

**PTSD FOUNDATION OF AMERICA**

**FINANCIAL STATEMENTS**

**WITH INDEPENDENT AUDITOR'S REPORT**

**As of and for the Years Ended December 31, 2016 and 2015**

**PTSD FOUNDATION OF AMERICA  
TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position As of December 31, 2016 and 2015	2
Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2016	3
Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2015	4
Statements of Functional Expenses For the Years Ended December 31, 2016 and 2015	5
Statements of Cash Flows For the Years Ended December 31, 2016 and 2015	6
Notes to Financial Statements	7

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
PTSD Foundation of America:

**Report on the Financial Statements**

We have audited the accompanying financial statements of PTSD Foundation of America (the "Foundation"), a Texas non-profit organization, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of 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 the Foundation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Ham, Langston & Brezina, LLP*

Houston, Texas  
January 15, 2018

**PTSD FOUNDATION OF AMERICA**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,166,904	\$ 1,001,147
Receivables		
Contributions receivable	307,972	-
Related party receivable	26,002	-
Other receivables	9,581	18,237
Total receivables	343,555	18,237
Prepaid expenses and other assets	16,914	10,438
Property and equipment, net	3,067,234	2,785,697
Total assets	\$ 5,594,607	\$ 3,815,519
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 8,750	\$ 18,850
Accrued liabilities	6,023	9,192
Total liabilities	14,773	28,042
Net assets:		
Unrestricted	5,201,862	3,787,477
Temporarily restricted	377,972	-
Total net assets	5,579,834	3,787,477
Total liabilities and net assets	\$ 5,594,607	\$ 3,815,519

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

**PTSD FOUNDATION OF AMERICA**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues:			
Contributions	\$ 2,196,292	\$ 70,000	\$ 2,266,292
In-kind contributions	991,719	307,972	1,299,691
Special events income	1,004,723	-	1,004,723
Direct donor benefit costs	(303,713)	-	(303,713)
Other income	<u>4,104</u>	<u>-</u>	<u>4,104</u>
Total support and revenues	<u>3,893,125</u>	<u>377,972</u>	<u>4,271,097</u>
Expenses:			
Camp Hope program	2,076,241	-	2,076,241
Special events	131,354	-	131,354
General and administrative	<u>271,145</u>	<u>-</u>	<u>271,145</u>
Total expenses	<u>2,478,740</u>	<u>-</u>	<u>2,478,740</u>
Changes in net assets	1,414,385	377,972	1,792,357
Net assets, beginning of year	<u>3,787,477</u>	<u>-</u>	<u>3,787,477</u>
Net assets, end of year	<u>\$ 5,201,862</u>	<u>\$ 377,972</u>	<u>\$ 5,579,834</u>

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

**PTSD FOUNDATION OF AMERICA**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>
Support and revenues:	
Contributions	\$ 1,308,853
In-kind contributions	1,457,543
Special events income	226,220
Other income	4,940
Total support and revenues	2,997,556
Expenses:	
Camp Hope program	1,078,643
Special events	42,371
General and administrative	142,193
Total expenses	1,263,207
Changes in net assets	1,734,349
Net assets, beginning of year	2,053,128
Net assets, end of year	\$ 3,787,477

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

**PTSD FOUNDATION OF AMERICA**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016			
	Program	General and Administrative	Fundraising	Total
Public awareness	\$ 185,768	\$ 22,757	\$ 54,977	\$ 263,502
Supplies and materials	-	69,153	-	69,153
Contract labor and services	35,487	71,860	76,314	183,661
Program development	78,992	-	-	78,992
Depreciation expense	156,997	3,600	-	160,597
Bank and other fees	-	19,105	-	19,105
Utilities	66,124	1,584	-	67,708
Insurance	46,769	1,120	-	47,889
Rent and facility fees	95,500	-	-	95,500
Meals and entertainment	5,321	2,277	-	7,598
Payroll	810,071	24,809	-	834,880
Accounting	-	12,688	-	12,688
Shipping	-	4,632	-	4,632
Repairs and maintenance	97,736	27,244	-	124,980
Resident services and supplies	472,272	-	-	472,272
Grants and awards	8,987	-	-	8,987
Staff development	-	3,530	-	3,530
Books and manuals	15,129	-	-	15,129
Travel	1,088	5,715	63	6,866
Other	-	1,071	-	1,071
	\$ 2,076,241	\$ 271,145	\$ 131,354	\$ 2,478,740
Total expenses	\$ 2,076,241	\$ 271,145	\$ 131,354	\$ 2,478,740

