

FRONTIER CAMP, INC.

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Frontier Camp, Inc.
Grapeland, Texas

We have audited the accompanying statements of financial position of Frontier Camp, Inc., (a non-profit organization) as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Frontier Camp's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 in the first paragraph present fairly, in all material respects, the financial position of Frontier Camp, Inc., as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

THOMPSON, DERRIG & CRAIG, P.C.

August 8, 2008

FRONTIER CAMP, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

ASSETS	2007	2006
Current Assets		
Cash and cash equivalents	\$ 72,412	\$ 27,775
Investments	32,719	-
Accounts Receivable	2,500	-
Inventories	2,000	2,000
Prepaid expenses	6,481	29,639
Total current assets	116,112	59,414
Fixed Assets		
Land	85,940	85,940
Buildings	1,819,631	1,588,885
Equipment	759,269	719,386
Construction in process	20,402	126,410
Horses	17,050	17,900
	2,702,292	2,538,521
Less accumulated depreciation	(1,172,252)	(1,127,474)
Total fixed assets	1,530,040	1,411,047
TOTAL ASSETS	\$ 1,646,152	\$ 1,470,461
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 30,874	\$ 23,245
Prepaid camper fees	120,702	42,928
Current portion of capital lease obligation	255	2,946
Current portion of long-term notes payable	7,251	613
Total current liabilities	159,082	69,732
Long-term Liabilities		
Capital lease obligation, less current portion	-	255
Notes payable, less current portion	15,873	-
Total long-term liabilities	15,873	255
Total Liabilities	174,955	69,987
Net Assets		
Temporarily restricted	20,552	34,544
Unrestricted	1,450,645	1,365,930
Total net assets	1,471,197	1,400,474
TOTAL LIABILITIES AND NET ASSETS	\$ 1,646,152	\$ 1,470,461

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	303	-	303
Gain on sale of assets	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.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Program Service Revenue			
Camper fees	\$ 626,399	\$ -	\$ 626,399
Room and board	238,177	-	\$ 238,177
Trading post sales	54,916	-	\$ 54,916
Total program service revenue	<u>919,492</u>	<u>-</u>	<u>919,492</u>
Contributions and support	165,458	195,576	361,034
Donated materials and assets	38,300	-	38,300
Interest income	246	-	246
Gain on sale of asset	15,285	-	15,285
Net assets released from restrictions	198,701	(198,701)	-
	<u>417,990</u>	<u>(3,125)</u>	<u>414,865</u>
Total revenue	<u>1,337,482</u>	<u>(3,125)</u>	<u>1,334,357</u>
EXPENSES			
Program expenses			
Activities expense	38,265	-	38,265
Contract labor	8,825	-	8,825
Depreciation	111,354	-	111,354
Groceries	89,001	-	89,001
Fuel	25,050	-	25,050
Horses	12,966	-	12,966
Maintenance and repair	51,465	-	51,465
Medical supplies	2,262	-	2,262
Salaries and related payroll expenses	377,067	-	377,067
Trading post costs	44,501	-	44,501
Utilities	47,964	-	47,964
Total program expenses	<u>808,720</u>	<u>-</u>	<u>808,720</u>
General and administrative expenses			
Advertising	32,504	-	32,504
Bank card fees	11,354	-	11,354
Dues and subscriptions	10,312	-	10,312
Fundraising	16,931	-	16,931
Insurance	45,034	-	45,034
Taxes and interest	8,552	-	8,552
Office expense	19,247	-	19,247
Professional fees	10,545	-	10,545
Salaries and related payroll expenses	93,053	-	93,053
Telephone	7,402	-	7,402
Total general and administrative	<u>254,934</u>	<u>-</u>	<u>254,934</u>
Total expenses	<u>1,063,654</u>	<u>-</u>	<u>1,063,654</u>
CHANGE IN NET ASSETS	273,828	(3,125)	270,703
BEGINNING NET ASSETS, RESTATED	<u>1,092,102</u>	<u>37,669</u>	<u>1,129,771</u>
ENDING NET ASSETS	<u>\$ 1,365,930</u>	<u>\$ 34,544</u>	<u>\$ 1,400,474</u>

