

**BOULDER CREST FOUNDATION**

**Bluemont, Virginia**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

## **C O N T E N T S**

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 and 2
<b>FINANCIAL STATEMENTS</b>	
Statements of financial position	3
Statements of activities	4 and 5
Statements of functional expenses	6 and 7
Statements of cash flows	8
Notes to financial statements	9-19



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Boulder Crest Foundation  
Bluemont, Virginia

### Opinion

We have audited the financial statements of Boulder Crest Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses and cash flows for the years 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, 2022 and 2021, and the results of its change in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibility 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 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, 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.

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

Winchester, Virginia  
March 23, 2023

**BOULDER CREST FOUNDATION**

**Statements of Financial Position**

December 31, 2022 and 2021

<b>Assets</b>	<b>2022</b>	<b>2021</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 9,603,873	\$ 17,196,448
Contributions receivable	3,827,000	3,877,000
Pledges receivable, current portion	550,000	1,050,000
Prepaid expenses	1,563,062	140,440
Other receivables	<u>876,395</u>	<u>243,060</u>
Total current assets	<u>\$ 16,420,330</u>	<u>\$ 22,506,948</u>
<b>Property and Equipment</b>		
Buildings	\$ 15,508,618	\$ 14,621,914
Land and improvements	3,551,714	3,495,071
Furniture and equipment	1,067,537	1,069,101
Website and application	67,828	320,168
Vehicles	552,889	552,889
Construction in progress	<u>43,980</u>	<u>30,869</u>
	\$ 20,792,566	\$ 20,090,012
Less accumulated depreciation	<u>4,867,512</u>	<u>4,392,186</u>
Total property and equipment, net	<u>\$ 15,925,054</u>	<u>\$ 15,697,826</u>
<b>Other Assets</b>		
Investments	\$ 11,086,962	\$ 699,332
Intangibles	24,837	20,379
Long-term pledges receivable, net of discount of \$112,120 in 2022 and \$40,663 in 2021	922,880	1,044,337
Other current assets	<u>13,866</u>	<u>- -</u>
Total other assets	<u>\$ 12,048,545</u>	<u>\$ 1,764,048</u>
Total assets	<u>\$ 44,393,929</u>	<u>\$ 39,968,822</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 254,780	\$ 334,652
Deferred revenue	500,000	- -
Funds held for others	<u>17,076</u>	<u>11,232</u>
Total current liabilities	<u>\$ 771,856</u>	<u>\$ 345,884</u>
<b>Net Assets</b>		
Without donor restrictions	\$ 33,791,654	\$ 27,061,164
With donor restrictions	<u>9,830,419</u>	<u>12,561,774</u>
Total net assets	<u>\$ 43,622,073</u>	<u>\$ 39,622,938</u>
Total liabilities and net assets	<u>\$ 44,393,929</u>	<u>\$ 39,968,822</u>

See Notes to Financial Statements.

**BOULDER CREST FOUNDATION**

**Statement of Activities**

For the Year Ended December 31, 2022

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gain (Loss) and Other Support</b>			
Contributions:			
Contributed financial assets	\$ 5,378,037	\$ 15,898,722	\$ 21,276,759
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	853,001	6,868,482
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)	7,597	(60,488)
Other revenue	179,069	--	179,069
(Loss) on disposal of assets	(2,305)	--	(2,305)
Net assets released from restrictions	19,490,675	(19,490,675)	--
Total revenues, gain (loss) and other support	\$ 32,719,545	\$ (2,731,355)	\$ 29,988,190
<b>Expenses</b>			
Program services	\$ 23,296,945	\$ --	\$ 23,296,945
Management and general	1,055,824	--	1,055,824
Fundraising	1,636,286	--	1,636,286
Total expenses	\$ 25,989,055	\$ --	\$ 25,989,055
Change in net assets	\$ 6,730,490	\$ (2,731,355)	\$ 3,999,135
<b>Net assets, beginning of year</b>	27,061,164	12,561,774	39,622,938
<b>Net assets, end of year</b>	\$ 33,791,654	\$ 9,830,419	\$ 43,622,073

See Notes to Financial Statements.