	2015			
	Program	General and Administrative	Fundraising	Total
Public awareness	\$ 58,909	\$ -	\$ -	\$ 58,909
Supplies and materials	58,593	26,056	26,891	111,540
Contract labor and services	145,830	73,652	-	219,482
Program development	34,290	-	-	34,290
Depreciation expense	82,982	3,600	-	86,582
Utilities	50,540	2,744	-	53,284
Insurance	31,136	1,691	-	32,827
Rent and facility fees	-	-	15,480	15,480
Payroll	514,891	15,510	-	530,401
Accounting	-	9,192	-	9,192
Repairs and maintenance	26,039	-	-	26,039
Resident services and supplies	72,728	-	-	72,728
Grants and awards	2,705	-	-	2,705
Interest	-	6,984	-	6,984
Travel	-	2,764	-	2,764
	\$ 1,078,643	\$ 142,193	\$ 42,371	\$ 1,263,207
Total expenses	\$ 1,078,643	\$ 142,193	\$ 42,371	\$ 1,263,207

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

**PTSD FOUNDATION OF AMERICA**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,792,357	\$ 1,734,349
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	160,597	86,582
Noncash contributions	(445,356)	(1,114,786)
(Increase) decrease in receivables	(17,346)	2,407
Increase in prepaid expenses and other assets	(6,476)	(3,459)
(Decrease) increase in accounts payable and accrued expenses	<u>(13,269)</u>	<u>555</u>
Net cash provided by operating activities	<u>1,470,507</u>	<u>705,648</u>
Cash flows from investing activities:		
Principal collected on notes receivable	-	23,527
Purchase of fixed assets	<u>(304,750)</u>	<u>(220,998)</u>
Net cash used by investing activities	<u>(304,750)</u>	<u>(197,471)</u>
Cash flows from financing activities:		
Repayments on notes payable	<u>-</u>	<u>(220,238)</u>
Net cash used by financing activities	<u>-</u>	<u>(220,238)</u>
Net increase in cash and cash equivalents	1,165,757	287,939
Cash and cash equivalents, beginning of year	<u>1,001,147</u>	<u>713,208</u>
Cash and cash equivalents, end of year	<u>\$ 2,166,904</u>	<u>\$ 1,001,147</u>
Supplemental cash flow disclosures:		
Interest paid	<u>\$ -</u>	<u>\$ 6,984</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

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

# PTSD FOUNDATION OF AMERICA

## NOTES TO FINANCIAL STATEMENTS

### 1. Organization and Nature of Operations

PTSD Foundation of America (the "Foundation") is a not-for profit corporation formed in the state of Texas. The purpose of the Foundation is to provide counseling and interim housing for combat veterans who suffer from post-traumatic stress disorder ("PTSD").

On July 20, 2012, the state of Texas approved the Foundation's filing to change its name from Impact XXI Houston to PTSD Foundation of America. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC").

The Foundation seeks to provide counseling for Active Duty, Reserves, and National Guard veterans and their families through pastoral counseling and peer mentoring on an individual basis and in group settings. This is accomplished primarily through the Camp Hope Program, which allows veterans and their immediate family members to find healing, help and hope while benefiting from an intensive peer support and mentoring program for PTSD. In addition to temporary housing, Camp Hope offers a 90+ day PTSD recovery program in which residents attend group lessons and support sessions with other combat veterans, conduct individual mentoring sessions with certified combat trauma members, participate in off-site small group interaction activities, and get involved with local churches, businesses and volunteer organizations to assist in their personal healing and spread awareness regarding combat trauma.

In addition to the Camp Hope program the Foundation conducts peer coaching and support groups, with the assistance of local churches, volunteers, and other organizations known as "Warrior Groups" to help combat veterans find healing, balance and positive re-integration with their families and in society. Warrior Groups are held primarily in the Houston area. However, Warrior Groups are also held in North and South Carolina, Arizona, California, Georgia, and Oregon, as well as, several other locations in Texas.

### 2. Summary of Significant Accounting Policies

#### Basis of Presentation

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and follows the guidance of the Financial Accounting Standards Board ("FASB") related to financial statements of not-for-profit organizations. Accordingly, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. Net assets subject to donor-imposed stipulations that are fulfilled during the period the assets are received are recorded as unrestricted net assets in the statements of activities and changes in net assets.
- Permanently restricted net assets – Endowment funds permanently restricted by donor-imposed stipulations. The Foundation had no permanently restricted net assets at December 31, 2016 and 2015.

#### Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash held in demand deposits and cash on hand.

