

FRONTIER CAMP, INC.

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Frontier Camp, Inc.

We have audited the accompanying statements of financial position of Frontier Camp, Inc. (a nonprofit organization) as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Frontier Camp, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

THOMPSON, DERRIG & CRAIG, PC

July 2, 2009

FRONTIER CAMP, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

ASSETS	<u>2008</u>	<u>2007</u>
Current Assets		
Cash and cash equivalents	\$ 203,546	\$ 72,412
Investments	-	32,719
Accounts Receivable	-	2,500
Inventories	17,962	2,000
Prepaid expenses	6,483	6,481
Total current assets	<u>227,991</u>	<u>116,112</u>
Fixed Assets		
Land	85,940	85,940
Buildings	1,875,882	1,819,631
Equipment	827,947	759,269
Construction in process	80,180	20,402
Horses	18,550	17,050
	<u>2,888,499</u>	<u>2,702,292</u>
Less accumulated depreciation	(1,316,370)	(1,172,252)
Total fixed assets	<u>1,572,129</u>	<u>1,530,040</u>
TOTAL ASSETS	<u>\$ 1,800,120</u>	<u>\$ 1,646,152</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 23,024	\$ 30,874
Prepaid camper fees	186,808	120,702
Current portion of capital lease obligation	-	255
Current portion of long-term notes payable	18,659	7,251
Total current liabilities	<u>228,491</u>	<u>159,082</u>
Long-term Liabilities		
Notes payable, less current portion	9,667	15,873
Total long-term liabilities	<u>9,667</u>	<u>15,873</u>
Total Liabilities	<u>238,158</u>	<u>174,955</u>
Net Assets		
Temporarily restricted	21,690	20,552
Unrestricted	1,540,272	1,450,645
Total net assets	<u>1,561,962</u>	<u>1,471,197</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,800,120</u>	<u>\$ 1,646,152</u>

See independent auditors' report and accompanying notes to financial statements.

FRONTIER CAMP, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Program Service Revenue			
Camper fees	\$ 769,105	\$ -	\$ 769,105
Room and board	280,599	-	280,599
Trading post sales	93,884	-	93,884
Total program service revenue	<u>1,143,588</u>	<u>-</u>	<u>1,143,588</u>
Contributions and support	224,245	142,029	366,274
Donated materials and assets	7,710	-	7,710
Interest income	3,854	-	3,854
Loss on sale of assets	(6,546)	-	(6,546)
Net assets released from restrictions	<u>140,891</u>	<u>(140,891)</u>	<u>-</u>
	<u>370,154</u>	<u>1,138</u>	<u>371,292</u>
Total revenue	<u>1,513,742</u>	<u>1,138</u>	<u>1,514,880</u>
EXPENSES			
Program expenses			
Activities expense	85,275	-	85,275
Contract labor	14,782	-	14,782
Depreciation	147,604	-	147,604
Groceries	168,511	-	168,511
Fuel	26,823	-	26,823
Horses	12,031	-	12,031
Maintenance and repair	72,260	-	72,260
Medical supplies	5,422	-	5,422
Salaries and related payroll expenses	500,003	-	500,003
Trading post costs	47,200	-	47,200
Utilities	60,854	-	60,854
Total program expenses	<u>1,140,765</u>	<u>-</u>	<u>1,140,765</u>
General and administrative expenses			
Advertising	38,135	-	38,135
Bank card fees	20,493	-	20,493
Dues and subscriptions	12,892	-	12,892
Fundraising	12,225	-	12,225
Insurance	49,960	-	49,960
Taxes and interest	8,040	-	8,040
Office expense	15,053	-	15,053
Professional fees	11,611	-	11,611
Salaries and related payroll expenses	104,815	-	104,815
Telephone	10,126	-	10,126
Total general and administrative	<u>283,350</u>	<u>-</u>	<u>283,350</u>
Total expenses	<u>1,424,115</u>	<u>-</u>	<u>1,424,115</u>
CHANGE IN NET ASSETS	89,627	1,138	90,765
BEGINNING NET ASSETS	<u>1,450,645</u>	<u>20,552</u>	<u>1,471,197</u>
ENDING NET ASSETS	<u>\$ 1,540,272</u>	<u>\$ 21,690</u>	<u>\$ 1,561,962</u>

See independent auditors' report and accompanying notes to financial statements.

