BOULDER CREST RETREAT FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

PBMares[SM]

ASSURANCE, TAX & ADVISORY SERVICES

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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 statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, 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 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 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, 2013 and 2012 and the results of its operations and its 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 financial statements 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 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 is fairly stated in all material respects in relation to the financial statements as a whole.

PBMares, LLP

Fredericksburg, Virginia
May 9, 2014

BOULDER CREST RETREAT FOUNDATION

STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 390,430**	$ 778,846
Pledges receivable, current portion	**456,398**	270,000
Prepaid expenses	**8,976**	3,120
Receivables	**1,802**	-
Total current assets	**857,606**	1,051,966
Property and Equipment		
Buildings	**4,235,245**	-
Furniture and equipment	**359,245**	-
Website	**1,000**	2,646
Land and improvements	**943,075**	370,000
Vehicles	**80,314**	-
Construction and equipment installations in progress	**-**	2,087,571
	5,618,879	2,460,217
Less accumulated depreciation	**63,448**	661
	5,555,431	2,459,556
Other Assets		
Long-term pledges receivable	**1,269,910**	57,551
Loan fees, net of $14,247 and $5,249 amortization	**3,749**	12,747
	1,273,659	70,298
	$ 7,686,696	$ 3,581,820
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	**$ 246,614**	$ 90,337
Line of credit	**800,000**	-
Total current liabilities	**1,046,614**	90,337
Net Assets		
Unrestricted	**4,908,774**	3,150,827
Temporarily restricted	**1,731,308**	340,656
	6,640,082	3,491,483
Total liabilities and net assets	**$ 7,686,696**	$ 3,581,820

BOULDER CREST RETREAT FOUNDATION

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2013 and 2012

	2013		
	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions	$ 2,159,109	$ 1,673,127	$ 3,832,236
Fundraising activities, net of direct expense of $84,727	44,525	-	44,525
Interest	71	-	71
Net assets released from restriction	282,475	(282,475)	-
Total support and revenue	2,486,180	1,390,652	3,876,832
Expenses			
Program services	348,430	-	348,430
Management and general	63,599	-	63,599
Fundraising	316,204	-	316,204
Total expenses	728,233	-	728,233
Change in net assets	1,757,947	1,390,652	3,148,599
Net Assets, beginning	3,150,827	340,656	3,491,483
Net Assets, ending	$ 4,908,774	$ 1,731,308	$ 6,640,082

	2012	
Unrestricted	Temporarily Restricted	Total
$ 2,872,927	$ 340,656	$ 3,213,583
-	-	-
-	-	-
2,872,927	340,656	3,213,583
26,179	-	26,179
36,705	-	36,705
178,163	-	178,163
241,047	-	241,047
2,631,880	340,656	2,972,536
518,947	-	518,947
$ 3,150,827	$ 340,656	$ 3,491,483

BOULDER CREST RETREAT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013

	Program Services	Management and General	Fund-raising	Total
Cabin expenses	$ 34,540	$ -	$ -	$ 34,540
Retreat vehicle expenses	3,666	-	-	3,666
Retreat program expenses	2,811	-	-	2,811
Other retreat expenses	11,237	-	-	11,237
Janitorial services and ground maintenance	20,208	-	-	20,208
Professional and consulting costs	-	25,890	162,417	188,307
Advertising	-	-	83,150	83,150
Bank and merchant fees	-	290	3,956	4,246
Salaries, taxes and payroll fees	4,056	1,352	8,113	13,521
Contracted services	96,006	13,340	15,876	125,222
General fundraising	-	-	8,346	8,346
Fundraising event expense	-	-	6,327	6,327
Insurance	10,355	271	-	10,626
Real estate taxes	11,493	-	-	11,493
Office supplies and expenses	3,368	3,369	3,368	10,105
Rent and utlities	65,481	2,000	2,000	69,481
Postage and delivery	2,734	2,734	2,733	8,201
Printing and copying	7,552	7,552	7,551	22,655
Telephone and website hosting	739	739	740	2,218
Depreciation and amortization	66,363	-	672	67,035
Donor management software	-	2,196	2,196	4,392
Travel	-	2,939	2,467	5,406
Interest	7,786	-	-	7,786
Loss on disposal of assets	-	698	698	1,396
Other	35	229	5,594	5,858
Total	**$ 348,430**	**$ 63,599**	**$ 316,204**	**$ 728,233**

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 assets	-	408	-	408
Other	477	193	-	670
Total	$ 26,179	$ 36,705	$ 178,163	$ 241,047