**PTSD FOUNDATION OF AMERICA**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**2. Summary of Significant Accounting Policies, continued**

**Property and Equipment**

Property and equipment are recorded at historical cost and/or the fair value of the assets contributed. Cost of the asset includes those capital expenditures for additions, improvements, and betterments, which significantly add to the production capacity, improve the efficiency of the assets or lengthen their useful lives. Normal or recurring expenditures for repair and maintenance and capital expenditures of insignificant amounts are expensed when incurred. Property and equipment, which are retired or otherwise disposed of, are removed from their respective asset accounts together with the related accumulated depreciation.

Depreciation is determined by the rates considered sufficient to allocate the cost of the assets over their estimated useful lives using the straight-line method. Leasehold improvements are depreciated over the lesser of the lease period or their estimated useful life. The estimated useful lives of significant assets are as follows:

Land improvements	20 years
Buildings	20 years
Furniture and fixtures	10 years
Office equipment	10 years
Vehicles	10 years
Leasehold improvements	3 years

**Contributions**

Contributions are recognized when received and are reported as increases in unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the statements of activities and changes in net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Revenues from ticket sales to fund-raising events and sponsorships of events are recognized at the time of sale and are considered to be unrestricted.

Certain of the Foundation's directors and other community volunteers contribute their time to support the Foundation's programs. Contributed services are recognized at their estimated fair value if the services received (a) create or enhance a non-financial asset or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed goods that can be used internally for program purposes by the Foundation are recognized at fair value as of the date of donation.

For the years ended December 31, 2016 and 2015, volunteers provided approximately 2,500 and 2,200 hours of service, respectively, for which no value has been assigned. On occasion, supporters of the Foundation's programs provide goods or services directly to residents of Camp Hope to assist them or their families. Such contributions cannot be reasonably estimated and are not included in these financial statements.

**Federal Income Taxes**

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the IRC. Form 990 is required to be filed with the Internal Revenue Service ("IRS") annually.

**Functional Allocation of Expenses**

The costs of providing the Foundation's program and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, costs that cannot be directly identified with a specific program or other activity are charged to the Camp Hope program and various supporting services based on management's estimates of time incurred, square footage of buildings, or other reasonable measure of usage. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

**Public Awareness Expenses**

The Foundation expenses public awareness expenses as they are incurred. For the years ended December 31, 2016 and 2015, the Foundation recorded cash and in-kind public awareness expenses of \$263,502 and \$58,909, respectively.

**PTSD FOUNDATION OF AMERICA**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**2. Summary of Significant Accounting Policies, continued**

**Use of Estimates**

The preparation of the Foundation's financial statements in conformity with U.S. GAAP 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. The Foundation's management believes that the estimates made in connection with these financial statements are reasonable.

**Concentrations**

At times during the year, the Foundation had cash deposits in excess of the federally insured limit. The Foundation has not incurred any losses on such deposits and management believes that credit risk associated with these deposits is minimal.

An event sponsored by a corporate contributor represented approximately 13% and 16% of total cash contributions received during the years ended December 31, 2016 and 2015, respectively.

Substantially all of the Foundation's contributions during the years ended December 31, 2016 and 2015 are from donors in Texas.

**Reclassifications**

Certain items have been reclassified in the 2015 financial statements to conform to the 2016 presentation. Such reclassifications had no effect on the Foundation's net assets, changes in net assets or cash flows.

**Recently Issued Accounting Pronouncements**

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors and other users. These include qualitative and quantitative requirements for net asset classes, investment return, expenses and liquidity and availability of resources. ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and early application is permitted. Management is currently evaluating the effect that ASU No. 2016-14 will have on the Foundation's financial statements and related footnotes.

The FASB has issued ASU No. 2016-02, *Leases*, to improve the financial reporting of leasing transactions. Under current guidance for lessees, leases are only included on the balance sheet if certain criteria, classifying the agreement as a capital lease, are met. This update will require the recognition of a right-of-use asset and a corresponding lease liability, discounted to the present value, for all leases that extend beyond 12 months. For operating leases, the asset and liability will be expensed over the lease term on a straight-line basis, with all cash flows included in the operating section of the statement of cash flows. For finance leases, interest on the lease liability will be recognized separately from the amortization of the right-of-use asset in the income statement and the repayment of the principal portion of the lease liability will be classified as a financing activity in the statement of cash flows while the interest component will be included in the operating activities in the statement of cash flows.

This ASU is effect for reporting periods beginning after December 15, 2018 for public entities and reporting periods beginning after December 15, 2019 for private entities. Early adoption is permitted. Upon adoption, leases will be recognized and measured at the beginning of the earliest period presented using a modified retrospective approach. Management has not yet completed their analysis of the effect that adopting this ASU will have on the financial statements and related footnotes.

