# BOULDER CREST FOUNDATION

**Bluemont, Virginia**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Boulder Crest Foundation
Bluemont, Virginia

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of Boulder Crest Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2023, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023, and the change in net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2024 on our consideration of Boulder Crest Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

**Report on 2022 Financial Statements**

The financial statements of Boulder Crest Foundation, as of and for the year ended December 31, 2022, were audited by us in accordance with auditing standards generally accepted in the United States of America (GAAS). We expressed a modified opinion in our report dated March 23, 2023. The Foundation's financial statements for the year ended December 31, 2022 do not disclose the transactions and records of the Avalon Fund which was a specific project of Boulder Crest Foundation.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
May 24, 2024

**BOULDER CREST FOUNDATION**

**Statements of Financial Position**
December 31, 2023 and 2022

| **Assets** | **2023** | **2022** |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | $ 3,643,152 | $ 5,989,303 |
| Pledges receivable, current portion | 35,000 | 50,000 |
| Prepaid expenses and other current assets | 448,041 | 1,587,459 |
| Other receivables | 390,328 | 876,395 |
| Total current assets | $ 4,516,521 | $ 8,503,157 |
| **Property and Equipment** | | |
| Buildings | $ 15,587,544 | $ 15,508,618 |
| Land and improvements | 3,703,105 | 3,551,714 |
| Furniture and equipment | 1,082,036 | 1,067,537 |
| Website and application | 197,708 | 67,828 |
| Vehicles | 552,889 | 552,889 |
| Construction in progress | - - | 43,980 |
| | $ 21,123,282 | $ 20,792,566 |
| Less accumulated depreciation | 5,548,462 | 4,867,512 |
| Total property and equipment, net | $ 15,574,820 | $ 15,925,054 |
| **Other Assets** | | |
| Investments | $ 19,733,818 | $ 11,086,962 |
| Intangibles | 24,837 | 24,837 |
| Long-term pledges receivable, net of discount of $0 in 2023 and $4,902 in 2022 | 10,000 | 30,098 |
| Total other assets | $ 19,768,655 | $ 11,141,897 |
| Total assets | $ 39,859,996 | $ 35,570,108 |

**Liabilities and Net Assets**

| | 2023 | 2022 |
|---|---|---|
| **Current Liabilities** | | |
| Accounts payable and accrued expenses | $ 650,405 | $ 254,780 |
| Deferred revenue | - - | 500,000 |
| Funds held for others | - - | 17,076 |
| Total current liabilities | $ 650,405 | $ 771,856 |
| **Net Assets** | | |
| Without donor restrictions | $ 38,805,691 | $ 33,791,654 |
| With donor restrictions | 403,900 | 1,006,598 |
| Total net assets | $ 39,209,591 | $ 34,798,252 |
| Total liabilities and net assets | $ 39,859,996 | $ 35,570,108 |

See Notes to Financial Statements.

**BOULDER CREST FOUNDATION**

**Statement of Activities**

For the Year Ended December 31, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenues, Gain (Loss) and Other Support** | | | |
| Contributions: | | | |
| Contributed financial assets | $ 6,527,654 | $ 154,902 | $ 6,682,556 |
| Contributed nonfinancial assets | 213,345 | - - | 213,345 |
| Special events: | | | |
| Contribution portion of special events | 890,347 | - - | 890,347 |
| Exchange portion of special events, net | 402,547 | - - | 402,547 |
| Grants | 7,470,796 | 254,000 | 7,724,796 |
| Sponsorship revenue | 500,000 | - - | 500,000 |
| Seminar income, net | 95,895 | - - | 95,895 |
| Book sales, net | 119,391 | - - | 119,391 |
| Investment return, net | 963,179 | - - | 963,179 |
| Other revenue | 17,553 | - - | 17,553 |
| (Loss) on disposal of assets | (34,007) | - - | (34,007) |
| Net assets released from restrictions | 1,011,600 | (1,011,600) | - - |
| Total revenues, gain (loss) and other support | $ 18,178,300 | $ (602,698) | $ 17,575,602 |
| **Expenses** | | | |
| Program services | $ 10,775,706 | $ - - | $ 10,775,706 |
| Management and general | 959,506 | - - | 959,506 |
| Fundraising | 1,429,051 | - - | 1,429,051 |
| Total expenses | $ 13,164,263 | $ - - | $ 13,164,263 |
| Change in net assets | $ 5,014,037 | $ (602,698) | $ 4,411,339 |
| **Net assets, beginning of year** | $ 33,791,654 | $ 1,006,598 | $ 34,798,252 |
| **Net assets, end of year** | $ 38,805,691 | $ 403,900 | $ 39,209,591 |

See Notes to Financial Statements.

