



GUNNISON TRAILS, INC.

**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT**

December 31, 2015 and 2014

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**INDEPENDENT AUDITOR'S REPORT**

March 18, 2016

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, 2015 and 2014, 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, 2015 and 2014, 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,

| | 2015 | 2014 |
|-----------------------------------|-------------------|------------------|
| ASSETS | | |
| Cash | \$ 109,689 | \$ 66,664 |
| Grants receivable | <u>4,363</u> | <u>4,000</u> |
| Total assets | <u>\$ 114,052</u> | <u>\$ 70,664</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable | \$ 240 | \$ - |
| Accrued payroll liabilities | 1,809 | 524 |
| Deferred revenue | <u>48,940</u> | <u>21,495</u> |
| Total liabilities | <u>50,989</u> | <u>22,019</u> |
| Net assets | | |
| Temporarily restricted | 1,730 | 3,300 |
| Unrestricted | <u>61,333</u> | <u>45,345</u> |
| Total net assets | <u>63,063</u> | <u>48,645</u> |
| Total liabilities and net assets | <u>\$ 114,052</u> | <u>\$ 70,664</u> |

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

Gunnison Trails, Inc.

STATEMENTS OF ACTIVITIES

Years ended December 31,

| | 2015 | | |
|--------------------------------------|------------------|---------------------------|------------------|
| | Unrestricted | Temporarily Restricted | Total |
| SUPPORT AND REVENUE | | | |
| Special events | \$ 88,721 | \$ - | \$ 88,721 |
| Contributions | 3,476 | - | 3,476 |
| Sponsorships and memberships | 26,639 | - | 26,639 |
| Merchandise sales | 9,023 | - | 9,023 |
| Grants | 19,430 | - | 19,430 |
| Miscellaneous | - | - | - |
| Net assets released from restriction | 1,570 | (1,570) | - |
| Total support and revenue | <u>148,859</u> | <u>(1,570)</u> | <u>147,289</u> |
| EXPENSES | | | |
| Program services | 108,932 | - | 108,932 |
| Supporting services | | | |
| Management and general | 11,465 | - | 11,465 |
| Fundraising | 12,474 | - | 12,474 |
| Total expenses | <u>132,871</u> | <u>-</u> | <u>132,871</u> |
| Change in net assets | 15,988 | (1,570) | 14,418 |
| Net assets, beginning of year | <u>45,345</u> | <u>3,300</u> | <u>48,645</u> |
| Net assets, end of year | <u>\$ 61,333</u> | <u>\$ 1,730</u> | <u>\$ 63,063</u> |

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

| 2014 | | |
|------------------|---------------------------|------------------|
| Unrestricted | Temporarily Restricted | Total |
| \$ 73,576 | \$ - | \$ 73,576 |
| 2,419 | 1,500 | 3,919 |
| 26,143 | - | 26,143 |
| 7,128 | - | 7,128 |
| 4,000 | - | 4,000 |
| 779 | - | 779 |
| 325 | (325) | - |
| <u>114,370</u> | <u>1,175</u> | <u>115,545</u> |
| 91,825 | - | 91,825 |
| 10,152 | - | 10,152 |
| 8,100 | - | 8,100 |
| <u>110,077</u> | <u>-</u> | <u>110,077</u> |
| 4,293 | 1,175 | 5,468 |
| 41,052 | 2,125 | 43,177 |
| <u>\$ 45,345</u> | <u>\$ 3,300</u> | <u>\$ 48,645</u> |

Gunnison Trails, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended December 31,

| | 2015 | | | |
|--------------------------------|---------------------|------------------|------------------|-------------------|
| | Supporting Services | | | |
| | Program | Management | Fundraising | Total |
| | Services | and | | |
| | | General | | |
| Salaries | \$ 30,630 | \$ 2,888 | \$ 5,641 | \$ 39,159 |
| Growler event | 37,116 | - | - | 37,116 |
| Winter Blast event | - | - | 5,225 | 5,225 |
| Cowboys | - | - | - | - |
| Water Treatment Trail expenses | 18,680 | - | - | 18,680 |
| Trail maintenance | 634 | - | - | 634 |
| Website | 3,028 | - | 337 | 3,365 |
| Advertising | 2,389 | - | 265 | 2,654 |
| Insurance | 3,641 | 1,214 | - | 4,855 |
| Donations to others | 1,350 | - | - | 1,350 |
| Administrative | - | 2,538 | - | 2,538 |
| Merchandise cost of sales | 5,701 | - | 1,006 | 6,707 |
| Signal Peak expenses | 5,363 | - | - | 5,363 |
| Video and photography | 400 | - | - | 400 |
| Professional fees | - | 4,825 | - | 4,825 |
| | <u>\$ 108,932</u> | <u>\$ 11,465</u> | <u>\$ 12,474</u> | <u>\$ 132,871</u> |

