



GUNNISON TRAILS, INC.

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT

December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

April 1, 2020

Board of Directors
Gunnison Trails, Inc.
Gunnison, Colorado

We have audited the accompanying statements of financial position of Gunnison Trails, Inc. (a non-profit organization) as of December 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statements referred to above present fairly, in all material respects, the financial position of Gunnison Trails, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Chadwick, Steinkirchner, Davis & Co., P.C.

Gunnison Trails, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31,

	2019	2018
ASSETS		
Cash	\$ 164,871	\$ 210,420
Investments	100,192	-
Grant and other receivables	12,993	1,730
Prepaid expense	86	1,600
Inventory	3,200	2,580
	<u>\$ 281,342</u>	<u>\$ 216,330</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,023	\$ 1,100
Accrued payroll liabilities	4,050	3,545
Deferred revenue	30,921	36,870
	<u>35,994</u>	<u>41,515</u>
	Total liabilities	41,515
Net assets		
With donor restrictions	30,746	-
Without donor restrictions	214,602	174,815
	<u>245,348</u>	<u>174,815</u>
	Total net assets	174,815
	<u>\$ 281,342</u>	<u>\$ 216,330</u>
	Total liabilities and net assets	\$ 216,330

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

Gunnison Trails, Inc.

STATEMENTS OF ACTIVITIES

Years ended December 31,

	2019	2019	2019	2018
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUE				
Special events				
Revenue	\$ 87,894	\$ -	\$ 87,894	\$ 95,301
Cost of direct benefits to donors	<u>(37,929)</u>	<u>-</u>	<u>(37,929)</u>	<u>(36,795)</u>
Net special events revenue	49,965	-	49,965	58,506
Contributions	51,503	-	51,503	49,337
Sponsorships and memberships	27,482	-	27,482	26,531
Merchandise sales	5,790	-	5,790	4,585
Interest	1,389	-	1,389	-
Grants	46,477	30,746	77,223	12,030
Total support and revenue	<u>182,606</u>	<u>30,746</u>	<u>213,352</u>	<u>150,989</u>
EXPENSES				
Program services	95,987	-	95,987	85,061
Supporting services				
Management and general	14,007	-	14,007	12,846
Fundraising	32,825	-	32,825	21,418
Total expenses	<u>142,819</u>	<u>-</u>	<u>142,819</u>	<u>119,325</u>
Change in net assets	39,787	30,746	70,533	31,664
Net assets, beginning of year	<u>174,815</u>	<u>-</u>	<u>174,815</u>	<u>143,151</u>
Net assets, end of year	<u>\$ 214,602</u>	<u>\$ 30,746</u>	<u>\$ 245,348</u>	<u>\$ 174,815</u>

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

Gunnison Trails, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended December 31,

	2019				2018			
	Supporting Services				Supporting Services			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 67,101	\$ 4,521	\$ 17,986	\$ 89,608	\$ 53,138	\$ 4,084	\$ 16,525	\$ 73,747
Growler event	-	-	7,425	7,425	9,107	-	-	9,107
Supplies	10,002	3,640	1,713	15,355	5,886	3,355	1,696	10,937
Website	2,938	-	326	3,264	4,842	-	538	5,380
Advertising	572	-	64	636	811	-	90	901
Insurance	5,249	583	-	5,832	4,680	520	-	5,200
Donations to others	700	-	-	700	950	-	-	950
Merchandise cost of sales	-	-	5,311	5,311	-	-	2,569	2,569
Equipment	-	-	-	-	5,647	-	-	5,647
Contracted services	9,250	-	-	9,250	-	-	-	-
Professional fees	175	5,263	-	5,438	-	4,887	-	4,887
	<u>\$ 95,987</u>	<u>\$ 14,007</u>	<u>\$ 32,825</u>	<u>\$ 142,819</u>	<u>\$ 85,061</u>	<u>\$ 12,846</u>	<u>\$ 21,418</u>	<u>\$ 119,325</u>

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

Gunnison Trails, Inc.