**BOULDER CREST FOUNDATION**

**Statement of Activities**

For the Year Ended December 31, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenues, Gain (Loss) and Other Support** | | | |
| Contributions: | | | |
| Contributed financial assets | $ 5,378,037 | $ 275,000 | $ 5,653,037 |
| Contributed nonfinancial assets | 235,188 | - - | 235,188 |
| Special events: | | | |
| Contribution portion of special events | 505,049 | - - | 505,049 |
| Exchange portion of special events, net | 150,581 | - - | 150,581 |
| Grants | 6,015,481 | 3,141,411 | 9,156,892 |
| Sponsorship revenue | 500,000 | - - | 500,000 |
| Seminar income, net | 250,576 | - - | 250,576 |
| Book sales, net | 85,279 | - - | 85,279 |
| Investment return, net | (68,085) | - - | (68,085) |
| Other revenue | 179,069 | - - | 179,069 |
| (Loss) on disposal of assets | (2,305) | - - | (2,305) |
| Net assets released from restrictions | 3,077,061 | (3,077,061) | - - |
| Total revenues, gain (loss) and other support | $ 16,305,931 | $ 339,350 | $ 16,645,281 |
| **Expenses** | | | |
| Program services | $ 6,822,871 | $ - - | $ 6,822,871 |
| Management and general | 1,055,824 | - - | 1,055,824 |
| Fundraising | 1,636,286 | - - | 1,636,286 |
| Total expenses | $ 9,514,981 | $ - - | $ 9,514,981 |
| Change in net assets | $ 6,790,950 | $ 339,350 | $ 7,130,300 |
| **Net assets, beginning of year** | $ 27,000,704 | $ 667,248 | $ 27,667,952 |
| **Net assets, end of year** | $ 33,791,654 | $ 1,006,598 | $ 34,798,252 |

See Notes to Financial Statements.

**BOULDER CREST FOUNDATION**

**Statement of Functional Expenses**
For the Year Ended December 31, 2023

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Bad debt expense | $ - - | $ 2,376 | $ - - | $ 2,376 |
| Bank and merchant fees | - - | 49,881 | 32,821 | 82,702 |
| Cabin and lodge | 72,949 | - - | - - | 72,949 |
| Conferences, training, and meetings | 59,870 | 70,080 | 8,933 | 138,883 |
| Depreciation and amortization | 729,989 | - - | - - | 729,989 |
| Donor management software | - - | - - | 12,241 | 12,241 |
| Employee benefits | 319,958 | 23,707 | 59,409 | 403,074 |
| Fundraising event costs | - - | - - | 32,918 | 32,918 |
| General fundraising | - - | - - | 22,377 | 22,377 |
| Insurance | 101,854 | 8,523 | - - | 110,377 |
| Janitorial services and ground maintenance | 137,960 | 24,390 | - - | 162,350 |
| Marketing PR and outreach | 1,446,998 | - - | 380,504 | 1,827,502 |
| Mobile PATHH TEAM | 715,513 | - - | - - | 715,513 |
| Office supplies and expenses | 220,705 | 17,681 | 62,937 | 301,323 |
| PATHH expenses | 520,983 | - - | - - | 520,983 |
| Postage and delivery | - - | 6,375 | 17,423 | 23,798 |
| Printing and copying | - - | 1,794 | 21,265 | 23,059 |
| Professional and consulting costs | - - | 157,083 | 66,073 | 223,156 |
| Program R&D | 2,929,224 | - - | - - | 2,929,224 |
| Retreat program | 280,987 | - - | - - | 280,987 |
| Retreat vehicle | 12,814 | - - | - - | 12,814 |
| Salaries, taxes, and payroll fees | 2,943,747 | 525,950 | 530,650 | 4,000,347 |
| Travel | - - | 68,036 | 25,875 | 93,911 |
| Utilities | 121,161 | - - | - - | 121,161 |
| Web and software | 160,994 | 3,630 | 155,625 | 320,249 |
| Total | $ 10,775,706 | $ 959,506 | $ 1,429,051 | $ 13,164,263 |

See Notes to Financial Statements.

