

**Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)**

Financial Statements

December 31, 2016



**VAIL VETERANS
PROGRAM**

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
December 31, 2016

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MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Vail Veterans Foundation, Inc.
Vail, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of Vail Veterans Foundation, Inc. (the "Foundation"), a Colorado non-profit corporation, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of 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 Vail Veterans Foundation, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Vail Veterans Foundation, Inc.
Vail, Colorado

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 11 and 12 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Foundation's 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 information, except for that portion marked "unaudited", on which we express no opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
October 16, 2017

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Statement of Financial Position
December 31, 2016

Assets:	
Current assets:	
Cash and cash equivalents	941,788
Investments	1,208,292
Accounts receivable - Other	59,400
Prepaid expenses	7,154
Total Current Assets	<u>2,216,634</u>
Fixed assets, net	<u>22,788</u>
Total Assets	<u><u>2,239,422</u></u>
Liabilities:	
Current liabilities:	
Accrued compensation and payroll taxes	20,275
Total Current Liabilities	<u>20,275</u>
Total Liabilities	<u>20,275</u>
Net Assets:	
Unrestricted	1,784,929
Temporarily restricted	434,218
Total Net Assets	<u>2,219,147</u>
Total Liabilities and Net Assets	<u><u>2,239,422</u></u>

The accompanying notes are an integral part of these financial statements.

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Statement of Activities
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and Support:			
Contributions and grants	1,137,961	680,348	1,818,309
Investment income	74,148	-	74,148
In-kind contributions	275,502	-	275,502
Net assets released from restrictions	246,130	(246,130)	-
	1,733,741	434,218	2,167,959
Expenses:			
Program services	1,102,447	-	1,102,447
Management and general	138,987	-	138,987
Fundraising	74,237	-	74,237
	1,315,671	-	1,315,671
Change in Net Assets	418,070	434,218	852,288
Net Assets - Beginning of Year	1,366,859	-	1,366,859
Net Assets - End of Year	1,784,929	434,218	2,219,147

The accompanying notes are an integral part of these financial statements.

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash Flows from Operating Activities:	
Contributions and grants received	1,758,984
Interest and dividends received	36,881
Wages and benefits paid to employees	(162,851)
Cash paid for goods and services	(865,780)
Net Cash Provided (Used) by Operating Activities	<u>767,234</u>
Cash Flows from Investing Activities:	
Cash paid to purchase investments	(572,562)
Cash received on sale / redemption of investments	41,597
Net Cash Provided (Used) by Investing Activities	<u>(530,965)</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	236,269
Cash and Cash Equivalents - Beginning of Year	<u>705,519</u>
Cash and Cash Equivalents - End of Year	<u><u>941,788</u></u>
Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Change in net assets	<u>852,288</u>
Adjustments to reconcile:	
Depreciation	4,996
Net realized (gain) loss on investments	2,905
Net unrealized (gain) loss on investments	(48,326)
(Increase) decrease in accounts receivable	(59,325)
(Increase) decrease in prepaid expenses	(1,774)
Increase (decrease) in accrued compensation and payroll taxes	16,470
	<u>(85,054)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>767,234</u></u>

The accompanying notes are an integral part of these financial statements.

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2016

1. Organization

Vail Veterans Foundation, Inc. (the "Foundation") was incorporated in the State of Colorado as a non-profit corporation, pursuant to Articles of Incorporation filed July 24, 2006. The mission of the Foundation is to provide military, injured and their families with innovative and transformational programs that build confidence and improve lives. The Foundation is located in Vail, Colorado.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.

B. Basis of Presentation

The Foundation follows the requirements of Financial Accounting Standards Board Accounting Standards Codification Topic 958, *Not-for-Profit Entities* ("ASC 958"). Under ASC 958, the Foundation is required to report information regarding its financial position and activities based upon the existence or absence of donor imposed restrictions into three classes: unrestricted, temporarily restricted, and permanently restricted.

Financial position and activity should be classified as permanently restricted only when both of the following conditions are met:

- The donor gift instrument does not permit invasion of the principal and
- The governing documents of the Foundation do not provide for the invasion of corpus.

C. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Foundation considers cash and cash equivalents to include all cash and highly liquid financial instruments with original maturities of three months or less, which are not restricted by donors for endowment or other long-term purposes.

D. Investments

Investments in marketable equity and fixed income securities with readily determinable fair values are recorded at fair value as required by ASC 958.