## BOULDER CREST FOUNDATION

### Statement of Activities

For the Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues, Gain (Loss) and Other Support</b>			
Contributions:			
Contributed financial assets	\$ 2,715,458	\$ 16,688,730	19,404,188
Contributed nonfinancial assets	380,018	--	380,018
Special events:			
Contribution portion of special events	329,092	--	329,092
Exchange portion of special events, net	148,610	--	148,610
Grants	2,478,591	329,224	2,807,815
Seminar income, net	45,603	--	45,603
Book sales, net	57,824	--	57,824
Investment return, net	15,872	383	16,255
Other revenue	22,228	--	22,228
(Loss) on disposal of assets	(8,864)	--	(8,864)
Net assets released from restrictions	<u>16,145,229</u>	<u>(16,145,229)</u>	<u>--</u>
Total revenues, gain (loss) and other support	<u>\$ 22,329,661</u>	<u>\$ 873,108</u>	<u>\$ 23,202,769</u>
<b>Expenses</b>			
Program services	\$ 18,095,538	\$ --	\$ 18,095,538
Management and general	620,122	--	620,122
Fundraising	<u>883,901</u>	<u>--</u>	<u>883,901</u>
Total expenses	<u>\$ 19,599,561</u>	<u>\$ --</u>	<u>\$ 19,599,561</u>
Change in net assets	\$ 2,730,100	\$ 873,108	\$ 3,603,208
<b>Net assets, beginning of year</b>	<u>24,331,064</u>	<u>11,688,666</u>	<u>36,019,730</u>
<b>Net assets, end of year</b>	<u>\$ 27,061,164</u>	<u>\$ 12,561,774</u>	<u>\$ 39,622,938</u>

See Notes to Financial Statements.

**BOULDER CREST FOUNDATION**

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

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Cabin and lodge	\$ 79,182	\$ --	\$ --	\$ 79,182
Retreat vehicle	11,724	--	--	11,724
Retreat program	202,114	--	--	202,114
Program R&D	1,533,336	--	--	1,533,336
Mobile PATHH TEAM	466,680	--	--	466,680
PATHH expenses	529,764	--	--	529,764
Janitorial services and ground maintenance	165,476	204,970	--	370,446
Avalon Fund expenses	16,474,074	--	--	16,474,074
Professional and consulting costs	--	364,901	24,617	389,518
Bank and merchant fees	--	17,969	32,414	50,383
Salaries, taxes, and payroll fees	2,178,665	292,868	358,123	2,829,656
Employee benefits	236,044	(2,169)	34,628	268,503
Conferences, training, and meetings	121,914	52,828	--	174,742
General fundraising	--	--	25,606	25,606
Insurance	91,168	6,405	--	97,573
Office supplies and expenses	9,385	30,695	94,678	134,758
Utilities	137,117	--	--	137,117
Postage and delivery	6,102	4,314	17,079	27,495
Printing and copying	--	1,261	25,727	26,988
Web and software	214,218	2,922	24,511	241,651
Depreciation and amortization	742,927	22,609	--	765,536
Donor management software	--	--	7,555	7,555
Travel	--	56,251	30,551	86,802
Marketing PR and outreach	97,055	--	928,382	1,025,437
Fundraising event costs	--	--	32,415	32,415
<b>Total</b>	<b><u>\$ 23,296,945</u></b>	<b><u>\$ 1,055,824</u></b>	<b><u>\$ 1,636,286</u></b>	<b><u>\$ 25,989,055</u></b>

See Notes to Financial Statements.



**BOULDER CREST FOUNDATION**

**Statement of Functional Expenses**  
For the Year Ended December 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Cabin and lodge	\$ 52,272	\$ --	\$ --	\$ 52,272
Retreat vehicle	8,330	--	--	8,330
Retreat program	176,677	--	--	176,677
Program R&D	1,007,265	--	--	1,007,265
Mobile PATHH TEAM	401,658	--	--	401,658
PATHH expenses	464,659	--	--	464,659
Janitorial services and ground maintenance	176,622	16,585	--	193,207
Avalon Fund expenses	12,348,705	--	--	12,348,705
Professional and consulting costs	--	184,809	51,740	236,549
Bank and merchant fees	--	10,191	46,301	56,492
Salaries, taxes, and payroll fees	2,079,313	276,284	408,424	2,764,021
Employee benefits	231,121	16,897	45,405	293,423
Conferences, training, and meetings	23,542	47,405	15,130	86,077
General fundraising	--	--	18,333	18,333
Insurance	80,969	6,369	--	87,338
Office supplies and expenses	14,589	35,486	35,878	85,953
Utilities	113,705	--	--	113,705
Postage and delivery	3,419	5,041	6,576	15,036
Printing and copying	--	808	36,800	37,608
Web and software	14,283	2,055	10,833	27,171
Depreciation and amortization	845,711	7,536	--	853,247
Donor management software	--	--	7,532	7,532
Travel	--	10,656	67,698	78,354
Fundraising event costs	--	--	5,594	5,594
Marketing PR and outreach	52,698	--	127,657	180,355
Total	<u>\$ 18,095,538</u>	<u>\$ 620,122</u>	<u>\$ 883,901</u>	<u>\$ 19,599,561</u>

See Notes to Financial Statements.