**BOULDER CREST FOUNDATION**

**Statement of Functional Expenses**
For the Year Ended December 31, 2022

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Bank and merchant fees | $ - | $ 17,969 | $ 32,414 | $ 50,383 |
| Cabin and lodge | 79,182 | - - | - - | 79,182 |
| Conferences, training, and meetings | 121,914 | 52,828 | - - | 174,742 |
| Depreciation and amortization | 742,927 | 22,609 | - - | 765,536 |
| Donor management software | - - | - - | 7,555 | 7,555 |
| Employee benefits | 236,044 | (2,169) | 34,628 | 268,503 |
| Fundraising event costs | - - | - - | 32,415 | 32,415 |
| General fundraising | - - | - - | 25,606 | 25,606 |
| Insurance | 91,168 | 6,405 | - - | 97,573 |
| Janitorial services and ground maintenance | 165,476 | 204,970 | - - | 370,446 |
| Marketing PR and outreach | 97,055 | - - | 928,382 | 1,025,437 |
| Mobile PATHH TEAM | 466,680 | - - | - - | 466,680 |
| Office supplies and expenses | 9,385 | 30,695 | 94,678 | 134,758 |
| PATHH expenses | 529,764 | - - | - - | 529,764 |
| Postage and delivery | 6,102 | 4,314 | 17,079 | 27,495 |
| Printing and copying | - - | 1,261 | 25,727 | 26,988 |
| Professional and consulting costs | - - | 364,901 | 24,617 | 389,518 |
| Program R&D | 1,533,336 | - - | - - | 1,533,336 |
| Retreat program | 202,114 | - - | - - | 202,114 |
| Retreat vehicle | 11,724 | - - | - - | 11,724 |
| Salaries, taxes, and payroll fees | 2,178,665 | 292,868 | 358,123 | 2,829,656 |
| Travel | - - | 56,251 | 30,551 | 86,802 |
| Utilities | 137,117 | - - | - - | 137,117 |
| Web and software | 214,218 | 2,922 | 24,511 | 241,651 |
| Total | $ 6,822,871 | $ 1,055,824 | $ 1,636,286 | $ 9,514,981 |

See Notes to Financial Statements.

**BOULDER CREST FOUNDATION**

**Statements of Cash Flows**
For the Years Ended December 31, 2023 and 2022

| | | 2023 | | 2022 |
|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | |
| Change in net assets | $ | 4,411,339 | $ | 7,130,300 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | | |
| Depreciation and amortization | | 729,989 | | 765,536 |
| Unrealized and realized (gain) loss | | (571,917) | | 153,252 |
| Loss on disposition of asset | | 34,007 | | 2,305 |
| Donation of property and equipment | | (3,700) | | (2,943) |
| Decrease in pledges receivable | | 35,098 | | 51,691 |
| Decrease (increase) in other receivables | | 486,067 | | (633,335) |
| Decrease (increase) in prepaid expenses | | 1,115,521 | | (1,422,622) |
| Decrease (increase) in other assets | | 23,897 | | (24,397) |
| Increase (decrease) in accounts payable and accrued expenses | | 395,625 | | (79,872) |
| (Decrease) increase in deferred revenue | | (500,000) | | 500,000 |
| (Decrease) increase in funds held for others | | (17,076) | | 5,844 |
| Net cash provided by operating activities | $ | 6,138,850 | $ | 6,445,759 |
| **Cash Flows from Investing Activities** | | | | |
| Purchase of property and equipment | $ | (410,062) | $ | (992,476) |
| Purchase of intangible assets | | - - | | (4,458) |
| Proceeds received from disposal of assets | | - - | | 350 |
| Purchase of investment | | (24,209,555) | | (11,419,383) |
| Proceeds from sales of investments | | 16,134,616 | | 878,501 |
| Net cash (used in) investing activities | $ | (8,485,001) | $ | (11,537,466) |
| (Decrease) in cash and cash equivalents | $ | (2,346,151) | $ | (5,091,707) |
| **Cash and Cash Equivalents** | | | | |
| Beginning | | 5,989,303 | | 11,081,010 |
| Ending | $ | 3,643,152 | $ | 5,989,303 |
| **Supplemental Disclosures of Non-Cash Investing Activities,** | | | | |
| in-kind donations of property and equipment | $ | 3,700 | $ | 2,943 |

See Notes to Financial Statements.