FRONTIER CAMP, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Program Service Revenue			
Camper fees	\$ 691,497	\$ -	\$ 691,497
Room and board	291,391	-	291,391
Trading post sales	79,365	-	79,365
Total program service revenue	<u>1,062,253</u>	<u>-</u>	<u>1,062,253</u>
Contributions and support	233,374	67,212	300,586
Donated materials and assets	63,249	-	63,249
Interest income and other	303	-	303
Gain on sale of asset	15,317	-	15,317
Net assets released from restrictions	81,204	(81,204)	-
	<u>393,447</u>	<u>(13,992)</u>	<u>379,455</u>
Total revenue	<u>1,455,700</u>	<u>(13,992)</u>	<u>1,441,708</u>
EXPENSES			
Program expenses			
Activities expense	89,329	-	89,329
Contract labor	6,170	-	6,170
Depreciation	131,949	-	131,949
Groceries	141,752	-	141,752
Fuel	27,486	-	27,486
Horses	21,484	-	21,484
Maintenance and repair	65,000	-	65,000
Medical supplies	4,397	-	4,397
Salaries and related payroll expenses	474,442	-	474,442
Trading post costs	77,074	-	77,074
Utilities	56,414	-	56,414
Total program expenses	<u>1,095,497</u>	<u>-</u>	<u>1,095,497</u>
General and administrative expenses			
Advertising	33,852	-	33,852
Bank card fees	16,860	-	16,860
Dues and subscriptions	15,634	-	15,634
Fundraising	15,558	-	15,558
Insurance	48,020	-	48,020
Taxes and interest	7,033	-	7,033
Office expense	18,154	-	18,154
Professional fees	10,561	-	10,561
Salaries and related payroll expenses	101,852	-	101,852
Telephone	7,964	-	7,964
Total general and administrative	<u>275,488</u>	<u>-</u>	<u>275,488</u>
Total expenses	<u>1,370,985</u>	<u>-</u>	<u>1,370,985</u>
CHANGE IN NET ASSETS	84,715	(13,992)	70,723
BEGINNING NET ASSETS	<u>1,365,930</u>	<u>34,544</u>	<u>1,400,474</u>
ENDING NET ASSETS	<u>\$ 1,450,645</u>	<u>\$ 20,552</u>	<u>\$ 1,471,197</u>

See independent auditors' report and accompanying notes to financial statements.

FRONTIER CAMP, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Cash Flows from Operating Activities		
Change in net assets	\$ 90,765	\$ 70,723
Adjustments to reconcile change in net assets to cash flows from operating activities		
Depreciation	147,604	131,949
Donated assets	-	(59,605)
Gain on sale of assets	6,546	(15,317)
Change in operating assets and liabilities:		
Accounts receivable	2,500	(2,500)
Prepaid expenses	(2)	23,158
Inventory	(15,962)	-
Accounts payable and accrued expenses	58,256	85,403
Net cash provided by operating activities	289,707	233,811
Cash Flows from Investing Activities		
Purchase of property and equipment	(180,804)	(203,673)
Proceeds from sale of investments	32,719	-
Proceeds from sale of assets	3,900	18,664
Net cash used in investing activities	(144,185)	(185,009)
Cash Flows from Financing Activities		
Payments on borrowings	(14,388)	(4,165)
Net cash used in financing activities	(14,388)	(4,165)
Net change in cash	131,134	44,637
CASH AT BEGINNING OF YEAR	72,412	27,775
CASH AT END OF YEAR	\$ 203,546	\$ 72,412

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid	\$ 836	\$ 586
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SCHEDULE OF NON-CASH FINANCING ACTIVITIES

Financed purchased assets	\$ 19,335	\$ 23,123
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See independent auditors' report and accompanying notes to financial statements.

FRONTIER CAMP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 1 - Summary of Significant Accounting Policies

Nature of activities

Frontier Camp, Inc. (the Camp), was incorporated in 1969 in the State of Texas as a non-profit corporation for the purpose of promoting camping and outdoor activities for Christian youth. The Camp is located on 75 acres adjacent to Houston County Lake in Houston County, Texas near Grapeland, Texas. The Camp is governed by a board of directors who are elected for three-year terms with approximately one-third elected each year at the annual business meeting.

