

**BOULDER CREST RETREAT FOUNDATION**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**



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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, 2014 and 2013, 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, 2014 and 2013 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.

**Other Matter**

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  
April 28, 2015

# BOULDER CREST RETREAT FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

	2014	2013
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 693,279	\$ 390,430
Pledges receivable, current portion	783,384	456,398
Prepaid expenses	9,416	8,976
Receivables	598	1,802
<b>Total current assets</b>	<b>1,486,677</b>	<b>857,606</b>
Property and Equipment		
Buildings	5,105,939	4,235,245
Land and improvements	945,057	943,075
Furniture and equipment	379,291	359,245
Website	1,000	1,000
Vehicles	94,447	80,314
	<b>6,525,734</b>	<b>5,618,879</b>
Less accumulated depreciation	267,996	63,448
	<b>6,257,738</b>	<b>5,555,431</b>
Other Assets		
Long-term pledges receivable	1,309,689	1,269,910
Loan fees, net of amortization 2014 \$12,747; 2013 \$8,998	-	3,749
	<b>1,309,689</b>	<b>1,273,659</b>
	<b>\$ 9,054,104</b>	<b>\$ 7,686,696</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 159,729	\$ 246,614
Line of credit	-	800,000
<b>Total current liabilities</b>	<b>159,729</b>	<b>1,046,614</b>
Net Assets		
Unrestricted	6,383,723	4,908,774
Temporarily restricted	2,510,652	1,731,308
	<b>8,894,375</b>	<b>6,640,082</b>
<b>Total liabilities and net assets</b>	<b>\$ 9,054,104</b>	<b>\$ 7,686,696</b>

See Notes to Financial Statements.

**BOULDER CREST RETREAT FOUNDATION****STATEMENTS OF ACTIVITIES****Years Ended December 31, 2014 and 2013**

	2014		
	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions	\$ 1,449,518	\$ 2,119,265	\$ 3,568,783
Fundraising activities, net of direct expense of 2014 \$125,879; 2013 \$84,727	340,263	-	340,263
Interest	5	-	5
Net assets released from restriction	1,339,921	(1,339,921)	-
<b>Total support and revenue</b>	<b>3,129,707</b>	<b>779,344</b>	<b>3,909,051</b>
Expenses			
Program services	1,123,600	-	1,123,600
Management and general	142,133	-	142,133
Fundraising	389,025	-	389,025
<b>Total expenses</b>	<b>1,654,758</b>	<b>-</b>	<b>1,654,758</b>
<b>Change in net assets</b>	<b>1,474,949</b>	<b>779,344</b>	<b>2,254,293</b>
Net Assets, beginning	4,908,774	1,731,308	6,640,082
Net Assets, ending	\$ 6,383,723	\$ 2,510,652	\$ 8,894,375

2013		
Unrestricted	Temporarily Restricted	Total
\$ 2,159,109	\$ 1,673,127	\$ 3,832,236
44,525	-	44,525
71	-	71
282,475	(282,475)	-
2,486,180	1,390,652	3,876,832
348,430	-	348,430
63,599	-	63,599
316,204	-	316,204
728,233	-	728,233
1,757,947	1,390,652	3,148,599
3,150,827	340,656	3,491,483
\$ 4,908,774	\$ 1,731,308	\$ 6,640,082

**BOULDER CREST RETREAT FOUNDATION****STATEMENT OF FUNCTIONAL EXPENSES****Year Ended December 31, 2014**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fund- raising</b>	<b>Total</b>
Cabin expenses	\$ 6,942	\$ -	\$ -	\$ 6,942
Retreat vehicle expenses	8,943	-	-	8,943
Retreat program expenses	285,624	-	-	285,624
Other retreat expenses	26,192	-	-	26,192
Janitorial services and ground maintenance	118,167	-	-	118,167
Professional and consulting costs	-	40,360	218,262	258,622
Advertising	-	-	31,151	31,151
Bank and merchant fees	-	-	23,195	23,195
Salaries, taxes and payroll fees	3,369	21,078	4,447	28,894
Contracted services	301,678	49,861	61,104	412,643
Fundraising event expense	-	-	26,970	26,970
Insurance	19,854	4,275	-	24,129
Real estate taxes	37,893	-	-	37,893
Office supplies and expenses	3,362	3,362	3,362	10,086
Rent and utilities	77,448	2,400	2,400	82,248
Postage and delivery	1,841	1,841	1,841	5,523
Printing and copying	7,454	7,454	7,454	22,362
Telephone and website hosting	626	626	626	1,878
Depreciation and amortization	208,986	-	-	208,986
Donor management software	-	3,192	3,192	6,384
Travel	-	4,679	4,515	9,194
Interest	12,486	-	-	12,486
Loss on disposal of assets	2,735	-	-	2,735
Other	-	3,005	506	3,511
<b>Total</b>	<b>\$ 1,123,600</b>	<b>\$ 142,133</b>	<b>\$ 389,025</b>	<b>\$ 1,654,758</b>