## Note 1. Description of the Organization

Boulder Crest 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 (PTG), including without limitation by: (a) owning and operating retreat facilities for the delivery of PTG-based programs; (b) partnering with other military and first responder-focused nonprofit organizations to support their delivery of Boulder Crest programs; (c) delivering PTG-based training programs to actively serving military and first responders at locations across the country.

## 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.

### Investments

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

**Prepaid Expenses**

Prepaid expenses represent amounts paid for services that will occur in future reporting periods.

**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 and application | 3 years |
| Vehicles | 3 - 7 years |

**Revenue Recognition**

The Foundation recognizes revenue in accordance with ASC Topic 606. This standard provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

<u>Nature of Products and Services</u>

Sponsorship revenue, seminar income and books and other merchandise sales are considered exchange transactions and recorded as revenue at the point in time in which the goods or services are provided by the Foundation.

The Foundation records special events revenue equal to the cost of direct benefits to donors and contribution revenue for the difference.

Transaction Price

The transaction price is the amount of consideration to which the Foundation expects to be entitled in exchange for transferring goods and services to the customer.

Contract Balances

Funds received by the Foundation relating to revenue generating activities of future reporting periods would be recorded as a contract liability (deferred revenue) on the statements of financial position. There was no deferred revenue recognized as of December 31, 2023. Deferred revenue was $500,000 at December 31, 2022.

Contributions and Grants

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 recognized until the conditions on which they depend have been met.

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.

### 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 services, management and general, and fundraising. All expenses have been allocated based on directs 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.

**Leases**

The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation recognizes most leases on its statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition on the statement of activities.

The Foundation made an accounting policy election not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Foundation made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

The Foundation has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Foundation, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

### Recently Adopted Accounting Pronouncement

The Foundation adopted ASC 326, *Financial Instruments--Credit Losses*, as of January 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss ("CECL") methodology is applicable to financial assets measured at amortized cost, which include trade receivables and other receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses as of December 31, 2023, and change in the allowance for credit losses during the year ended December 31, 2023, was not material to the financial statements.

## Note 3. Liquidity and Availability of Resources

The Foundation has $14,708,398 and $9,219,615 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, 2023 and 2022, respectively. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Board of Directors has designated one year of operating cash or $8,700,000 for the years ended December 31, 2023 and 2022. These funds could be made available to meet general operating needs by the Board of Directors, if necessary.

| | 2023 | 2022 |
|---|---|---|
| Financial assets, at year-end: | | |
| Cash and cash equivalents | $ 3,643,152 | $ 5,989,303 |
| Pledges receivable, net | 45,000 | 80,098 |
| Other receivables | 390,328 | 876,395 |
| Investments | 19,733,818 | 11,086,962 |
| Total financial assets | $ 23,812,298 | $ 18,032,758 |
| Less amounts not available to be used within one year: | | |
| Restricted cash | $ - - | $ 6,545 |
| Restricted by donors for purpose | 393,900 | 976,500 |
| Restricted by donors for time, net | 10,000 | 30,098 |
| Board designated - operating reserve | 8,700,000 | 7,800,000 |
| | $ 9,103,900 | $ 8,813,143 |
| Financial assets available to meet cash needs for general expenditures within one year | $ 14,708,398 | $ 9,219,615 |

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

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. This agreement ended during the year ended December 31, 2023.

## Note 5. Pledges Receivable

The outstanding pledges receivable are due as follows:

| | 2023 | 2022 |
|---|---|---|
| Within one year | $ 35,000 | $ 50,000 |
| One to three years | 10,000 | 35,000 |
| | $ 45,000 | $ 85,000 |
| Less present value discount (1.39% - 5.73%) | - - | (4,902) |
| | $ 45,000 | $ 80,098 |

## Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| PATHH Programs | $ 204,900 | $ 650,000 |
| Avalon Fund | - - | - - |
| Struggle Well application | 154,000 | 275,000 |
| Rest and relaxation | - - | 1,500 |
| Time restriction | 45,000 | 80,098 |
| | $ 403,900 | $ 1,006,598 |

Net assets were released from donor restrictions for the years ended December 31, 2023 and 2022 by incurring expenses satisfying the purpose specified by the donor as follows:

| | 2023 | 2022 |
|---|---|---|
| PATHH Programs | $ 695,100 | $ 450,000 |
| Avalon Fund | - - | 2,348,870 |
| Struggle Well application | 275,000 | 200,000 |
| Rest and relaxation | 1,500 | 1,500 |
| Time restriction | 40,000 | 76,691 |
| | $ 1,011,600 | $ 3,077,061 |