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Inventory

Inventory includes food, related supplies, and souvenir-type items. The inventory is stated at cost on a first-in, first-out basis. Inventory amounts are adjusted periodically based on a physical inventory count.

Financial statement presentation

The financial statements of the Camp are presented in accordance with Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Camp is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Cash and cash equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less.

Fair value of financial instruments

The carrying amounts of cash equivalents, contributions receivable and current liabilities approximate fair value because of the short maturity of those instruments. The carrying value of notes payable approximates fair value because Frontier Camp can obtain similar loans at comparable terms.

See independent auditors' report.

FRONTIER CAMP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred revenue

Revenue from camper fees paid in advance of the scheduled camp date is recorded as deferred revenue and recognized in the period in which the camp is held.

Contributions

The Camp accounts for contributions in accordance with the Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or 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.

Fixed assets and depreciation

Purchased property and equipment are carried at cost. Donated equipment is stated at management's estimate of fair value at the date of receipt. Depreciation of equipment is computed over the estimated useful lives using the straight-line method. The cost of maintenance and repairs is charged to expense as paid; significant improvements are capitalized.

Use of estimates

Management of the Camp has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Note 2 – Program Activities

Each summer the Camp provides approximately six one-week sessions of camping activities for children between eight and twelve years of age, two one-week sessions for teens, and a one-week session for home schooled children. The campers are charged a fixed fee, which is paid in advance. The services provided include food, lodging, programs, and a choice of two activities from a menu of camp activities. The campers are allowed to spend a small amount of money on Trading Post items (such as T-shirts and snacks).

See independent auditors' report.

FRONTIER CAMP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 2 – Program Activities (continued)

When the Camp is not in use by children or teen campers, the facilities are rented to other Christian organizations for retreats, meetings, and conferences. The fees, also paid in advance, are normally based on the number of days and the number of participants, as well as fees for the use of the recreational equipment based on hours used.

Note 3 – Fixed Assets

Fixed assets in major categories with related accumulated depreciation at December 31, 2008 and 2007 are shown below:

	<u>2008</u>	<u>2007</u>
Buildings and improvements	\$ 1,875,882	\$ 1,819,631
less accumulated depreciation	<u>(766,308)</u>	<u>(695,740)</u>
	1,109,574	1,123,891
Equipment	736,263	654,514
less accumulated depreciation	<u>(481,825)</u>	<u>(415,716)</u>
	254,438	238,798
Horses	18,550	17,050
	<u>(13,522)</u>	<u>(11,726)</u>
	5,028	5,324
Vehicles	91,684	104,754
less accumulated depreciation	<u>(54,715)</u>	<u>(49,069)</u>
	36,969	55,685
Land	85,940	85,940
Construction in process	<u>80,180</u>	<u>20,402</u>
Net fixed assets	<u><u>\$ 1,572,129</u></u>	<u><u>\$ 1,530,040</u></u>

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FRONTIER CAMP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 4 – Notes Payable

At the end of 2007, the Camp purchased a Suburban, financing it with Franklin bank. The note bears interest at 6 percent requiring monthly payments of \$703, maturing in December 2010. The balance at December 31, 2008 is \$12,214.

During 2008, the Camp purchased a tractor through John Deere Credit at zero percent interest requiring monthly payments of \$537, maturing June 2011. The balance at December 31, 2008 is \$16,112.

Future maturities are as follows:

2009	\$	18,659
2010		6,446
2011		3,221
	<u>\$</u>	<u>28,326</u>

Note 5 – Temporarily Restricted Net Assets

Donations designated by the donor are shown on the statement of financial position as temporarily restricted. These funds are available for future use by the Camp as follows:

	<u>2008</u>	<u>2007</u>
Fundraising bricks	\$ 17,610	\$ 18,202
Retirement gift	-	2,350
Scholarship fund	4,080	-
	<u>\$ 21,690</u>	<u>\$ 20,552</u>

See independent auditors' report.

FRONTIER CAMP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 6 – Tax Status

Frontier Camp, Inc., is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, no provision has been made for federal income taxes in the accompanying financial statements. In addition, the Camp has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509 of the Internal Revenue Code.

Note 7 – Investments

Investments at December 31, 2007 consist of donated publicly traded corporate stocks valued at current market value.

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See independent auditors' report.