

**BOULDER CREST RETREAT FOUNDATION**

**Bluemont, Virginia**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

## **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 statements of financial position as of December 31, 2019 and 2018, 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 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 qualified opinion.

**Basis for Qualified Opinion**

As explained in Note 1 of to the financial statements, The Avalon Fund is a specific project of Boulder Crest Retreat Foundation, a Virginia nonprofit organization. This report is limited to the transactions and records related to the operations of Boulder Crest Retreat Foundation and does not include the other activity of The Avalon Fund, which is required by accounting principles generally accepted in the United States of America.

**Qualified Opinion**

In our opinion, except for the effects of not combining the activity of The Avalon Fund as explained in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Boulder Crest Retreat Foundation as of December 31, 2019 and 2018, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Yount, Hyde & Barbour, P.C.*

Winchester, Virginia  
March 17, 2020

**BOULDER CREST RETREAT FOUNDATION**

**Statements of Financial Position**

December 31, 2019 and 2018

<b>Assets</b>	<b>2019</b>	<b>2018</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 660,010	\$ 3,577,677
Pledges receivable, current portion	300,000	266,500
Prepaid expenses	154,281	77,139
Other receivables	<u>50</u>	<u>10,035</u>
Total current assets	<u>\$ 1,114,341</u>	<u>\$ 3,931,351</u>
<b>Property and Equipment</b>		
Buildings	\$ 14,598,912	\$ 14,577,654
Land and improvements	3,400,453	3,400,453
Furniture and equipment	1,017,907	1,017,907
Website and application	253,340	101,500
Vehicles	<u>495,203</u>	<u>474,493</u>
	\$ 19,765,815	\$ 19,572,007
Less accumulated depreciation	<u>2,809,139</u>	<u>1,983,387</u>
Total property and equipment, net	<u>\$ 16,956,676</u>	<u>\$ 17,588,620</u>
<b>Other Assets</b>		
Investments	\$ 4,620,678	\$ 260,004
Intangibles	16,151	10,804
Long-term pledges receivable, net of discount of \$6,071 in 2019 and \$22,948 in 2018	<u>193,929</u>	<u>377,052</u>
Total other assets	<u>\$ 4,830,758</u>	<u>\$ 647,860</u>
Total assets	<u>\$ 22,901,775</u>	<u>\$ 22,167,831</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 189,186	\$ 214,854
Funds held for others	<u>93,873</u>	<u>449,696</u>
Total current liabilities	<u>\$ 283,059</u>	<u>\$ 664,550</u>
<b>Net Assets</b>		
Without donor restrictions	\$ 21,625,077	\$ 19,810,176
With donor restrictions	<u>993,639</u>	<u>1,693,105</u>
Total net assets	<u>\$ 22,618,716</u>	<u>\$ 21,503,281</u>
Total liabilities and net assets	<u>\$ 22,901,775</u>	<u>\$ 22,167,831</u>

See Notes to Financial Statements.

**BOULDER CREST RETREAT FOUNDATION**

**Statement of Activities**

For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues, Gain (Loss) and Other Support</b>			
Contributions	\$ 2,686,974	\$ --	\$ 2,686,974
Contribution portion of special events	372,634	--	372,634
Exchange portion of special events, net	810,914	--	810,914
Grants	185,000	2,541,878	2,726,878
Investment return, net	86,338	--	86,338
Other revenue	54,100	--	54,100
Gain (loss) on disposal of assets	(496)	--	(496)
Net assets released from restrictions	<u>3,241,344</u>	<u>(3,241,344)</u>	<u>--</u>
Total revenues, gain (loss) and other support	<u>\$ 7,436,808</u>	<u>\$ (699,466)</u>	<u>\$ 6,737,342</u>
<b>Expenses</b>			
Program services	\$ 4,713,564	\$ --	\$ 4,713,564
Management and general	495,460	--	495,460
Fundraising	<u>412,883</u>	<u>--</u>	<u>412,883</u>
Total expenses	<u>\$ 5,621,907</u>	<u>\$ --</u>	<u>\$ 5,621,907</u>
Change in net assets	<u>\$ 1,814,901</u>	<u>\$ (699,466)</u>	<u>\$ 1,115,435</u>
<b>Net assets, beginning of year</b>	<u>\$ 19,810,176</u>	<u>\$ 1,693,105</u>	<u>\$ 21,503,281</u>
<b>Net assets, end of year</b>	<u>\$ 21,625,077</u>	<u>\$ 993,639</u>	<u>\$ 22,618,716</u>