**BOULDER CREST FOUNDATION**

**Statements of Cash Flows**

For the Years Ended December 31, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 3,999,135	\$ 3,603,208
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	765,536	853,247
Unrealized and realized loss	153,252	2,406
Loss on disposition of asset	2,305	8,864
Donation of property and equipment	(2,943)	(106,051)
Decrease (increase) in pledges receivable	671,457	(3,688,801)
(Increase) in other receivables	(633,335)	(81,001)
(Increase) in prepaid expenses	(1,422,622)	(44,469)
(Increase) in other assets	(13,866)	--
(Decrease) increase in accounts payable and accrued expenses	(79,872)	221,552
Increase in deferred revenue	500,000	--
Increase (decrease) increase in funds held for others	5,844	(151,094)
Net cash provided by operating activities	\$ 3,944,891	\$ 617,861
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	\$ (992,476)	\$ (384,872)
Purchase of intangible assets	(4,458)	(3,614)
Proceeds received from disposal of assets	350	40,500
Purchase of securities	(11,419,383)	(1,071,294)
Proceeds from sales of investments	878,501	369,556
Net cash (used in) investing activities	\$ (11,537,466)	\$ (1,049,724)
(Decrease) in cash and cash equivalents	\$ (7,592,575)	\$ (431,863)
<b>Cash and Cash Equivalents</b>		
Beginning	17,196,448	17,628,311
Ending	\$ 9,603,873	\$ 17,196,448
<b>Supplemental Disclosures of Non-Cash Investing Activities,</b>		
in-kind donations of property and equipment	\$ 2,943	\$ 106,051

See Notes to Financial Statements.

# BOULDER CREST FOUNDATION

## 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, 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 the Foundation. The Avalon Fund’s mission is to create a comprehensive national network to solve the catastrophic effects Traumatic Brain Injuries (TBI) and Posttraumatic Stress Disorder (PTSD) have on our nation’s veterans. The Marcus Institute of Brain Health (MIBH) and Boulder Crest are at the forefront of innovative and effective approaches to healing the invisible injuries of war. The Avalon Fund endeavors to scale the MIBH and Boulder Crest’s proven approaches. With a \$200 million fund, they will create the first nationwide network delivering integrative solutions for TBI and PTSD. Boulder Crest serves as the fiscal sponsor for the Avalon Fund.

### 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.

## Notes to Financial Statements

### 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 statement of financial position. Any realized and unrealized gains and losses are reflected in the statement 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.

### Contributions and Pledges Receivable

Contributions and 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

## Notes to Financial Statements

### 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

### Nature of Products and Services

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. 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 recognition until the conditions on which they depend have been substantially 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.

## Notes to Financial Statements

### 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.

### Recently Adopted Accounting Pronouncement

#### *Nonfinancial Contributions*

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The Foundation adopted ASU 2020-7 beginning January 1, 2022.

Contributed nonfinancial assets are recorded at the respective fair value of the goods or services received. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration and fundraising; however the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

#### *Leases*

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets 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. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern

## Notes to Financial Statements

of expense recognition in the income statement. The Foundation adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Foundation has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Foundation's historical accounting treatment under ASC Topic 840, *Leases*.

The Foundation elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Foundation does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Foundation has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

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 Foundation 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 made an accounting policy election available under Topic 842 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 (or January 1, 2022, for existing leases upon the adoption of Topic 842). 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. 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.

Adoption of Topic 842 did not result in the recording of ROU assets and lease liabilities at January 1, 2022. The adoption of the new lease standard did not impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the beginning net assets.

## Notes to Financial Statements

### Note 3. Liquidity and Availability of Resources

The Foundation has \$8,330,146 and \$3,879,508 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, 2022 and 2021, 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 and \$7,765,663 for the years ended December 31, 2022 and 2021, respectively. These funds could be made available to meet general operating needs by the Board of Directors, if necessary.

	2022	2021
Financial assets, at year-end:		
Cash and cash equivalents	\$ 9,603,873	\$ 17,196,448
Contributions receivable	3,827,000	3,877,000
Pledges receivable	1,472,880	2,094,337
Other receivables	876,395	243,060
Investments	11,086,962	699,332
Total financial assets	\$ 26,867,110	\$ 24,110,177
Less amounts not available to be used within one year:		
Restricted cash	\$ 6,545	\$ 11,232
Restricted by donors for purpose	9,800,321	12,404,986
Restricted by donors for time, net	30,098	156,788
Board designated - operating reserve	8,700,000	7,657,663
	\$ 18,536,964	\$ 20,230,669
Financial assets available to meet cash needs for general expenditures within one year	\$ 8,330,146	\$ 3,879,508

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

The Foundation has 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 \$6,545 and \$11,232 as of December 31, 2022 and 2021, respectively. The Foundation received \$20,000 to administer the funds for both years ended December 31, 2022, and 2021, respectively.