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

| 2014 | | | |
|---------------------|------------------------------|-----------------|-------------------|
| Supporting Services | | | |
| Program Services | Management and General | Fundraising | Total |
| \$ 29,446 | \$ 2,382 | \$ 3,536 | \$ 35,364 |
| 34,036 | - | - | 34,036 |
| - | - | 2,974 | 2,974 |
| 325 | - | - | 325 |
| - | - | - | - |
| 571 | - | - | 571 |
| 3,017 | - | 335 | 3,352 |
| 3,006 | - | 334 | 3,340 |
| 3,439 | 1,147 | - | 4,586 |
| 1,300 | - | - | 1,300 |
| - | 1,896 | - | 1,896 |
| 5,216 | - | 921 | 6,137 |
| 11,069 | - | - | 11,069 |
| 400 | - | - | 400 |
| - | 4,727 | - | 4,727 |
| <u>\$ 91,825</u> | <u>\$ 10,152</u> | <u>\$ 8,100</u> | <u>\$ 110,077</u> |

Gunnison Trails, Inc.

STATEMENTS OF CASH FLOWS

Years ended December 31,

| | 2015 | 2014 |
|--|-------------------|------------------|
| Cash flows from operating activities | | |
| Increase (decrease) in net assets | \$ 14,418 | \$ 5,468 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | | |
| (Increase) decrease in grants receivable | (363) | (4,000) |
| Increase (decrease) in accounts payable | 240 | - |
| Increase (decrease) in accrued liabilities | 1,285 | (23) |
| Increase (decrease) in deferred revenue | 27,445 | 1,962 |
| Net cash provided (used) by operating activities | <u>43,025</u> | <u>3,407</u> |
| Net increase (decrease) in cash | 43,025 | 3,407 |
| Cash, beginning of year | <u>66,664</u> | <u>63,257</u> |
| Cash, end of year | <u>\$ 109,689</u> | <u>\$ 66,664</u> |

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

Gunnison Trails, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

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 generally accepted accounting principles. 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:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of GT and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by GT. Generally, the donors of these assets permit GT to use all or part of the income earned on any related investments for general or specific purposes. GT does not currently have any permanently restricted net assets.

Gunnison Trails, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash

Cash consists of cash held in checking and PayPal 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.

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 2015 for the 2016 Growler and in 2014 for 2015.

Donations, Sponsorships, and Memberships

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

Merchandise

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.

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.

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.

Gunnison Trails, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

NOTE B – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

| | 2015 | 2014 |
|---------------------|-----------------|-----------------|
| Sage Grouse Fund | \$ 1,730 | \$ 1,730 |
| Adaptive Trail Fund | – | 70 |
| Trail Building Fund | – | 1,500 |
| | <u>\$ 1,730</u> | <u>\$ 3,300</u> |

The Sage Grouse Fund is the remaining balance of a grant from the Bureau of Land Management (BLM) to provide educational services related to the Gunnison Sage Grouse, a threatened species. The Adaptive Trail Fund was the remaining balance from a BLM grant to build a wide trail at Hartman Rocks for use by adaptive bikes and was spent in 2015. The Trail Building Fund represented a grant from the Rose Foundation to be used for trail building and was spent in 2015.

NOTE C – GRANTS

GT was awarded a \$45,000 grant from Colorado Parks and Wildlife to develop a master plan for the Signal Peaks trail system. GT spent \$363 in 2015 and \$11,069 in 2014 related to the project and has requested reimbursement from the grant for \$4,000, which is presented as a grant receivable in the statement of financial position.

GT was awarded a \$20,400 grant from Colorado Parks and Wildlife to improve the Water Treatment and Fence line trails near Gunnison, Colorado. During 2015 GT spent \$18,680 on the project, which was reimbursed.

NOTE D – SUBSEQUENT EVENTS

Management has evaluated potential subsequent event disclosures through March 18, 2016 (date of availability of financial statements for issuance). There were no subsequent events identified that require disclosure.