See Notes to Financial Statements.

**BOULDER CREST RETREAT FOUNDATION**

**Statement of Activities**

For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues, Gain and Other Support</b>			
Contributions	\$ 1,511,537	\$ --	\$ 1,511,537
Contribution portion of special events	306,903	--	306,903
Exchange portion of special events, net	882,110	--	882,110
Grants	185,000	1,155,933	1,340,933
Investment return, net	20,398	--	20,398
Other revenue	38,900	--	38,900
Gain on disposal of assets	636	--	636
Net assets released from restrictions	<u>3,571,458</u>	<u>(3,571,458)</u>	<u>--</u>
Total revenues, gain and other support	<u>\$ 6,516,942</u>	<u>\$ (2,415,525)</u>	<u>\$ 4,101,417</u>
<b>Expenses</b>			
Program services	\$ 4,780,611	\$ --	\$ 4,780,611
Management and general	269,677	--	269,677
Fundraising	<u>507,496</u>	<u>--</u>	<u>507,496</u>
Total expenses	<u>\$ 5,557,784</u>	<u>\$ --</u>	<u>\$ 5,557,784</u>
Change in net assets	<u>\$ 959,158</u>	<u>\$ (2,415,525)</u>	<u>\$ (1,456,367)</u>
<b>Net assets, beginning of year, as previously stated</b>	<u>\$ 19,651,018</u>	<u>\$ 3,308,630</u>	<u>\$ 22,959,648</u>
Prior period adjustment	<u>(800,000)</u>	<u>800,000</u>	<u>--</u>
<b>Net assets, beginning of year, as restated</b>	<u>\$ 18,851,018</u>	<u>\$ 4,108,630</u>	<u>\$ 22,959,648</u>
<b>Net assets, end of year</b>	<u>\$ 19,810,176</u>	<u>\$ 1,693,105</u>	<u>\$ 21,503,281</u>

See Notes to Financial Statements.

**BOULDER CREST RETREAT FOUNDATION**

**Statement of Functional Expenses**  
For the Year Ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Cabin and lodge	\$ 84,181	\$ --	\$ --	\$ 84,181
Retreat vehicle	7,092	--	--	7,092
Retreat program	212,569	--	--	212,569
Program R&D	685,561	--	--	685,561
PATHH expenses	565,956	--	--	565,956
Janitorial services and ground maintenance	203,027	--	--	203,027
Professional and consulting costs	--	164,763	23,634	188,397
Bank and merchant fees	--	361	1,391	1,752
Salaries, taxes, and payroll fees	1,753,902	214,061	221,649	2,189,612
Employee benefits	190,586	5,439	29,199	225,224
Conferences, training, and meetings	--	35,050	--	35,050
General fundraising	--	--	96,737	96,737
Insurance	74,898	6,369	--	81,267
Office supplies and expenses	--	22,336	--	22,336
Utilities	105,545	--	--	105,545
Postage and delivery	--	2,672	--	2,672
Printing and copying	--	538	--	538
Web and software	--	2,735	--	2,735
Depreciation and amortization	830,247	--	--	830,247
Donor management software	--	--	25,054	25,054
Travel	--	37,459	--	37,459
Fundraising event costs	--	--	15,219	15,219
Other	--	3,677	--	3,677
Total	<u>\$ 4,713,564</u>	<u>\$ 495,460</u>	<u>\$ 412,883</u>	<u>\$ 5,621,907</u>

See Notes to Financial Statements.



