BOULDER CREST RETREAT FOUNDATION

Bluemont, Virginia

FINANCIAL STATEMENTS

DECEMBER 31, 2017

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boulder Crest Retreat Foundation
Bluemont, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Boulder Crest Retreat Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2017, the related statements of activities and cash flows for the year 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 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 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 Boulder Crest Retreat Foundation as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of 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 statement taken as a whole.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
April 4, 2018

BOULDER CREST RETREAT FOUNDATION

Statement of Financial Position
December 31, 2017

Assets		
Current Assets		
Cash and cash equivalents	$	4,106,948
Pledges receivable, current portion		2,091,500
Prepaid expenses		42,438
Other receivables		11,463
Total current assets	$	6,252,349
Property and Equipment		
Buildings	$	13,012,151
Land and improvements		3,400,453
Furniture and equipment		993,799
Website		1,000
Livestock		4,085
Vehicles		302,411
	$	17,713,899
Less accumulated depreciation		1,262,429
Total property and equipment, net	$	16,451,470
Other Assets		
Intangibles	$	5,316
Long-term pledges receivable, net of discount of $38,882		627,618
Total other assets	$	632,934
Total assets	$	23,336,753
Liabilities and Net Assets		
Current Liabilities, accounts payable and accrued expenses	$	377,105
Net Assets		
Unrestricted	$	19,651,018
Temporarily restricted		3,308,630
Total net assets	$	22,959,648
Total liabilities and net assets	$	23,336,753

See Notes to Financial Statements.

BOULDER CREST RETREAT FOUNDATION

Statement of Activities

For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues, Gain (Loss) and Other Support			
Contributions	$ 1,958,250	$ - -	$ 1,958,250
Fundraising activities, net of direct expenses, of $305,459	866,745	- -	866,745
Grants	2,115,130	11,934,000	14,049,130
Interest	948	- -	948
Other revenue	2,245	- -	2,245
Net assets released from restrictions	10,639,669	(10,639,669)	- -
Total revenues, gain (loss) and other support	$ 15,582,987	$ 1,294,331	$ 16,877,318
Expenses			
Program services	$ 2,983,613	$ - -	$ 2,983,613
Management and general	405,180	- -	405,180
Fundraising	569,341	- -	569,341
Total expenses	$ 3,958,134	$ - -	$ 3,958,134
Change in net assets	$ 11,624,853	$ 1,294,331	$ 12,919,184
Net assets, beginning of year, as previously stated	$ 8,076,165	$ 1,964,299	$ 10,040,464
Prior period adjustment (Note 7)	(50,000)	50,000	- -
Net assets, beginning of year, as restated	$ 8,026,165	$ 2,014,299	$ 10,040,464
Net assets at end of year	$ 19,651,018	$ 3,308,630	$ 22,959,648

See Notes to Financial Statements.

BOULDER CREST RETREAT FOUNDATION

Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows from Operating Activities	
Change in net assets	$ 12,919,184
Adjustments to reconcile change in net assets	
to net cash provided by operating activities:	
Depreciation and amortization	530,263
Loss on disposition of asset	10,307
Donation of property and equipment	(136,432)
(Increase) in pledges receivable	(1,194,355)
(Increase) in other receivables	(7,578)
(Increase) in prepaid expenses	(24,044)
Increase in accounts payable and accrued expenses	298,010
Net cash provided by operating activities	$ 12,395,355
Cash Flows from Investing Activities	
Purchase of property and equipment	$ (10,863,345)
Purchase of intangible assets	(963)
Net cash (used in) investing activities	$ (10,864,308)
Increase in cash and cash equivalents	$ 1,531,047
Cash and Cash Equivalents	
Beginning	$ 2,575,901
Ending	$ 4,106,948
Supplemental Disclosures of Investing	
In-kind donations of property and equipment	$ 136,432

See Notes to Financial Statements.

Note 1. Description of the Organization

Boulder Crest Retreat Foundation (the "Foundation") exists to heal military members, veterans, and their family members dealing with combat-related stress. Boulder Crest does this by providing free, world class, short-duration, high-impact retreats for combat veterans and their families. The vision of Boulder Crest is to revolutionize a model of healing that integrates evidence-based therapies, a safe, peaceful space and unparalleled customer service to improve physical, emotional, spiritual and economic well-being for our nation's combat veterans and their families.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Net assets, revenues, and expenses are classified based on the terms of donor-imposed restrictions, if any. Accordingly, the net assets, revenues, and expenses of the Foundation are classified and reported as follows:

Unrestricted – Unrestricted net assets are neither temporarily nor permanently restricted by donor-imposed restrictions.

Temporarily restricted – Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use up or expend the donated assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Foundation.

Permanently restricted – Permanently restricted net assets are subject to donor-imposed restrictions and must be maintained by the Foundation in perpetuity. The Foundation had no permanently restricted net assets at December 31, 2017.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For financial statement purposes, the Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. Balances in these accounts may, at times, exceed federally insured limits. The Foundation has not experienced any loss in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on these amounts are computed using the prime rate. Amortization of the discount is included in contribution revenue. There is no allowance for uncollectible promises to give.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the estimated fair market value at the time of donation. Depreciation is calculated using the straight-line method over the assets' useful lives as follows:

Buildings	39.5 years
Land improvements	10 - 39.5 years
Furniture and equipment	3 - 10 years
Website	3 years
Livestock	5 years
Vehicles	3 - 7 years

Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation. Gifts of cash and other assets received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. When a time or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Contributions with donor-imposed restrictions that are satisfied within the same reporting period as received are reported as unrestricted support.

