, 2017 and 2016, 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, 2014. 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 2014 and 2013, 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, 2017, such deposits exceeded the FDIC insurance limit by \$4,199,865. The Organization may hold funds with financial institutions in excess of the FDIC insured amounts; however the Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

As of December 31, 2017 and 2016, 54% and 83%, respectively, of contributions receivable was from one donor. Additionally, during the year ended December 31, 2017, 54% of total contributions and grants was from two donors. During the year ended December 31, 2016, 47% of total contributions and grants was from two donors.

(5) **Temporarily Restricted Net Assets**

As of December 31, 2017 and 2016, temporarily restricted net assets consisted of the following:

	2017	2016
Utah forest conservation	\$ 150,000	\$ 72,167
Arizona forest conservation	126,540	162,503
Red Rock opportunity		300,000
Escalante watershed	30,169	3,579
K2M volunteer program		10,900
Intertribal gathering		217,963
K2M habitat restoration		71,202
Grazing reform		616
Citizen advocacy and outreach		5,554
Land conservation	75,000	75,000
Catapult designs		55,787
Future of Colorado Plateau	6,200	4,431
High donor membership development		12,000
Endowment fund earnings	513,557	362,287
Other Uranium	1,050	
Grand Canyon Uranium	5,824	

# THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Notes To Financial Statements (Continued)

Page -14-

North Rim Ranch, LLC	85,000	
Bear's Ears	285,000	
Utah Riparian Forest	4,817	
Monuments	251,482	
Bodoway Alternative Economics	18,308	
NABIN	25,000	
Utah Volunteer	5,491	
4FRI Students	3	
Kane's Artists' Retreat	3,500	
Publications	50	
Timing restriction	1,316,687	911,756
Total temporarily restricted net assets	<u>\$ 2,903,678</u>	<u>\$ 2,265,745</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, 2017 and 2016, and are restricted in perpetuity for specified uses of the lands as discussed in Note 13. 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, 2017:

	Level 1	Level	Level 3	Total
Investments:				
Cash and cash equivalents	\$ 52,364	\$	\$	\$ 52,364
Equities, equity mutual funds, and ETFs -				
Large value funds	983,289			983,289
Large growth funds	1,007,310			1,007,310
Large blend funds	460,250			460,250
Small/mid cap funds	1,529,718			1,529,718
International funds	1,871,499			1,871,499

# THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Notes To Financial Statements (Continued)

Page -15-

Emerging markets funds	463,814			463,814
Fixed income, fixed income funds, and ETFs -				
Certificate of deposits	1,204,634			1,204,634
Other debt securities and bond funds	775,553			775,553
Corporate bonds	225,510			225,510
Preferred stock - financial	1,732,965			1,732,965
Alternative investments-				
Real estate funds and REITs	319,521			319,521
Rate and high income	409,792			409,792
Beneficial interest in remainder trust			43,318	43,318
Total investments	<u>\$11,036,219</u>	<u>\$</u>	<u>\$ 43,318</u>	<u>\$ 11,079,537</u>

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



# THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Notes To Financial Statements (Continued)

Page -16-

---

Balance, December 31, 2015	\$ 41,736
Change in value of beneficial interest in trust	(552)
Balance, December 31, 2016	41,184
Change in value of beneficial interest in trust	2,134
Balance, December 31, 2017	<u>\$ 43,318</u>

For the years ended December 31, 2017 and 2016, investment income consisted of the following:

	2017	2016
Interest and dividends	\$ 368,468	\$ 221,958
Investment management fees	(34,838)	(19,894)
Net realized and unrealized gains (losses)	864,065	86,727
	<u>\$ 1,197,695</u>	<u>\$ 288,791</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 \$43,318 and \$41,184 as of December 31, 2017 and 2016, 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, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$	\$ 362,287	\$ 500,000	\$ 862,287
Investment return		151,270		151,270
Endowment net assets, end of year	\$	\$ 513,557	\$ 500,000	\$ 1,013,557

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

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

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, 2017 and 2016, 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 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) 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, 2017, the balance on the note was \$35,316. The maturity schedule is as follows:

Year Ending  
December 31,

2018	\$ 23,019
2019	12,297
	<u>\$ 35,316</u>

**(11) Property And Equipment**

Property and equipment consisted of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land		
Office	\$ 119,500	\$ 119,500
Program	382,205	382,205
Improvements	1,253,218	1,253,218
Buildings	1,734,337	1,734,337
Equipment	340,941	326,422
Vehicles	104,776	63,990
	<u>3,934,977</u>	<u>3,879,672</u>
Less accumulated depreciation	<u>2,482,041</u>	<u>2,350,300</u>
	<u>\$1,452,936</u>	<u>\$1,529,372</u>

Depreciation expense for the years ended December 31, 2017 and 2016, was \$132,240 and \$134,370, 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, 2017 and 2016.

**(12) Donated Services**

As of December 31, 2017 and 2016, the Organization received donated legal services in the amount of \$969,885 and \$504,528 respectively, which is reflected in program services expense.

Additionally, the Organization received approximately 11,000 and 13,500 hours of volunteer time during the years ended December 31, 2017 and 2016, 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 years ended December 31, 2017 and 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 \$962 and \$16,153 during the years ended December 31, 2017 and 2016, respectively.