The fair values for investments represent the Foundation's pro-rata interest in the net assets of each investment and are based on financial information determined and reported by investment managers or on the basis of other information evaluated. Investment income consists of the Foundation's distributive share of any interest, dividends, capital gains and capital losses, generated from the Foundation's investments, as well as the change in fair value of the investments.

Gains and losses attributable to the Foundation's investments are realized and reported upon a sale or disposition of the investment.

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2016
(Continued)

2. Summary of Significant Accounting Policies (continued)

E. Fair Value Measurements

The carrying amounts reported in the statement of financial position for cash and cash equivalents, prepaid expenses, accounts payable and accrued liabilities, approximate fair value because of the immediate or short-term maturities of these financial instruments. The Foundation has adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820, *Fair Value Measurement and Disclosure* ("ASC 820") which, among other things, requires enhanced disclosures about financial assets that are measured and reported at fair value on a recurring basis. ASC 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial assets at fair value. The hierarchy prioritizes the inputs into the following three levels:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 include money-market funds, mutual funds, listed equities, listed derivatives, cash, and cash equivalents.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives. For the Foundation, Level 2 investments consist of money-market funds and pooled investments.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds, and distressed debt.

In certain cases, the inputs used to measure fair value may fall in to different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

F. Receivables

Management determines the allowance for doubtful accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. At December 31, 2016, no such allowance was considered necessary by the Foundation's management.

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2016
(Continued)

2. Summary of Significant Accounting Policies (continued)

G. Fixed Assets

Fixed assets are stated at cost or, if donated, at the fair value at the date of donation. Fixed assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Furniture and equipment	5 - 10 years
Website	10 years

H. Support and Revenue

In accordance with ASC 958, contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support based upon the existence or absence of donor imposed restrictions.

Donor-restricted support, including pledges, is recorded as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit or specify the use of the donated assets, whether by time period or purpose. When a donor restriction expires (that is, when a stipulated time restriction ends or the stated purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Non-monetary donations of goods and services are accepted and recorded at their fair values when received. Donated services are recorded at their fair values in the period received, provided that such services either create or enhance non-financial assets or are considered to be "professional" services which the Foundation would otherwise be required to purchase. Donated fixed assets are recorded at fair value when received and reflected in these financial statements as contribution revenue and an addition to fixed assets. Non-monetary donations are recognized as revenue and offsetting expense or asset, depending on the nature of such support received.

I. Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities. The schedule of functional expenses on page 11 presents the natural classification detail of expenses by function. Certain costs have been allocated among the appropriate programs and supporting services.

J. Income Taxes

The Foundation is a non-profit organization as described in section 501(c)(3) of the Internal Revenue Code and is thus exempt from federal and state income taxes on income which is directly related to its organizational purpose. The Federal income tax returns of the Foundation are subject to examination by the Internal Revenue Service. The Foundation is no longer subject to examination of its returns for tax years prior to 2013.

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2016
(Continued)

2. Summary of Significant Accounting Policies (continued)

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Subsequent Events

Management has evaluated subsequent events through October 16, 2017; the date these financial statements were available to be issued.

3. Investments

Investments are stated at their estimated fair values (see note 4 below). The Foundation's investment assets are dedicated to providing the financial resources needed to meet the Foundation's charitable objectives. The Foundation's investments are managed by an independent professional investment management firm and are held in various investment structures such as mutual funds and unit investment trusts. Investments in equity securities fluctuate in value in response to many factors; such as the activities and financial condition of individual companies, business and industry market conditions and the general economic environment. The value of fixed income securities fluctuates in response to changing interest rates, credit worthiness of issuers and overall economic policies that impact market conditions.

The Foundation's investments consisted of the following at December 31, 2016:

Equities	\$ 30,157
Mutual funds and exchange-traded funds	511,610
Unit investment trusts	<u>666,525</u>
	<u>\$ 1,208,292</u>

Investment income for 2016 is summarized as follows:

Interest and dividend income	\$ 36,881
Net realized gains (losses)	(2,905)
Net unrealized gains (losses)	<u>48,326</u>
	<u>82,302</u>
Less: Investment management and advisory fees	<u>(8,154)</u>
Total net investment return	<u>\$ 74,148</u>

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2016
(Continued)