Donated Goods and Services

Donated services that create or enhance non-financial assets or that require specialized skills and would have been purchased if not provided by individuals possessing those skills are recorded in the statement of activities at their fair value. Other donated services received that do not meet these criteria are not recorded in the financial statements. Donated goods and construction materials are recorded at their fair value on date of donation.

Functional Allocation of Expenses

The cost of providing the various programs and activities has been summarized on a functional basis in the supplemental statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation is exempt from federal and state income taxes under Internal Revenue Code 501(c)(3) and has been determined not to be a private foundation under Code Section 509(a). The Foundation will only be taxed to the extent it has taxable trade or business income unrelated to its exempt purpose.

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance for recognizing revenue from contracts with customers. The core principle of ASU 2014-09 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. Generally, the ASU states that revenue should be recognized by following a five step process which include identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligation in the contract, and recognizing revenue as the entity satisfies a performance obligation. ASU 2014-09 is effective for the Foundation for the year ending December 31, 2019. The Foundation is currently evaluating the impact that the adoption of Topic 606 will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Foundation for the year ending December 31, 2020. Early adoption is permitted. The Foundation is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for the Foundation for the year ending December 31, 2018. Early adoption is permitted. The Foundation is currently evaluating the impact that the adoption of ASU 2016-14 will have on its consolidated financial statements.

Note 3. Pledges Receivable

The outstanding pledges receivable are due as follows:

Within one year	$ 2,091,500
One to four years	666,500
	$ 2,758,000
Less present value discount (2.76% - 2.98%)	(38,882)
	$ 2,719,118

Note 4. Related Party Transactions

The Foundation receives cash and non-cash (time and travel expenses) contributions from members of the Board of Directors and certain businesses owned by and/or employing members of the Board of Directors. The Foundation has a shared employee with related organizations of EOD Warrior Foundation and Shoulder2Shoulder, Inc. whereas Ken Falke, Founder and Chairman of the Foundation, is the Founder and Chairman and shareholder, respectively. Effective December 2017, he is no longer a shareholder of Shoulder2Shoulder, Inc.

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31, 2017:

Arizona Heroes Garden and Hall Project	$ 752,426
PATHH Program	280,000
Renovation to Snickersville building	349,936
Improvements and operations for Arizona property	1,477,150
Arizona archery	5,000
Time restriction	444,118
	$ 3,308,630

Net assets were released from donor restrictions for the year ended December 31, 2017 by incurring expenses satisfying the purpose specified by the donor as follows:

Arizona Heroes Garden and Hall Project	$ 247,575
PATHH Program	209,840
Curriculum, evaluation study, and retreats	1,063,696
Renovation to Snickersville building	125,063
Improvements and operations for Arizona property	8,522,850
Time restriction	470,645
	$ 10,639,669

Note 6. Operating Leases

The Foundation leased office space under an operating lease agreement that called for monthly payments of $2,000. The lease ceased in September 2017 when the Foundation purchased the building. Rent expense for the office space was $17,267 for the year ended December 31, 2017.

Note 7. Prior Period Adjustment

The Foundation’s financial statements for the year ended December 31, 2016 have been restated to reclassify grants from unrestricted to temporarily restricted net assets. There is no effect on the total change in net assets for the year ended December 31, 2016.

Note 8. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 4, 2018, the date the financial statements were available to be issued. The Foundation has determined there are no subsequent events that require recognition or disclosure.

BOULDER CREST RETREAT FOUNDATION

Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Cabin	$ 15,103	$ - -	$ - -	$ 15,103
Retreat vehicle	2,195	- -	- -	2,195
Retreat program	295,236	- -	- -	295,236
Other programmatic expenses	475,185	- -	- -	475,185
Janitorial services and ground maintenance	444,852	- -	- -	444,852
Professional and consulting costs	3,920	133,904	34,002	171,826
Bank and merchant fees	- -	771	- -	771
Salaries, taxes, and payroll fees	888,910	164,881	350,582	1,404,373
Employee benefits	78,675	14,593	31,029	124,297
Conferences, training, and meetings	- -	34,482	- -	34,482
General fundraising	- -	- -	85,314	85,314
Insurance	59,326	2,094	- -	61,420
Office supplies and expenses	38,071	8,329	30,489	76,889
Rent	10,929	2,027	4,311	17,267
Utilities	76,304	- -	- -	76,304
Postage and delivery	1,717	316	4,307	6,340
Printing and copying	3,103	575	12,655	16,333
Web and software	1,106	205	436	1,747
Depreciation and amortization	530,263	- -	- -	530,263
Donor management software	- -	10,899	10,898	21,797
Travel	46,911	28,147	5,318	80,376
Loss on disposal of assets	10,307	- -	- -	10,307
Other	1,500	3,957	- -	5,457
Total	$ 2,983,613	$ 405,180	$ 569,341	$ 3,958,134