**3. In-kind Contributions**

For the years ended December 31, 2016 and 2015, the Foundation recognized in-kind contributions of goods and services, including supplies and materials, advertising, labor, rent, and repairs and maintenance. In-kind contributions that can be used by the Foundation for program or other activities are recognized as contributions revenue with a corresponding expense in the applicable program or supporting activity in the accompanying statements of activities and changes in net assets.

**PTSD FOUNDATION OF AMERICA**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**3. In-kind Contributions, continued**

In-kind contributions that create or enhance a non-financial asset (e.g. property and equipment) are recognized as contributions revenue with a corresponding increase in the non-financial asset. The following is a summary of in-kind contributions for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Property and equipment	\$ 137,384	\$ 1,114,786
Contract labor	84,278	173,305
Services	362,858	21,838
Unconditional promises of rent (See Note 7)	307,972	-
Materials	<u>407,199</u>	<u>147,614</u>
Total	<u>\$ 1,299,691</u>	<u>\$ 1,457,543</u>

**4. Property and Equipment**

At December 31, 2016 and 2015, property and equipment consisted of:

	<u>2016</u>	<u>2015</u>
Land	\$ 200,000	\$ 200,000
Land improvements	138,624	115,970
Buildings	2,371,551	2,371,551
Furniture and fixtures	262,369	196,647
Vehicles	185,993	105,809
Construction in progress	258,244	-
Leasehold improvements	15,330	-
Office equipment	<u>1,103</u>	<u>1,103</u>
Total property and equipment	3,433,214	2,991,080
Less: accumulated depreciation	<u>(365,980)</u>	<u>(205,383)</u>
Total	<u>\$ 3,067,234</u>	<u>\$ 2,785,697</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$160,597 and \$86,582, respectively.

No assets were retired or disposed of during 2016 and 2015.

**5. Related Party Transactions**

The Foundation was allowed to use the facilities and equipment of a company owned by the Foundation's Founder and President at no charge during 2016 and 2015. The value of the use of the facilities and equipment is impractical to determine and the fair market value of this in-kind contribution has not been recorded. This company also paid salaries to certain individuals who spend a significant amount of time working for the Foundation. Accordingly, for the years ended December 31, 2016 and 2015 the Foundation recorded contributions and contract labor expense of \$84,278 and \$173,305, respectively, in the accompanying statements of activities and changes in net assets.

During 2016, the Foundation recorded \$26,002 of contributions received by a company owned by the Foundation's Founder and President on behalf of the Foundation. This balance is shown in the statements of financial position as related party receivables as of December 31, 2016 and is non-interest bearing, uncollateralized and due on demand. No accounts were due from or owed to related parties as of December 31, 2015.

**PTSD FOUNDATION OF AMERICA**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**5. Related Party Transactions, continued**

Board members of the Foundation made cash contributions of \$23,925 and \$125,536 during the years ended December 31, 2016 and 2015, respectively. The Foundation paid a board member \$18,000 and \$2,000 during the years ended December 31, 2016 and 2015, respectively, for contract services.

**6. Temporarily Restricted Net Assets**

Temporarily restricted net assets as of December 31, 2016 consist of cash contributions received during 2016 designated to support a special event occurring in 2017 and in-kind contributions of rent (see Note 7). There were no temporarily restricted net assets as of December 31, 2015.

**7. Leases**

The Foundation leases a building in San Antonio, Texas under a non-cancelable lease agreement expiring in April 2019. Under the terms of the lease agreement, the Foundation shall pay \$1 per month until expiration. The fair rental value of similar property in the area was determined by management to approximate \$11,000 per month. The excess of the fair rental value over the cost to the Foundation for the year ended December 31, 2016 was recognized as unrestricted in-kind contributions of approximately \$88,000, with a corresponding charge to program expenses in the accompanying statements of activities and changes in net assets. The excess of the fair rental value over the cost to the Foundation attributable to future periods was recognized as temporarily restricted in-kind contributions of approximately \$308,000 during the year ended December 31, 2016 in the accompanying statements of activities and changes in net assets, with a corresponding contribution receivable recognized in the accompanying statements of financial position. The temporarily restricted assets will be released to unrestricted net assets over the life of the lease as the expense is incurred, with \$132,000 being released in both 2017 and 2018 and the remaining \$44,000 being released in 2019.

**8. Subsequent Events**

The Foundation's management has evaluated subsequent events through January 15, 2018, which is the date the financial statements were available for issuance, and has concluded that there were no significant events to be reported.