4. Fair Value Measurements

The following table summarizes the valuation of the Foundation's fair value of assets measured on a recurring basis by the above ASC 820 fair value hierarchy levels as of December 31, 2016:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents	\$ 941,788	941,788	-	-
Investments:				
Equities	30,157	30,157	-	-
Mutual funds and exchange-traded funds	511,610	511,610	-	-
Unit investment trusts	666,525	666,525	-	-
	<u>1,208,292</u>	<u>1,208,292</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,150,080</u>	<u>2,150,080</u>	<u>-</u>	<u>-</u>

5. Fixed Assets

Furniture and equipment	\$ 22,778
Website	10,050
At cost	<u>32,828</u>
Less: Accumulated depreciation	<u>(10,040)</u>
Fixed assets, net	<u>\$ 22,788</u>

6. Temporarily Restricted Net Assets

Net assets totaling \$246,130 were released from donor restrictions during 2016 as a result of the Foundation incurring costs satisfying the donor-imposed restrictive purpose. The balance of \$434,218 in temporarily restricted net assets at December 31, 2016 is restricted for future programs, staffing, and support services.

7. Lease Agreement

Effective in January 2014, the Foundation entered into a lease agreement with Vail Gateway LLC to rent office space and 2 non-reserved parking spaces in Vail, Colorado. Upon expiration of the initial one-year lease term, the arrangement has continued under a month-to-month tenancy under the same conditions as the lease, except that the arrangement may be terminated by either party by 90-days written notice. Total rent expense incurred by the Foundation in 2016 under this agreement was \$24,450.

8. Concentrations of Credit Risk

The Federal Deposit Insurance Corporation (the "FDIC") insures up to \$250,000 per depositor at each separately chartered FDIC-member financial institution, without regard to the nature of the accounts. At December 31, 2016, the Foundation's uninsured cash balances totaled \$232,835.

The Securities Investor Protection Corporation (the "SIPC") protects against the loss of cash and securities held by a customer at SIPC-member brokerage firms up to \$500,000; including up to \$250,000 in cash. At December 31, 2016, \$1,142,024 of the Foundation's cash and investments was not covered by SIPC insurance.

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Schedule of Functional Expenses
For the Year Ended December 31, 2016

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Administrative	-	4,496	-	4,496
Donated goods	257,535	-	9,717	267,252
Donated services	-	8,250	-	8,250
Salaries and wages	77,337	44,269	33,627	155,233
Employee benefits and payroll taxes	6,930	14,145	3,013	24,088
Depreciation	3,427	1,569	-	4,996
Operating supplies	31,142	8,747	-	39,889
Rent and occupancy	-	28,149	-	28,149
Insurance	-	2,039	-	2,039
Travel and transportation	348,419	1,776	10,972	361,167
Activities, programs and instruction	377,657	-	-	377,657
Technology	-	4,320	-	4,320
Advertising and promotion	-	21,227	16,908	38,135
Total	<u>1,102,447</u>	<u>138,987</u>	<u>74,237</u>	<u>1,315,671</u>

The accompanying notes are an integral part of these financial statements.

Vail Veterans Foundation, Inc.
(A Colorado Non-Profit Corporation)
Schedule of Revenues, Expenses and Change in Net Assets - Budget and Actual
For the Year Ended December 31, 2016

	Budget (Unaudited)	Actual	Variance: Favorable (Unfavorable)
Revenues and Support:			
Contributions and grants	832,800	1,818,309	985,509
Investment income	500	74,148	73,648
In-kind contributions	426,400	275,502	(150,898)
Total Revenues and Support	1,259,700	2,167,959	908,259
Expenses:			
Administrative	2,800	4,496	(1,696)
Donated goods	426,400	267,252	159,148
Donated services	-	8,250	(8,250)
Salaries and wages	159,600	155,234	4,366
Employee benefits and payroll taxes	-	24,088	(24,088)
Depreciation	-	4,996	(4,996)
Operating supplies	40,900	39,889	1,011
Rent and occupancy	23,900	28,149	(4,249)
Insurance	3,000	2,039	961
Travel and transportation	333,600	361,167	(27,567)
Activities, programs and instruction	220,000	377,657	(157,657)
Technology	4,500	4,320	180
Advertising and promotion	45,000	38,134	6,866
Total Expenses	1,259,700	1,315,671	(55,971)
Change in Net Assets	-	852,288	852,288

The accompanying notes are an integral part of these financial statements.