



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

CAMP KOREY

December 31, 2018 and 2017



MOSSADAMS

Table of Contents

	PAGE
Report of Independent Auditors	1–2
Financial Statements	
Statements of financial position	3
Statements of activities and changes in net assets	4–5
Statements of functional expenses	6–7
Statements of cash flows	8
Notes to financial statements	9–18

Report of Independent Auditors

To the Board of Directors
Camp Korey

Report on the Financial Statements

We have audited the accompanying financial statements of Camp Korey, which comprise the statements of financial position as of December 31, 2018 and 2017, 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 Camp Korey as of December 31, 2018 and 2017, 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.

Adoption of New Accounting Principle

As discussed in Note 1 to the financial statements, in the year ending December 31, 2018, Camp Korey adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Moss Adams LLP

Seattle, Washington
September 24, 2019

Camp Korey
Statements of Financial Position

ASSETS

	December 31,	
	2018	2017 (Restated)
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,073,185	\$ 1,481,109
Current portion of pledges receivable, net of allowance for doubtful accounts of \$0 at December 31, 2018 and 2017 (Note 5)	439,540	220,569
Grant receivable	-	110,000
Other receivables	76,736	116,041
Prepaid expenses and other	103,541	166,140
Total current assets	2,693,002	2,093,859
LAND, BUILDINGS AND EQUIPMENT, net of accumulated depreciation and amortization (Note 6)	4,608,834	4,203,333
INVESTMENTS (Notes 3 and 4)	1,089,704	1,365,745
PLEDGES RECEIVABLE, net of current portion (Note 5)	448,713	19,030
RESTRICTED CASH (Note 1)	-	539,273
OTHER ASSETS	4,650	14,650
Total assets	\$ 8,844,903	\$ 8,235,890

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 268,300	\$ 153,444
Accrued liabilities	60,293	54,929
Deferred revenue	14,500	71,250
Current portion of capital lease obligation (Note 7)	8,271	7,589
Total current liabilities	351,364	287,212
CAPITAL LEASE OBLIGATION, net of current portion (Note 7)	19,255	27,526
TERM LOAN (Note 8)	3,150,000	3,150,000
Total liabilities	3,520,619	3,464,738
COMMITMENTS AND CONTINGENCIES (Notes 1, 7 and 15)		
NET ASSETS		
Net assets without donor restrictions	3,743,409	3,153,155
Net assets with donor restrictions (Note 11)	1,580,875	1,617,997
Total net assets	5,324,284	4,771,152
Total liabilities and net assets	\$ 8,844,903	\$ 8,235,890

Camp Korey
Statements of Activities and Changes in Net Assets
Year Ended December 31, 2018

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2018 Total</u>
SUPPORT AND REVENUE			
Contributed income and earned revenue			
Contributed income	\$ 1,706,822	\$ 692,621	\$ 2,399,443
In-kind contributions (Note 9)	1,114,539	-	1,114,539
Earned revenue, net	11,432	-	11,432
Investment and interest income, net	<u>10,345</u>	<u>(80,732)</u>	<u>(70,387)</u>
Total support from contributed income and earned revenue	<u>2,843,138</u>	<u>611,889</u>	<u>3,455,027</u>
Special events revenue			
Special events revenue	1,369,478	-	1,369,478
Less cost of direct benefit to donors	<u>(302,120)</u>	<u>-</u>	<u>(302,120)</u>
Net revenues from special events	<u>1,067,358</u>	<u>-</u>	<u>1,067,358</u>
Total support and revenue	3,910,496	611,889	4,522,385
Assets released from restriction	<u>649,011</u>	<u>(649,011)</u>	<u>-</u>
Total support, revenue, and releases	<u>4,559,507</u>	<u>(37,122)</u>	<u>4,522,385</u>
EXPENSES			
Program	2,961,090	-	2,961,090
Fundraising	714,324	-	714,324
Management and general	<u>293,839</u>	<u>-</u>	<u>293,839</u>
Total expenses	<u>3,969,253</u>	<u>-</u>	<u>3,969,253</u>
INCREASE (DECREASE) IN NET ASSETS	590,254	(37,122)	553,132
NET ASSETS, beginning of year, restated	<u>3,153,155</u>	<u>1,617,997</u>	<u>4,771,152</u>
NET ASSETS, end of year	<u>\$ 3,743,409</u>	<u>\$ 1,580,875</u>	<u>\$ 5,324,284</u>

Camp Korey
Statements of Activities and Changes in Net Assets
Year Ended December 31, 2017