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

FRONTIER CAMP, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Cash Flows from Operating Activities		
Change in net assets	\$ 70,723	\$ 270,703
Adjustments to reconcile change in net assets to cash flows from operating activities		
Depreciation	131,949	111,354
Donated assets	(59,605)	(36,855)
Gain on sale of assets	(15,317)	(15,285)
Change in operating assets and liabilities:		
Accounts receivable	(2,500)	-
Prepaid expenses	23,158	(16,860)
Accounts payable and accrued expenses	85,403	2,374
Net cash provided by operating activities	233,811	315,431
Cash Flows from Investing Activities		
Purchase of property and equipment	(203,673)	(245,852)
Proceeds from sale of assets	18,664	21,800
Net cash used in investing activities	(185,009)	(224,052)
Cash Flows from Financing Activities		
Proceeds from borrowings	-	-
Payments on borrowings	(4,165)	(106,510)
Net cash used in financing activities	(4,165)	(106,510)
Net change in cash	44,637	(15,131)
CASH AT BEGINNING OF YEAR	27,775	42,906
CASH AT END OF YEAR	\$ 72,412	\$ 27,775
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 586	\$ 4,454
SCHEDULE OF NON-CASH FINANCING ACTIVITIES		
Financed purchased assets	\$ 23,123	\$ -
Loans to acquire assets	\$ -	\$ -

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

FRONTIER CAMP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

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. There were no adjustments to inventory in 2007 or 2006.

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.

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.

See independent auditors' report.

FRONTIER CAMP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Contributions receivable

Contributions receivable are recorded at face value.

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, 2007 AND 2006

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, 2007 and 2006 are shown below:

	<u>2007</u>	<u>2006</u>
Buildings and improvements	\$ 1,819,631	\$ 1,588,885
less accumulated depreciation	<u>(695,740)</u>	<u>(629,124)</u>
	1,123,891	959,761
Equipment	654,514	596,902
less accumulated depreciation	<u>(415,716)</u>	<u>(380,440)</u>
	238,798	216,462
Horses	17,050	17,900
	<u>(11,726)</u>	<u>(11,828)</u>
	5,324	6,072
Vehicles	104,754	122,483
less accumulated depreciation	<u>(49,069)</u>	<u>(106,081)</u>
	55,685	16,402
Land	85,940	85,940
Construction in process	<u>20,402</u>	<u>126,410</u>
Net fixed assets	<u><u>\$ 1,530,040</u></u>	<u><u>\$ 1,411,047</u></u>

See independent auditors' report.

FRONTIER CAMP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 4 – Notes Payable

In November 2002, the Camp entered into a borrowing arrangement with a bank to finance the building of Standley Chapel. The \$200,000 real estate lien note bore interest at 7 percent and required annual payments of principal and interest of \$28,249 for five years. Unpaid principal and accrued interest were to be fully due and payable at maturity on November 6, 2007, but was fully repaid in 2006. The note was secured by the Camp buildings and land.

The Camp also arranged a \$100,000 revolving borrowing arrangement with a bank. The note bore interest at 7 percent, required annual interest-only payments, and matured on November 6, 2007. The note was subordinate to the \$200,000 note described in the preceding paragraph. The note was secured by the Camp buildings and land. The amounts drawn on this note as of December 31, 2007 and 2006 were \$0 and \$4, respectively.

During 2006, the Camp purchased a John Deere tractor, financing it with John Deere Credit in a non-interest bearing note requiring monthly payments of \$609, maturing in January 2007. As of December 31, 2007, the note is paid off.

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, 2007 is \$23,124. Future maturities are as follows:

2008	\$	7,251
2009		7,699
2010		8,174
	<u>\$</u>	<u>23,124</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:

	2007	2006
Haiti mission trip	\$ -	\$ 14,817
Fundraising bricks	18,202	17,827
Retirement gift	2,350	-
Website improvement	-	1,900
	<u>\$ 20,552</u>	<u>\$ 34,544</u>

See independent auditors' report.

FRONTIER CAMP, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

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.

Note 8 – Restatement of Net Assets

Beginning net assets have been restated to reflect prepaid camper fees at December 31, 2006, as follows:

<u>At January 1, 2006</u>	<u>As originally stated</u>	<u>Adjustment</u>	<u>As restated</u>
Prepaid camper fees	\$ -	\$ 47,191	\$ 47,191
Net assets	\$ 1,176,962	\$ (47,191)	\$ 1,129,771

See independent auditors' report.