STATEMENTS OF CASH FLOWS

Years ended December 31,

	2019	2018
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 70,533	\$ 31,664
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
(Increase) decrease in grants receivable	(11,263)	2,540
(Increase) decrease in inventory	(620)	1,388
(Increase) decrease in prepaid expenses	1,514	(405)
Increase (decrease) in accounts payable	(77)	711
Increase (decrease) in accrued liabilities	505	829
Increase (decrease) in deferred revenue	(5,949)	(19,287)
Net cash provided (used) by operating activities	<u>54,643</u>	<u>17,440</u>
Cash flows from investing activities		
Purchase of investments	(100,192)	-
Net cash provided (used) by investing activities	<u>(100,192)</u>	<u>-</u>
Net increase (decrease) in cash	(45,549)	17,440
Cash, beginning of year	<u>210,420</u>	<u>192,980</u>
Cash, end of year	<u>\$ 164,871</u>	<u>\$ 210,420</u>

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

Gunnison Trails, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies for Gunnison Trails, Inc. (GT) is presented to assist in understanding GT's financial statements. The financial statements and notes are representations of GT's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles as promulgated by the AICPA Industry Audit and Accounting Guide, Not-for-Profit entities.

Purpose and Organization

GT was incorporated under the laws of the State of Colorado in 2006 and received 501(c)(3) status in December 2010. GT maintains and builds trails and provides information and education about trails and responsible trail use. GT is based in Gunnison, Colorado.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (US GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of GT and changes therein are classified and reported as follows:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the GT's management and the board of directors.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of GT or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash

Cash consists of cash held in checking and online accounts. Management believes GT is not exposed to any significant credit risk on cash. For purposes of the statement of cash flows, GT considers all highly liquid investment securities, purchased with an original maturity of three months or less, to be cash equivalents, if any.

Inventory

Inventory consists of merchandise that is valued at the lower of cost or market on the first-in first-out method. GT purchases bike jerseys, shirts, and other logo merchandise for sale to Growler entrants and other supporters. Merchandise purchases and sales are recorded when payment is made and cash received.

Gunnison Trails, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Growler

The Original Growler consists of several mountain bike races held at Hartman Rocks in Gunnison, Colorado during the Memorial Day weekend. In addition to providing significant resources that allow GT to pursue its mission, the Growler promotes trail use education and is a major economic activity to the Gunnison Valley. The amount presented on the statements of financial position as deferred revenue represents registration fees paid by participants in 2019 for the 2020 Growler and in 2018 for 2019.

Contributions, Sponsorships, and Memberships

Contributions, sponsorships, and memberships are recognized in the period received. All are available for unrestricted use unless specifically restricted by the donor.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment, if any, are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Income Tax Status

GT is organized as a not-for-profit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code on December 20, 2010.

Gunnison Trails, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

GT adopted the provisions of ASC 740-10-25 pertaining to accounting for uncertainty in income taxes. This pronouncement requires the use of more-likely-than-not recognition criteria before and separate from the measurement of a tax position. An entity shall initially recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Management has evaluated the adopted policies and procedures that have been implemented to provide assurance that income is properly characterized and activities that jeopardize its tax exempt status are within limits established under existing tax code and regulations.

Management has determined the effects of uncertain tax positions are not material to GT for recognition or disclosure in the accompanying financial statements, and accordingly, no income tax liability has been recorded for uncertain income tax positions in them.

All income tax years open for examination are subject to taxation at corporate tax rates. Additionally, penalties and interest may be assessed on income taxes that are delinquent. The assessment of uncertain income taxes is subject to estimate, and it is reasonably possible that the estimate may change in the near term and the change may be material.

Contributed Services

GT does not recognize in the financial statements any support or expense from services contributed by volunteers, as the value of these services is not susceptible to objective measurement or valuation. However, service hours contributed by volunteers may be assigned an appropriate dollar value dependent upon the types of service rendered, and that value would be provided to those grantors who accept the amounts as matching dollars for grant purposes.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Capital expenses and professional fees are allocated based on specific invoices while all other functional expenses are based on time and effort.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE B – SUBSEQUENT EVENTS

Management has evaluated potential subsequent event disclosures through April 1, 2020 (date of availability of financial statements for issuance). There were no subsequent events identified that require recording. During 2020 there was a worldwide pandemic from the Coronavirus. It is clear that there will be potential short and long-term effects from local to global economies. It is unclear what these effects will be for GT at the date of the auditor's report.

Gunnison Trails, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE C – BOARD DESIGNATED NET ASSETS

The board designated net assets are comprised of the following:

Without donor restrictions:

Designated by the board for:

Operations	\$ 75,000
Signal Peak Project	25,000
Undesignated	<u>112,602</u>
Net assets	<u>\$ 212,602</u>

NOTE D – AVAILABILITY AND LIQUIDITY

At December 31, 2019 GT had \$232,440 of cash and investments available to meet requirements for general expenditures in 2020. \$30,746 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date. GT has a goal to maintain cash at least equal to reserves. At December 31, 2019, the Board had established reserves of \$75,000 to meet 2020 operating expenses, excluding events and projects, and \$25,000 to meet expenses for the Signal Peak project.