BOULDER CREST RETREAT FOUNDATION

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Change in net assets	**$ 3,148,599**	$ 2,972,536
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**67,035**	720
Loss on disposition of asset	**1,396**	408
Donation of property and equipment	**(402,308)**	(395,854)
Increase in:		
Other receivables	**(1,802)**	-
Pledges receivable	**(1,398,757)**	(327,551)
Prepaid expenses	**(5,856)**	(1,863)
(Increase) in accounts payable and accrued expenses	**156,277**	79,449
Net cash provided by operating activities	**1,564,584**	2,327,845
Cash Flows From Investing Activities		
Purchase of property and equipment	**(2,753,000)**	(1,653,169)
Net cash used in investing activities	**(2,753,000)**	(1,653,169)
Cash Flows From Financing Activities		
Payment of debt issuance costs	**-**	(17,996)
Proceeds from line of credit	**800,000**	-
Net cash provided by (used in) financing activities	**800,000**	(17,996)
Increase (decrease) in cash and cash equivalents	**(388,416)**	656,680
Cash and Cash Equivalents		
Beginning	**778,846**	122,166
Ending	**$ 390,430**	$ 778,846
Supplemental Disclosures of Noncash Investing and Financing Activities		
Property and equipment additions	**$ 3,155,308**	$ 2,049,023
In-kind donation of property and equipment	**(402,308)**	(395,854)
Cash paid for purchase of property and equipment	**$ 2,753,000**	$ 1,653,169
Cash paid for interest	**$ 7,786**	$ -

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 also makes 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 began in September 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 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, 2013 or 2012.

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 at December 31, 2013 and 2012; accordingly, no allowance for doubtful pledges receivable was recorded.

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

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
Furniture and equipment	3 – 10 years
Website	3 years
Land improvements	10 – 39.5 years
Vehicles	3 – 7 years

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 returns for the years 2011 and later remain 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 $83,150 and $26,090 for the years ended December 31, 2013 and 2012, respectively.

Subsequent events: Subsequent events have been evaluated through May 9, 2014, which was the date the financial statements were available to be issued.

Note 2. Pledges Receivable

Pledges receivable at December 31, 2013 and 2012 are expected to be collected as follows:

	2013	2012
In one year or less	$ 456,398	$ 270,000
Between one and five years	1,358,367	60,000
	1,814,765	330,000
Less present value discount (1.38%-2.75%)	(88,457)	(2,449)
	$ 1,726,308	$ 327,551

Included in pledges receivable is $247,741, net of present value discount of $2,259, pledged by Clark Construction Group, LLC, whose Chief Financial Officer is a member of the Foundation's Board of Directors.

Note 3. Related Party Contributions

Related party contributions consisted of the following for the years ended December 31, 2013 and 2012:

	2013	2012
Contributions from Kenneth Falke, Founder and Chairman:		
Cash contributions	$ 90,807	$ 174,658
Noncash contributions expenses and construction	133,850	59,424
	224,657	234,082
Contributions from Shoulder2Shoulder, Inc., of which Kenneth Falke is a shareholder:		
Cash contributions	105,500	90,694
Noncash - shared services, space and construction	57,832	36,907
	163,332	127,601
Pledged contribution from Clark Construction Group, LLC, whose Chief Financial Office is on the Foundation's Board of Directors, net of present value discount.	247,741	-
Contributions from Lifecycle Construction, Inc., whose shareholder is on the Foundation's Board of Directors	112,500	150,000
Total related party contributions	$ 748,230	$ 511,683

Note 4. Construction and Equipment Installations in Progress

The Foundation had construction and equipment installations in progress in the amount of $2,087,571 at December 31, 2012, related to the construction of a new respite housing facility. Construction was completed on the buildings during 2013 and the assets were placed in service in September 2013.

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, 2013). Interest payments are due monthly, with any outstanding principal balance due in full at maturity in June 2014. At December 31, 2013, the outstanding balance was $800,000. 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, 2013 and 2012:

	2013	2012
Playground construction	$ 5,000	$ 13,105
Facility construction	-	327,551
Time restriction	1,726,308	-
	$ 1,731,308	$ 340,656

SUPPLEMENTARY INFORMATION

BOULDER CREST RETREAT FOUNDATION

SCHEDULES OF CONTRIBUTIONS
Years Ended December 31, 2013 and 2012

	2013	2012
Contributions		
Individuals	**$ 512,728**	$ 612,793
Corporations	**1,050,733**	1,145,105
Foundations	**1,483,876**	963,500
Non-cash	**784,899**	492,185
	$ 3,832,236	$ 3,213,583