Boulder Crest Retreat Foundation

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

PBMares[SM]

ASSURANCE, TAX & ADVISORY SERVICES

BOULDER CREST RETREAT FOUNDATION

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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, 2016 and 2015, 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, 2016 and 2015 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.

PBMares, LLP

Fredericksburg, Virginia
April 26, 2017

FINANCIAL STATEMENTS

BOULDER CREST RETREAT FOUNDATION

STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

		2016		2015
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**2,575,901**	$	1,708,773
Pledges receivable, current portion		**1,087,248**		467,247
Prepaid expenses		**18,394**		13,947
Other receivables		**3,885**		-
Total current assets		**3,685,428**		2,189,967
Property and Equipment				
Buildings		**5,224,819**		5,211,158
Land and improvements		**956,574**		956,574
Furniture and equipment		**440,745**		419,215
Website		**1,000**		1,000
Vehicles		**104,302**		98,947
		6,727,440		6,686,894
Less accumulated depreciation		**735,177**		496,276
		5,992,263		6,190,618
Other Assets				
Intangibles		**4,353**		2,447
Long-term pledges receivable		**437,515**		727,876
		441,868		730,323
	$	**10,119,559**	$	9,110,908
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued expenses	**$**	**79,095**	$	257,532
Total current liabilities		**79,095**		257,532
Commitments and contingencies				
Net Assets				
Unrestricted		**8,076,165**		7,402,995
Temporarily restricted		**1,964,299**		1,450,381
		10,040,464		8,853,376
Total liabilities and net assets	**$**	**10,119,559**	$	9,110,908

BOULDER CREST RETREAT FOUNDATION

STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions	$ 600,895	$ 316,886	$ 917,781
Fundraising activities, net of direct expense of $344,160	913,399	-	913,399
Grants	448,750	1,619,000	2,067,750
Interest	673	-	673
Net assets released from restriction	1,421,968	(1,421,968)	-
Total support and revenue	3,385,685	513,918	3,899,603
Expenses			
Program services	1,809,871	-	1,809,871
Management and general	182,064	-	182,064
Fundraising	720,580	-	720,580
Total expenses	2,712,515	-	2,712,515
Change in net assets	673,170	513,918	1,187,088
Net Assets, beginning	7,402,995	1,450,381	8,853,376
Net Assets, ending	$ 8,076,165	$ 1,964,299	$ 10,040,464

BOULDER CREST RETREAT FOUNDATION

STATEMENT OF ACTIVITIES
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions	$ 1,373,094	$ 89,977	$ 1,463,071
Fundraising activities, net of direct expense of direct expense of $112,107	325,298	-	325,298
Grants	42,635	40,000	82,635
Interest	111	-	111
Rental income	7,192		7,192
Net assets released from restriction	1,190,248	(1,190,248)	-
Total support and revenue	2,938,578	(1,060,271)	1,878,307
Expenses			
Program services	1,372,039	-	1,372,039
Management and general	142,795	-	142,795
Fundraising	404,472	-	404,472
Total expenses	1,919,306	-	1,919,306
Change in net assets	1,019,272	(1,060,271)	(40,999)
Net Assets, beginning	6,383,723	2,510,652	8,894,375
Net Assets, ending	$ 7,402,995	$ 1,450,381	$ 8,853,376

BOLDER CREST RETREAT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016

	Program Services	Management and General	Fund-raising	Total
Cabin	$ 4,730	$ -	$ -	$ 4,730
Retreat vehicle	2,136	-	-	2,136
Retreat program	273,882	-	-	273,882
Other retreat expenses	66,725	-	-	66,725
Other programmatic expenses	202,976	-	-	202,976
Janitorial services and ground maintenance	128,556	-	-	128,556
Professional and consulting costs	-	72,054	100,671	172,725
Bank and merchant fees	-	689	3,392	4,081
Salaries, taxes, and payroll fees	642,661	50,399	265,094	958,154
Employee benefits	71,409	5,600	29,456	106,465
Contracted services	57,322	4,495	23,645	85,462
General fundraising	-	-	97,137	97,137
Insurance	27,028	-	-	27,028
Office supplies and expenses	13,221	1,037	5,454	19,712
Supplies	-	-	45,807	45,807
Rent	19,600	1,225	3,675	24,500
Utilities	37,656	-	-	37,656
Postage and delivery	1,415	111	584	2,110
Printing and copying	3,637	285	2,352	6,274
Telephone and website hosting	1,145	90	472	1,707
Depreciation and amortization	246,836	-	-	246,836
Donor management software	-	9,644	9,644	19,288
Travel	1,254	32,172	27,777	61,203
Loss on disposal of assets	7,682	-	-	7,682
Other	-	4,263	105,420	109,683
Total	$ 1,809,871	$ 182,064	$ 720,580	$ 2,712,515

