

BOULDER CREST RETREAT FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012



TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5 - 6
Statements of cash flows	7
Notes to financial statements	8 - 11
SUPPLEMENTARY INFORMATION	
Schedules of unrestricted support	12



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, 2012, and the related statements of activities, functional expenses, 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 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 Foundation'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 Boulder Crest Retreat Foundation as of December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Boulder Crest Retreat Foundation as of and for the year ended December 31, 2011 were audited by PBGH, LLP, who merged with Witt Mares, PLC to form PBMares, LLP as of January 1, 2013, and whose report dated March 26, 2012, expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as of and for the year ended December 31, 2012 as a whole. The accompanying supplementary information 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 for the year ended December 31, 2012 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 procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information for the year ended December 31, 2012 is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information for the year ended December 31, 2011 was audited by PBGH, LLP, who merged with Witt Mares, PLC to form PBMares, LLP as of January 1, 2013, and whose report dated March 26, 2012, expressed an unmodified opinion on such information in relation to the financial statements as a whole.

PBMares, LLP

Fredericksburg, Virginia
June 5, 2013

BOULDER CREST RETREAT FOUNDATION**STATEMENTS OF FINANCIAL POSITION****December 31, 2012 and 2011**

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 778,846	\$ 122,166
Pledges receivable, current portion	270,000	-
Prepaid expenses	3,120	1,257
Total current assets	1,051,966	123,423
Property and Equipment		
Land	370,000	370,000
Website	2,646	700
Construction in progress	2,087,571	35,945
	2,460,217	406,645
Less accumulated depreciation	661	233
	2,459,556	406,412
Other Assets		
Long-term pledges receivable	57,551	-
Loan fees, net of \$5,249 amortization	12,747	-
	70,298	-
	\$ 3,581,820	\$ 529,835
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 90,337	\$ 10,888
Net Assets		
Unrestricted	3,150,827	518,947
Temporarily restricted	340,656	-
	3,491,483	518,947
Total liabilities and net assets	\$ 3,581,820	\$ 529,835

BOULDER CREST RETREAT FOUNDATION**STATEMENTS OF ACTIVITIES****Years Ended December 31, 2012 and 2011**

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Unrestricted Total
Support and Revenue				
Contributions	\$ 2,872,927	\$ 340,656	\$ 3,213,583	\$ 634,047
Total support and revenue	2,872,927	340,656	3,213,583	634,047
Expenses				
Program services	26,179	-	26,179	117
Management and general	36,705	-	36,705	6,126
Fundraising	178,163	-	178,163	108,857
Total expenses	241,047	-	241,047	115,100
Change in net assets	2,631,880	340,656	2,972,536	518,947
Net Assets, beginning	518,947	-	518,947	-
Net Assets, ending	\$ 3,150,827	\$ 340,656	\$ 3,491,483	\$ 518,947

BOULDER CREST RETREAT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012

	Program Services	Management and General	Fund- raising	Total
Professional and consulting costs	\$ -	\$ 20,553	\$ 127,785	\$ 148,338
Salaries and employment taxes	7,917	3,958	3,958	15,833
Office supplies and expenses	2,198	1,609	2,199	6,006
Advertising	-	-	26,090	26,090
Postage and delivery	640	640	640	1,920
Printing and copying	4,787	4,788	4,788	14,363
General fundraising	-	-	10,343	10,343
Depreciation	360	-	360	720
Rent	2,000	2,000	2,000	6,000
Equipment rental	1,218	-	-	1,218
Insurance	6,582	2,556	-	9,138
Loss on disposition of asset	-	408	-	408
Other	477	193	-	670
Total	\$ 26,179	\$ 36,705	\$ 178,163	\$ 241,047

BOULDER CREST RETREAT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2011

	Program Services	Management and General	Fund- raising	Total
Professional and consulting costs	\$ -	\$ 5,579	\$ 94,184	\$ 99,763
Office supplies and expenses	-	174	174	348
Advertising	-	-	13,402	13,402
Postage and delivery	-	95	95	190
Dues and subscriptions	-	-	528	528
Depreciation	117	-	116	233
Insurance	-	251	-	251
Other	-	27	358	385
Total	\$ 117	\$ 6,126	\$ 108,857	\$ 115,100

BOULDER CREST RETREAT FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities		
Change in net assets	\$ 2,972,536	\$ 518,947
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	720	233
Loss on disposition of asset	408	-
Donation of property and equipment	(395,854)	(406,645)
Increase in accounts payable	79,449	10,888
Increase in pledges receivable	(327,551)	-
Increase in prepaid expenses	(1,863)	(1,257)
Net cash provided by operating activities	2,327,845	122,166
Cash Flows From Investing Activities		
Purchase of property and equipment	(1,653,169)	-
Net cash used in investing activities	(1,653,169)	-
Cash Flows From Financing Activities		
Payment of debt issuance costs	(17,996)	-
Net cash used in investing activities	(17,996)	-
Increase in cash and cash equivalents	656,680	122,166
Cash and Cash Equivalents		
Beginning	122,166	-
Ending	\$ 778,846	\$ 122,166
Supplemental Schedule of Noncash Investing and Financing Activities		
Property and equipment additions	\$ 2,049,023	\$ 406,645
In-kind donation of property and equipment	395,854	406,645
Cash paid for purchase of property and equipment	\$ 1,653,169	\$ -
Amortization of loan fees capitalized	\$ 5,249	\$ -

BOULDER CREST RETREAT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of the Foundation and Significant Accounting Policies

Boulder Crest Retreat Foundation (the Foundation) was organized in 2010 and commenced activity in January 2011. The Foundation's mission is to provide a free, first class rural retreat where America's seriously wounded warriors and their families can reconnect and recover among the beauty of the natural world. The Foundation may also make its facilities available to other established non-profit organizations to offer their programs for veterans free of charge. Construction began during 2012 and the operation of the facilities is expected to be functioning in 2013.