Additionally, during the years ended December 31, 2017 and 2016, 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 \$78,723 and \$73,613 during the years ended December 31, 2017 and 2016, 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, 2017 and 2016, are as follows:

	2017	2016
Total expenses as reported by function	\$ 5,579,554	\$ 4,938,455
Cost of cattle sales	202,489	258,613
Total expenses	<u>\$ 5,782,043</u>	<u>\$ 5,197,068</u>

# THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

## Consolidated Schedule Of Financial Position

As of December 31, 2017

Page -23-

	The Grand Canyon Trust	North Rim Ranch	Eliminations	Consolidated
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 5,891,143	\$ 17,666	\$	\$ 5,908,809
Contributions receivable	662,049			662,049
Accounts receivable		38,396	(12,046)	26,350
Note receivable		23,019		23,019
Livestock inventory		27,005		27,005
Prepaid expenses	88,753	5,901		94,654
Total Current Assets	6,641,945	111,987	(12,046)	6,741,886
Non-current Assets:				
Breeding herd, net		64,870		64,870
Property and equipment, net	727,242	725,694		1,452,936
Note receivable, net of current portion		12,297		12,297
Investments	11,036,219			11,036,219
Investment in partnership	963,875		(963,875)	
Conservation easements	2,295,000			2,295,000
Beneficial interest in remainder trust	43,318			43,318
Total Non-Current Assets	15,065,654	802,861	(963,875)	14,904,640
<b>TOTAL ASSETS</b>	<b>\$ 21,707,599</b>	<b>\$ 914,848</b>	<b>\$ (975,921)</b>	<b>\$ 21,646,526</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Accounts payable	\$ 101,728	\$ 672	\$ (12,046)	\$ 90,354
Accrued expenses	126,544			126,544
Total Current Liabilities	228,272	672	(12,046)	216,898
Net Assets:				
Unrestricted	15,780,649	963,875	(963,875)	15,780,649
Temporarily restricted	2,903,678			2,903,678
Permanently restricted	2,795,000			2,795,000
Total Net Assets	21,479,327	963,875	(963,875)	21,479,327
Non-controlling interest		(49,699)		(49,699)
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 21,707,599</b>	<b>\$ 914,848</b>	<b>\$ (975,921)</b>	<b>\$ 21,646,526</b>



# THE GRAND CANYON TRUST AND NORTH RIM RANCH, LLC

Consolidated Schedule Of Activities  
For The Year Ended December 31, 2017

Page -24-

	The Grand Canyon Trust	North Rim Ranch	Eliminations	Consolidated
<b>Support And Revenue:</b>				
Grants and contributions	\$ 6,001,224	\$	\$	\$ 6,001,224
In-kind contributions	961,999			961,999
Membership contributions	847,722			847,722
Investment income	1,197,695			1,197,695
Cattle revenue, net		31,402		31,402
Change in value of beneficial interest in remainder trust	2,134			2,134
Equity share of net loss of investee	(118,429)		118,429	-
Other income (loss)	19,900	535	(16,427)	4,008
Total Support And Revenue	<u>8,912,245</u>	<u>31,937</u>	<u>102,002</u>	<u>9,046,184</u>
<b>Expenses:</b>				
Program services	4,359,163	166,515	(16,427)	4,509,251
Education	207,265			207,265
Total Program Services	<u>4,566,428</u>	<u>166,515</u>	<u>(16,427)</u>	<u>4,716,516</u>
Development and membership	459,394			459,394
General and administrative	403,644			403,644
Total Support Services	<u>863,038</u>			<u>863,038</u>
Total Expenses	5,429,466	166,515	(16,427)	5,579,554
<b>CHANGES IN NET ASSETS BEFORE NON-CONTROLLING INTEREST</b>	3,482,779	(134,578)	118,429	3,466,630
Add: net loss attributable to non-controlling interest		16,149		16,149
Changes in net assets for controlling interest	<u>\$ 3,482,779</u>	<u>\$ (118,429)</u>	<u>\$ 118,429</u>	<u>\$ 3,482,779</u>

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

Schedule Of Functional Expenses  
For The Year Ended December 31, 2017

Page -25-

	Program Services		Supporting Services		Total
	Program Services	Education	Development and Membership	General Administrative	
Employee compensation and taxes	\$ 2,204,622	\$ 136,367	\$ 354,300	\$ 267,314	\$ 2,962,603
Benefits	54,189	4,407	10,627	9,500	78,723
Bank Charges				7,135	7,135
Advertising	5,578	979	720	514	7,791
Books, publications slides and maps	4,034	4,262			8,296
Depreciation and amortization	168,952	3,544	9,208	6,948	188,652
Fees, licenses and dues	16,791	22,300	8,174	7,650	54,915
Honorarium	55,979	1,175			57,154
Grants and contributions	506,675	9,479	8,869	2,561	527,584
Legal, consulting, and professional fees	973,958			20,067	994,025
Meeting, conferences and events	136,584	1,047	12,364	12,433	162,428
Membership acquisition		568	3,604		4,172
Printing and postage	25,074	15,867	32,358	2,441	75,740
Board expense				7,123	7,123
Miscellaneous	17,715	9		61	17,785
Insurance	15,068			27,894	42,962
Rent				19,019	19,019
Taxes	7,826				7,826
Repairs and maintenance	16,315	1,069	2,565	1,924	21,873
Office supplies	21,982	416			22,398
Office expense	24,521	1,363	3,749	1,632	31,265
Utilities	29,137	1,697	3,157	2,227	36,218
Volunteer expense	17,242				17,242
Vehicle expense	3,808				3,808
Travel and meals	203,201	2,716	9,699	7,201	222,817
Total	\$ 4,509,251	\$ 207,265	\$ 459,394	\$ 403,644	\$ 5,579,554