**BOULDER CREST RETREAT FOUNDATION**

**Statement of Functional Expenses**  
For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Cabin and lodge	\$ 100,006	\$ --	\$ --	\$ 100,006
Retreat vehicle	14,640	--	--	14,640
Retreat program	341,281	--	--	341,281
Program R&D	774,605	--	--	774,605
PATHH expenses	643,638	--	--	643,638
Janitorial services and ground maintenance	307,149	--	--	307,149
Professional and consulting costs	--	164,800	34,242	199,042
Bank and merchant fees	--	649	1,813	2,462
Salaries, taxes, and payroll fees	1,444,097	21,810	306,670	1,772,577
Employee benefits	253,222	--	43,271	296,493
Conferences, training, and meetings	--	20,587	--	20,587
General fundraising	--	--	55,401	55,401
Insurance	74,114	6,369	--	80,483
Office supplies and expenses	--	31,403	--	31,403
Utilities	105,944	--	--	105,944
Postage and delivery	--	1,815	--	1,815
Printing and copying	--	734	--	734
Web and software	--	40	--	40
Depreciation and amortization	721,915	--	--	721,915
Donor management software	--	--	25,957	25,957
Travel	--	14,499	--	14,499
Fundraising event costs	--	--	40,142	40,142
Other	--	6,971	--	6,971
Total	<u>\$ 4,780,611</u>	<u>\$ 269,677</u>	<u>\$ 507,496</u>	<u>\$ 5,557,784</u>

See Notes to Financial Statements.

**BOULDER CREST RETREAT FOUNDATION**

**Statements of Cash Flows**

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,115,435	\$ (1,456,367)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	830,247	721,915
Unrealized and realized loss	1,046	--
Loss (gain) on disposition of asset	496	(636)
Donation of property and equipment	(26,000)	(172,082)
Decrease in pledges receivable	149,623	2,075,566
Decrease in other receivables	9,985	1,428
(Increase) in prepaid expenses	(77,142)	(34,701)
(Decrease) in accounts payable and accrued expenses	(25,668)	(162,251)
(Decrease) increase in funds held for others	<u>(355,823)</u>	<u>449,696</u>
Net cash provided by operating activities	<u>\$ 1,622,199</u>	<u>\$ 1,422,568</u>
 <b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	\$ (173,099)	\$ (1,691,347)
Purchase of intangible assets	(5,347)	(5,488)
Proceeds received from disposal of assets	300	5,000
Purchase of securities	(8,026,609)	(260,004)
Proceeds from sales of investments	<u>3,664,889</u>	<u>--</u>
Net cash (used in) investing activities	<u>\$ (4,539,866)</u>	<u>\$ (1,951,839)</u>
 (Decrease) in cash and cash equivalents	<u>\$ (2,917,667)</u>	<u>\$ (529,271)</u>
 <b>Cash and Cash Equivalents</b>		
Beginning	<u>\$ 3,577,677</u>	<u>\$ 4,106,948</u>
 Ending	<u>\$ 660,010</u>	<u>\$ 3,577,677</u>
 <b>Supplemental Disclosures of Non-Cash Investing Activities,</b>		
in-kind donations of property and equipment	<u>\$ 26,000</u>	<u>\$ 172,082</u>

See Notes to Financial Statements.

# BOULDER CREST RETREAT FOUNDATION

## Notes to Financial Statements

### Note 1. Description of the Organization

Boulder Crest Retreat Foundation (the “Foundation”) exists to enable active military service members, military veterans, first responders, and their family members, as well as those struggling with the effects of trauma, to transform times of deep struggle into profound strength and posttraumatic growth, including without limitation by: (a) owning and operating retreat facilities for the delivery of programs that enable participants to transform times of struggle (including the visible and invisible injuries of war, such as posttraumatic stress disorder, traumatic brain injuries, combat stress, and other mental health conditions) into profound strength and posttraumatic growth, and (b) by granting funding to organizations focused on the visible and invisible injuries of war, including those replicating programs developed at the Foundation’s retreat facilities, as well as other innovative work with respect to traumatic brain injuries.