Significant accounting policies followed by the Foundation are described below:

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 not subject to donor-imposed restrictions other than the restriction for the benefit of the Foundation and Board-designated restrictions.

Temporarily restricted: Temporarily restricted net assets are subject to donor-imposed purpose or use restrictions.

Permanently restricted: Permanently restricted net assets are subject to donor-imposed restrictions and must be maintained by the Foundation in perpetuity. The Foundation has no permanently restricted net assets.

Cash and cash equivalents: The Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be 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 are unconditional promises to give that are recognized as contributions when the promise is received. Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flow. Amortization of the resultant discount is recognized as contribution revenue. The need for an allowance for uncollectible pledges receivable is determined based on an evaluation of the collectibility of individual promises. All pledges were considered fully collectible; accordingly, no allowance for doubtful pledges receivable was recorded.

Property and equipment: Property and equipment are stated at cost or, if donated, at the estimated fair market value at the time of donation. The website is being depreciated by the straight-line method over three years.

BOULDER CREST RETREAT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of the Foundation and Significant Accounting Policies (Continued)

Contributions: 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.

Loan fees: Loan fees consist of costs incurred related to obtaining a line of credit with BB&T (Note 5). These costs are being amortized on a straight-line basis over the life of the loan.

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 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: Directly identifiable expenses are charged to programs and fundraising services, as applicable. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Foundation.

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).

Management evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Income Taxes Topic of the FASB Accounting Standards Codification. The Foundation files Form 990, Return of Organization Exempt from Income Tax, annually with the United States Department of the Treasury. The Foundation's income tax return for the year 2011 remains subject to examination by the Internal Revenue Service.

Advertising: The Foundation follows a policy of charging the costs of advertising to expense as incurred. Advertising expense amounted to \$26,090 and \$13,402 for the years ended December 31, 2012 and 2011, respectively.

Subsequent events: Subsequent events have been evaluated through June 5, 2013, which was the date the financial statements were available to be issued.

BOULDER CREST RETREAT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 2. Pledges Receivable

Pledges receivable at December 31, 2012 and 2011 are expected to be collected as follows:

	2012	2011
In one year or less	\$ 270,000	\$ -
Between one and five years	60,000	-
	330,000	-
Less present value discount (1.5%)	(2,449)	-
	<u>\$ 327,551</u>	<u>\$ -</u>

Note 3. Related Party Contributions

Related party contributions consisted of the following for the years ended December 31, 2012 and 2011:

	2012	2011
Contributions from Kenneth Falke, Founder and Chairman:		
Cash contributions	\$ 174,658	\$ -
Noncash contributions:		
Construction costs	25,424	35,945
Website development costs	-	700
Other expenses paid on behalf of the Foundation	34,000	107,016
Land, at appraised value	-	370,000
	<u>234,082</u>	<u>513,661</u>
Contributions from Shoulder2Shoulder, Inc., of which Kenneth Falke is a shareholder:		
Cash contributions	90,694	-
Noncash - shared services and space	36,907	-
	<u>127,601</u>	<u>-</u>
Contributions from Lifecycle Construction, Inc., whose shareholder is on the Foundation's Board of Directors:		
Noncash-construction costs	150,000	-
Total related party contributions	<u>\$ 511,683</u>	<u>\$ 513,661</u>

BOULDER CREST RETREAT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 4. Construction in Progress

The Foundation had construction in progress in the amount of \$2,087,571 and \$35,945 at December 31, 2012 and 2011, respectively, related to the construction of a new respite housing facility. Although the Foundation was not contractually obligated under a construction contract for this project at December 31, 2012 or 2011, management currently anticipates completion in the second quarter of 2013 at an estimated total cost of \$3.3 million.

Note 5. Line of Credit

In June 2012, the Foundation established a \$1.5 million line of credit with BB&T. Advances on the line accrue interest at the bank's prime rate (3.25% at December 31, 2012). Interest payments are due monthly, with any outstanding principal balance due in full at maturity in June 2014. At December 31, 2012, there was no outstanding balance on the line. The line of credit is collateralized by the Foundation's assets and guaranteed personally by Kenneth and Julia Falke. Mr. Falke is the Founder and Chairman of the Foundation.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2012:

Playground construction	\$ 13,105
Facility construction	327,551
	<u>\$ 340,656</u>

SUPPLEMENTARY INFORMATION

BOULDER CREST RETREAT FOUNDATION

SCHEDULES OF SUPPORT

Years Ended December 31, 2012 and 2011

	2012	2011
Contributions		
Individuals	\$ 612,793	\$ 40,386
Corporations	1,145,105	80,000
Direct public grants	963,500	-
Non-cash	492,185	513,661
	<u>\$ 3,213,583</u>	<u>\$ 634,047</u>