**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	4,560	-	-	4,560
Other retreat expenses	9,488	-	-	9,488
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 utilities	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****STATEMENTS OF CASH FLOWS****Years Ended December 31, 2014 and 2013**

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ 2,254,293	\$ 3,148,599
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	208,986	67,035
Loss on disposition of asset	2,735	1,396
Donation of property and equipment	(14,133)	(402,308)
(Increase) decrease in:		
Other receivables	1,204	(1,802)
Pledges receivable	(366,765)	(1,398,757)
Prepaid expenses	(440)	(5,856)
Increase (decrease) in accounts payable and accrued expenses	(86,885)	156,277
<b>Net cash provided by operating activities</b>	<b>1,998,995</b>	<b>1,564,584</b>
Cash Flows From Investing Activities		
Purchase of property and equipment	(896,146)	(2,753,000)
<b>Net cash used in investing activities</b>	<b>(896,146)</b>	<b>(2,753,000)</b>
Cash Flows From Financing Activities		
Proceeds from line of credit	-	800,000
Payment of line of credit	(800,000)	-
<b>Net cash provided by (used in) financing activities</b>	<b>(800,000)</b>	<b>800,000</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>302,849</b>	<b>(388,416)</b>
Cash and Cash Equivalents		
Beginning	390,430	778,846
Ending	\$ 693,279	\$ 390,430
Supplemental Disclosures of Noncash Investing and Financing Activities		
Property and equipment additions	\$ 910,279	\$ 3,155,308
In-kind donation of property and equipment	(14,133)	(402,308)
Cash paid for purchase of property and equipment	\$ 896,146	\$ 2,753,000
Cash paid for interest	\$ 12,486	\$ 7,786

## BOULDER CREST RETREAT FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

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#### 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, 2014 or 2013.

***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, 2014 and 2013; accordingly, no allowance for doubtful pledges receivable was recorded.

## BOULDER CREST RETREAT FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

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#### 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.

**Loan fees:** Loan fees consist of costs incurred related to obtaining a line of credit with BB&T. 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 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 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 \$31,151 and \$83,150 for the years ended December 31, 2014 and 2013, respectively.

**Subsequent events:** Subsequent events have been evaluated through April 28, 2015, which was the date the financial statements were available to be issued.

**BOULDER CREST RETREAT FOUNDATION****NOTES TO FINANCIAL STATEMENTS**

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**Note 2. Pledges Receivable**

Pledges receivable at December 31, 2014 and 2013 are expected to be collected as follows:

	2014	2013
In one year or less	\$ 783,384	\$ 456,398
Between one and five years	1,391,537	1,358,367
	<u>2,174,921</u>	<u>1,814,765</u>
Less present value discount (1.38%-2.75%)	(81,848)	(88,457)
	<u>\$ 2,093,073</u>	<u>\$ 1,726,308</u>

**Note 3. Related Party Contributions**

Related party contributions consisted of the following for the years ended December 31, 2014 and 2013:

	2014	2013
Contributions from Kenneth Falke, Founder and Chairman:		
Cash contributions	\$ 1,500	\$ 90,807
Noncash contributions expenses and construction	9,399	133,850
	<u>10,899</u>	<u>224,657</u>
Contributions from Shoulder2Shoulder, Inc., of which Kenneth Falke is a shareholder:		
Cash contributions	1,750	105,500
Noncash - shared services, space and construction	21,723	57,832
	<u>23,473</u>	<u>163,332</u>
Pledged contribution from Clark Construction Group, LLC, whose Chief Financial Officer is on the Foundation's Board of Directors, net of present value discount	124,745	247,741
Contributions from Lifecycle Construction, Inc., whose shareholder is on the Foundation's Board of Directors	-	112,500
	<u>-</u>	<u>112,500</u>
Total related party contributions	<u>\$ 159,117</u>	<u>\$ 748,230</u>

**BOULDER CREST RETREAT FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 4. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at December 31, 2014 and 2013:

	2014	2013
Heroes Garden Project/Horticultural Program	\$ 402,580	\$ 5,000
Artemis Rising Invisible Recovery Program	15,000	-
Time restriction	2,093,072	1,726,308
	<u>\$ 2,510,652</u>	<u>\$ 1,731,308</u>

## **SUPPLEMENTARY INFORMATION**

**BOULDER CREST RETREAT FOUNDATION**

**SCHEDULES OF CONTRIBUTIONS**

**Years Ended December 31, 2014 and 2013**

	<b>2014</b>	2013
Contributions		
Individuals	\$ 702,133	\$ 512,728
Corporations	609,979	1,050,733
Foundations	2,115,779	1,483,876
Non-cash	140,892	784,899
	<u>\$ 3,568,783</u>	<u>\$ 3,832,236</u>