The Avalon Fund is a specific project of Boulder Crest Retreat Foundation, a Virginia nonprofit organization. This report is limited to the transactions and records related to the operations of Boulder Crest Retreat Foundation and does not include the other activity of The Avalon Fund, which is required by accounting principles generally accepted in the United States of America.

### 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:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### 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.

## Notes to Financial Statements

### Investments

Investments are recorded at fair market value in the statement of financial position. Any realized and unrealized gains and losses are reflected in the statement of activities.

### 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

### Revenue Recognition

The Foundation records special events revenue equal to the cost of direct benefits to donors and contribution revenue for the difference. The Foundation recognizes contributions and grants when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognition until the conditions on which they depend have been substantially met.

## **Notes to Financial Statements**

Gifts of cash and other assets for the general use and benefit of the Foundation are presented as net assets without donor restrictions. Other contributions are presented as net assets with donor restrictions if they are received with donor stipulations that further limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions whose restrictions are met in the same year are reflected as net assets without donor restrictions. Promises to give are recognized as revenue when the pledge is received from a donor and as an expense when payment is authorized by the Board of Directors. Amounts due to be received or paid are discounted to their net present value. Changes in discounts are recognized as contribution revenue or expense over the period of the pledge.

### **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.

### **Allocation Methodology for the Statement of Functional Expenses**

The cost of providing the various programs and activities has been summarized in the statement of functional expenses. Certain costs have been allocated among program, management and general, and fundraising. All expenses have been allocated based on direct costs with the exception of salaries, taxes and payroll fees which are allocated based on direct costs and time and effort. Such allocations have been made by management on an equitable basis.

### **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**

FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Foundation has implemented Topic 606 and have adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The amendments have resulted in a reclassification of \$372,634 and \$306,903 from exchange portion of special events, net to contribution portion of special events on the statement of activities with no effect on net assets for the year ended December 31, 2019 and 2018, respectively.

## Notes to Financial Statements

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

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 its year ending December 31, 2021. Early adoption is permitted. The Foundation is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

### Note 3. Liquidity and Availability

The Foundation has \$4,687,105 and \$2,338,432 of financial assets available within one year of the statements of financial position date to meet cash needs for general expenditures as of December 31, 2019 and 2018, respectively. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

	<b>2019</b>	<b>2018</b>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 660,010	\$ 3,577,677
Pledges receivable	493,929	643,552
Investments	4,620,678	260,004
Total financial assets	\$ 5,774,617	\$ 4,481,233
Less amounts not available to be used within one year:		
Restricted cash	\$ 93,873	\$ 449,696
Restricted by donors for purpose	799,710	1,316,053
Restricted by donors for time	193,929	377,052
	\$ 1,087,512	\$ 2,142,801
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,687,105	\$ 2,338,432

## Notes to Financial Statements

### Note 4. Restricted Cash and Funds Held for Others

In 2018, the Foundation had an agreement with a third party to administer funds to assist Veterans in reducing barriers to care. Funds are classified as restricted cash and funds held for others on the statements of financial position. The outstanding balance was \$93,873 and \$449,696 as of December 31, 2019 and 2018, respectively. The Foundation received \$35,000 to administer the funds during the year ended December 31, 2019 and 2018. The agreement has been renewed for 2020.

### Note 5. Pledges Receivable

The outstanding pledges receivable are due as follows:

	<b>2019</b>	<b>2018</b>
Within one year	\$ 300,000	\$ 266,500
One to three years	200,000	400,000
	\$ 500,000	\$ 666,500
Less present value discount (2.76% - 3.63%)	(6,071)	(22,948)
	<u>\$ 493,929</u>	<u>\$ 643,552</u>

### Note 6. 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 organization EOD Warrior Foundation whereas Ken Falke is the Founder and Chairman.

### Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
PATHH Program	\$ 150,000	\$ 478,750
Improvements and operations for Arizona property	25,000	475,582
Operations for the VA and AZ properties	374,710	--
Avalon fund	--	95,223
Institute for PTG training for mental health professionals	50,000	--
Time restriction	393,929	643,550
	<u>\$ 993,639</u>	<u>\$ 1,693,105</u>

## Notes to Financial Statements

Net assets were released from donor restrictions for the years ended December 31, 2019 and 2018 by incurring expenses satisfying the purpose specified by the donor as follows:

	2019	2018
Arizona Heroes Garden and Hall Project	\$ - -	\$ 752,426
Arizona archery	- -	5,000
PATHH Program	778,750	441,250
Renovation to Snickersville building	- -	349,936
Improvements and operations for Arizona property	475,582	1,001,569
Operations for the VA and AZ properties	1,625,289	- -
Avalon fund	95,223	404,777
Time restriction	266,500	616,500
	\$ 3,241,344	\$ 3,571,458

### Note 8. Investments

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are briefly described below:

- Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2            Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair values of all of the marketable securities as of December 31, 2019 and 2018 are based on unadjusted, quoted prices in active markets as of the measurement date (often referred to as Level 1 inputs.)



## Notes to Financial Statements

The following table presents the balance of financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2019 and 2018 :

		<b>2019</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets					
	Cash	\$ 3	\$ --	\$ --	\$ 3
	Mutual Funds	<u>4,620,675</u>	<u>--</u>	<u>--</u>	<u>4,620,675</u>
		<u>\$ 4,620,678</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,620,678</u>
		<b>2018</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets					
	Cash	\$ 5,004	\$ --	\$ --	\$ 5,004
	Mutual Funds	<u>255,000</u>	<u>--</u>	<u>--</u>	<u>255,000</u>
		<u>\$ 260,004</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 260,004</u>

### Note 9. Investments

Investments as of December 31, 2019 and 2018, were as follows:

		<b>2019</b>		
		<b>Cost</b>	<b>Market Value</b>	<b>Unrealized Appreciation</b>
Cash		\$ 3	\$ 3	\$ --
	Mutual funds	<u>4,620,417</u>	<u>4,620,675</u>	<u>258</u>
	Total	<u>\$ 4,620,420</u>	<u>\$ 4,620,678</u>	<u>\$ 258</u>
		<b>2018</b>		
		<b>Cost</b>	<b>Market Value</b>	<b>Unrealized (Depreciation)</b>
Cash		\$ 5,004	\$ 5,004	\$ --
	Mutual funds	<u>255,007</u>	<u>255,000</u>	<u>(7)</u>
	Total	<u>\$ 260,011</u>	<u>\$ 260,004</u>	<u>\$ (7)</u>

## Notes to Financial Statements

Investment return, net was as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Dividend income	\$ 79,338	\$ - -
Interest income	8,046	20,405
Net realized and unrealized (loss)	<u>(1,046)</u>	<u>(7)</u>
	<u>\$ 86,338</u>	<u>\$ 20,398</u>

### Note 10. Prior Period Adjustment

The Foundation's financial statements for the year ended December 31, 2017 have been restated to reclassify a pledge receivable outstanding from net assets without donor restrictions to net assets with donor restrictions in the amount of \$800,000. Additionally, \$200,000 of this amount was released from restriction during the year ended December 31, 2018. There is no effect on the change in net assets or total net assets for the years ended December 31, 2017 or 2018.

The December 31, 2018 financial statements released March 13, 2019, included the Avalon Fund activity. The 2018 financial statements issued in this report do not include Avalon Fund activity (\$5,000,000 gift, pledge receivable, and net assets with donor restriction) to be consistent with the 2019 financials which reports the Avalon Fund is in a separate report (see Note 1).

### Note 11. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 17, 2020, the date the financial statements were available to be issued. The Foundation has determined there are no subsequent events that require recognition or disclosure.