## Note 7. Contributed Nonfinancial Assets

For the years ended December 31, 2023 and 2022, contributed nonfinancial assets recognized within the statement of activities include the following:

| | 2023 | 2022 |
|---|---|---|
| Cabins supplies | $ 70,957 | $ 1,519 |
| Family rest and relaxation | 57,255 | 32,505 |
| Other | 13,379 | 50,000 |
| | $ 141,591 | $ 84,024 |
| Donated fundraising event supplies | 71,754 | 151,164 |
| | $ 213,345 | $ 235,188 |

In-kind contributions received during the year were for cabin supplies, family rest and relaxation, and fundraising event supplies. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed supplies were valued using estimated U.S. wholesale prices of identical or similar products. Contributed event supplies are used in fundraising services.

The Foundation does not have a policy to monetize any contributed financial assets received; the Foundation intends to use any other in-kind contributions for its program and support services.

## Note 8. Fair Value Measurements

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, 2023 and 2022 are based on unadjusted, quoted prices in active markets as of the measurement date (often referred to as Level 1 inputs.)

The following table presents the balance of financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 and 2022, respectively.

| | **2023** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Assets | | | | |
| Mutual funds | $ 591,582 | $ - - | $ - - | $ 591,582 |
| Fixed income | 17,598,088 | - - | - - | 17,598,088 |
| Exchange traded funds | 1,426,009 | - - | - - | 1,426,009 |
| Equities | 94,304 | - - | - - | 94,304 |
| Unit investment trusts | 23,835 | - - | - - | 23,835 |
| | $ 19,733,818 | $ - - | $ - - | $ 19,733,818 |

| | **2022** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Assets | | | | |
| Mutual funds | $ 670,844 | $ - - | $ - - | $ 670,844 |
| Fixed income | 9,865,278 | - - | - - | 9,865,278 |
| Exchange traded funds | 477,603 | - - | - - | 477,603 |
| Equities | 73,237 | - - | - - | 73,237 |
| | $ 11,086,962 | $ - - | $ - - | $ 11,086,962 |

## Note 9. Investments

Investments as of December 31, 2023 and 2022, were as follows:

| | **2023** | | |
|---|---|---|---|
| | **Cost** | **Market Value** | **Unrealized Appreciation (Depreciation)** |
| Mutual funds | $ 585,214 | $ 591,582 | $ 6,368 |
| Fixed income | 17,492,588 | 17,598,088 | 105,500 |
| Exchange traded funds | 1,374,120 | 1,426,009 | 51,889 |
| Equities | 66,201 | 94,304 | 28,103 |
| Unit investment trusts | 25,745 | 23,835 | (1,910) |
| Total | $ 19,543,868 | $ 19,733,818 | $ 189,950 |

| | 2022 | | |
|---|---|---|---|
| | **Cost** | **Market Value** | **Unrealized Appreciation (Depreciation)** |
| Mutual funds | $ 679,410 | $ 670,844 | $ (8,566) |
| Fixed income | 9,946,329 | 9,865,278 | (81,051) |
| Exchange traded funds | 507,796 | 477,603 | (30,193) |
| Equities | 61,729 | 73,237 | 11,508 |
| Total | $ 11,195,264 | $ 11,086,962 | $ (108,302) |

Investment return, net was as follows for the years ended December 31, 2023 and 2022:

| | **2023** | **2022** |
|---|---|---|
| Dividend income | $ 170,514 | $ 11,782 |
| Interest income | 220,749 | 73,385 |
| Net realized and unrealized gain (loss) | 571,916 | (153,252) |
| | $ 963,179 | $ (68,085) |

## Note 10. Operating Lease

The Foundation maintains a lease for office equipment with monthly payments of $210.

This lease is renewed on a month-to-month basis and insignificant resulting in no right-of-use asset or right-of-use liability reflected in the accompanying statement of financial position. Total lease expense included in the statement of activities for the lease is $2,789 and $2,628 for the year ended December 31, 2024, respectively.

## Note 11. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 24, 2024, the date the financial statements were available to be issued. The Foundation has determined there are no subsequent events that require recognition or disclosure.