BOULDER CREST RETREAT FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	Program Services	Management and General	Fund-raising	Total
Cabin expenses	$ 1,452	$ -	$ -	$ 1,452
Retreat vehicle	4,170	-	-	4,170
Retreat program	332,933	-	-	332,933
Other retreat expenses	45,167	-	-	45,167
Janitorial services and ground maintenance	187,604	-	-	187,604
Professional and consulting costs	133,500	36,331	247,598	417,429
Bank and merchant fees	-	250	2,895	3,145
Salaries, taxes, and payroll fees	27,561	21,120	5,436	54,117
Contracted services	319,887	21,482	56,641	398,010
General fundraising	-	-	65,627	65,627
Insurance	24,484	-	-	24,484
Office supplies and expenses	16,494	1,108	2,920	20,522
Rent and utilities	39,154	3,648	4,707	47,509
Postage and delivery	1,423	96	252	1,771
Printing and copying	1,822	122	323	2,267
Telephone and website hosting	2,378	160	421	2,959
Depreciation and amortization	231,444	-	-	231,444
Donor management software	-	7,035	7,035	14,070
Travel	-	39,037	6,441	45,478
Loss on disposal of assets	2,566	-	-	2,566
Other	-	12,406	4,176	16,582
Total	$ 1,372,039	$ 142,795	$ 404,472	$ 1,919,306

BOULDER CREST RETREAT FOUNDATION

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities		
Change in net assets	**$ 1,187,088**	$ (40,999)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**246,836**	231,444
Loss on disposition of asset	**7,682**	2,566
Donation of property and equipment	**-**	(8,717)
(Increase) decrease in:		
Other receivables	**(3,885)**	598
Pledges receivable	**(329,640)**	897,950
Prepaid expenses	**(4,447)**	(4,531)
Increase (decrease) in accounts payable and accrued expenses	**(178,437)**	97,803
Net cash provided by operating activities	**925,197**	1,176,114
Cash Flows From Investing Activities		
Purchase of intangible assets	**(3,183)**	(2,447)
Purchase of property and equipment	**(54,886)**	(158,173)
Net cash used in investing activities	**(58,069)**	(160,620)
Increase in cash and cash equivalents	**867,128**	1,015,494
Cash and Cash Equivalents		
Beginning	**1,708,773**	693,279
Ending	**$ 2,575,901**	$ 1,708,773
Supplemental Disclosures of Noncash Investing and Financing Activities		
Property and equipment additions	**$ -**	$ 166,890
In-kind donation of property and equipment	**-**	(8,717)
Cash paid for purchase of property and equipment	**$ -**	$ 158,173

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 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, 2016 or 2015.

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 collectability of individual promises. All pledges were considered fully collectible at December 31, 2016 and 2015; 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
Land improvements	10 – 39.5 years
Furniture and equipment	3 – 10 years
Website	3 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 statements 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 statements 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: The cost of providing the various programs and activities has been summarized on a functional basis in the consolidated statements 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 Section 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 2014 and later remain subject to examination by the Internal Revenue Service.

Subsequent events: Subsequent events have been evaluated through April 26, 2017, which was the date the financial statements were available to be issued.

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

Recent accounting pronouncements: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions," and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-05 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Foundation is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is currently evaluating the impact of our pending adoption of the new standard on its financial statements. The Foundation currently expects that upon adoption of ASU 2016-02, right-of-use assets and lease liabilities will be recognized in the balance sheet in amounts that will be material.

Note 2. Pledges Receivable

Pledges receivable at December 31, 2016 and 2015 are expected to be collected as follows:

	2016	2015
In one year or less	**$ 1,087,248**	$ 467,247
Between one and five years	**450,000**	757,247
	1,537,248	1,224,494
Less present value discount (1.38%-2.75%)	**(12,485)**	(29,371)
	$ 1,524,763	$ 1,195,123

BOULDER CREST RETREAT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 3. Related Party Contributions

Related party contributions consisted of the following for the years ended December 31, 2016 and 2015:

	2016	2015
Contributions from Kenneth Falke, Founder and Chairman:		
Cash contributions	**$ 24,658**	$ -
Noncash contributions expenses and construction	**-**	11,832
Pledged contribution payment	**-**	277,176
	24,658	289,008
Contributions from Shoulder2Shoulder, Inc., of which Kenneth Falke is a shareholder:		
Cash contributions	**-**	5,250
Noncash - shared services, space and construction	**-**	43,071
	-	48,321
Total related party contributions	**$ 24,658**	$ 337,329

Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as of December 31, 2016 and 2015:

	2016	2015
Heroes Garden Project/Horticultural Program	**$ -**	$ 240,258
Artemis Rising Invisible Recovery Program	**35,840**	15,000
Curriculum, evaluation study, and retreats	**963,696**	-
Time restriction	**964,763**	1,195,123
	$ 1,964,299	$ 1,450,381

Note 5. Operating Leases

The Foundation leases office under an operating lease agreement that calls for monthly payments of $2,000 and expires in December 2017. The total minimum rental commitment as of December 31, 2016, is due in future years as follows:

Year	Amount
2017	$ 24,000

Note 6. Subsequent Events

The Foundation is negotiating for the purchase of property in Arizona that will be used as a retreat for wounded warriors and their families, similar to its existing retreat in Virginia. The purchase price is expected to be $8.6 million and is being fully funded through contributions received in 2017. Closing is expected in April 2017. The anticipated annual operating budget for the Arizona retreat is expected to be consistent with that of the Virginia site.

Note 7. Reclassification of Certain Revenue

Certain revenue on the Statement of Activities for the year ended December 31, 2015 have been reclassified, with no effect on the change in net assets, to be consistent with the classifications adopted for the year ended December 31, 2016.