## Notes to Financial Statements

### Note 5. Contributions and Pledges Receivable

The outstanding pledges receivable are due as follows:

	2022	2021
Within one year	\$ 550,000	\$ 1,050,000
One to three years	<u>1,035,000</u>	<u>1,085,000</u>
	\$ 1,585,000	\$ 2,135,000
Less present value discount (1.10% - 2.76%)	<u>(112,120)</u>	<u>(40,663)</u>
	<u><u>\$ 1,472,880</u></u>	<u><u>\$ 2,094,337</u></u>

### Note 6. Related Party Transactions

The Foundation received \$2,288,410 and \$2,478,591 from the Avalon Fund to reimburse the Foundation for Avalon Fund related expenses during the years ended December 31, 2022 and 2021, respectively.

### Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31, 2022 and 2021:

	2022	2021
PATHH Programs	\$ 650,000	\$ 250,000
Avalon Fund	8,823,821	11,954,986
Struggle Well application	275,000	200,000
Rest and relaxation	1,500	--
Time restriction	<u>80,098</u>	<u>156,788</u>
	<u><u>\$ 9,830,419</u></u>	<u><u>\$ 12,561,774</u></u>

## Notes to Financial Statements

Net assets were released from donor restrictions for the years ended December 31, 2022 and 2021 by incurring expenses satisfying the purpose specified by the donor as follows:

	<b>2022</b>	<b>2021</b>
PATHH Programs	\$ 450,000	\$ 900,000
Improvements and operations for Arizona property	--	25,000
Avalon Fund	18,762,484	14,827,296
1st Responder Initiative	--	33,403
Struggle Well Application	200,000	--
Rest and relaxation	1,500	--
PTG training for mental health professionals	--	105,375
Time restriction	76,691	254,155
	<b>\$ 19,490,675</b>	<b>\$ 16,145,229</b>

### Note 8. Contributed Nonfinancial Assets

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities include the following:

	<b>2022</b>	<b>2021</b>
Cabins supplies	\$ 1,519	\$ 86,849
Family rest and relaxation	32,505	87,073
Other	50,000	--
	\$ 84,024	\$ 173,922
Donated fundraising event supplies	151,164	206,096
	<b>\$ 235,188</b>	<b>\$ 380,018</b>

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.

### Note 9. 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).

## Notes to Financial Statements

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, 2022 and 2021 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, 2022 and 2021, respectively.

	<b>2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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
	<b>\$ 11,086,962</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 11,086,962</b>
	<b>2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets				
Mutual Funds	\$ 53,621	\$ --	\$ --	\$ 53,621
Fixed income	565,795	--	--	565,795
Equities	79,916	--	--	79,916
	<b>\$ 699,332</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 699,332</b>

## Notes to Financial Statements

### Note 10. Investments

Investments as of December 31, 2022 and 2021, were as follows.

	<b>2022</b>		
	<b>Cost</b>	<b>Market Value</b>	<b>Unrealized Appreciation</b>
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	<u>\$ 11,195,264</u>	<u>\$ 11,086,962</u>	<u>\$ (108,302)</u>
	<b>2021</b>		
	<b>Cost</b>	<b>Market Value</b>	<b>Unrealized Appreciation (Depreciation)</b>
Mutual Funds	\$ 50,115	\$ 53,621	\$ 3,506
Fixed income	574,489	565,795	(8,694)
Equities	48,713	79,916	31,203
Total	<u>\$ 673,317</u>	<u>\$ 699,332</u>	<u>\$ 26,015</u>

Investment return, net was as follows for the years ended December 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Dividend income	\$ 11,782	\$ 3,730
Interest income	80,982	14,931
Net realized and unrealized gain (loss)	(153,252)	(2,406)
	<u>\$ (60,488)</u>	<u>\$ 16,255</u>

## Notes to Financial Statements

### **Note 11. 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 years ended December 31, 2022 and 2021, respectively.

### **Note 12. Subsequent Events**

As of January 4, 2023, all funding and administrative duties related to the Avalon Fund were transferred to the Avalon Action Alliance, an independent non-profit organization.

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 23, 2023, the date the financial statements were available to be issued. The Foundation has determined there are no additional subsequent events that require recognition or disclosure.