	Without donor restrictions (Restated)	With donor restrictions (Restated)	2017 Total (Restated)
SUPPORT AND REVENUE			
Contributed income and earned revenue			
Contributed income	\$ 1,319,378	\$ 530,749	\$ 1,850,127
In-kind contributions (Note 9)	493,927	-	493,927
Earned revenue, net	18,165	-	18,165
Investment and interest income, net	9,282	193,348	202,630
	<u>1,840,752</u>	<u>724,097</u>	<u>2,564,849</u>
Total support from contributed income and earned revenue			
Special events revenue			
Special events revenue	1,269,400	-	1,269,400
Less cost of direct benefit to donors	(226,677)	-	(226,677)
	<u>1,042,723</u>	<u>-</u>	<u>1,042,723</u>
Net revenues from special events			
Total support and revenue	2,883,475	724,097	3,607,572
Assets released from restriction	<u>1,045,258</u>	<u>(1,045,258)</u>	<u>-</u>
Total support, revenue, and releases	<u>3,928,733</u>	<u>(321,161)</u>	<u>3,607,572</u>
EXPENSES			
Program	1,429,014	-	1,429,014
Fundraising	767,728	-	767,728
Management and general	824,805	-	824,805
Total expenses	<u>3,021,547</u>	<u>-</u>	<u>3,021,547</u>
SUPPORT AND REVENUE IN EXCESS OF EXPENSE BEFORE OTHER INCOME AND LOSSES	907,186	(321,161)	586,025
GAINS (LOSSES)			
Loss on disposal of assets	(1,080)	-	(1,080)
INCREASE (DECREASE) IN NET ASSETS	906,106	(321,161)	584,945
NET ASSETS, beginning of year	<u>2,247,049</u>	<u>1,939,158</u>	<u>4,186,207</u>
NET ASSETS, end of year	<u>\$ 3,153,155</u>	<u>\$ 1,617,997</u>	<u>\$ 4,771,152</u>

Camp Korey
Statements of Functional Expenses
Year Ended December 31, 2018

	Supporting Services				Total Expenses
	Program	Fundraising	Management and General	Total	
PERSONNEL EXPENSES					
Salaries	\$ 1,076,871	\$ 320,169	\$ 106,875	\$ 427,044	\$ 1,503,915
Employee benefits	82,389	2,214	7,320	9,534	91,923
Payroll taxes	82,800	24,560	5,107	29,667	112,467
Total personnel expenses	<u>1,242,060</u>	<u>346,943</u>	<u>119,302</u>	<u>466,245</u>	<u>1,708,305</u>
OTHER EXPENSES					
Donated goods and services	733,232	66,695	57,101	123,796	857,028
Other expenses	229,228	65,163	38,533	103,696	332,924
Facilities and utilities	204,763	17,727	10,156	27,883	232,646
Depreciation and amortization	178,252	15,440	8,794	24,234	202,486
Interest expense	121,878	26,566	28,212	54,778	176,656
Professional fees	116,217	27,112	29,356	56,468	172,685
Fundraising	9,188	147,676	681	148,357	157,545
Medical supplies	61,791	113	64	177	61,968
Food and hospitality	40,774	642	1,443	2,085	42,859
Program supplies	23,377	204	183	387	23,764
Volunteer recruitment and training	330	43	14	57	387
Total other expenses	<u>1,719,030</u>	<u>367,381</u>	<u>174,537</u>	<u>541,918</u>	<u>2,260,948</u>
Total expenses	<u>\$ 2,961,090</u>	<u>\$ 714,324</u>	<u>\$ 293,839</u>	<u>\$ 1,008,163</u>	<u>\$ 3,969,253</u>

Camp Korey
Statements of Functional Expenses
Year Ended December 31, 2017

	Supporting Services				Total Expenses
	Program	Fundraising	Management and General	Total	
PERSONNEL EXPENSES					
Salaries	\$ 627,855	\$ 338,869	\$ 279,314	\$ 618,183	\$ 1,246,038
Employee benefits	51,140	21,253	21,654	42,907	94,047
Payroll taxes	67,451	33,352	20,260	53,612	121,063
Total personnel expenses	<u>746,446</u>	<u>393,474</u>	<u>321,228</u>	<u>714,702</u>	<u>1,461,148</u>
OTHER EXPENSES					
Other expenses	143,875	114,625	54,525	169,150	313,025
Facilities and utilities	216,686	19,089	11,593	30,682	247,368
Donated goods and services	85,751	114,622	42,038	156,660	242,411
Professional fees	-	-	233,031	233,031	233,031
Depreciation and amortization	148,670	12,877	7,335	20,212	168,882
Interest expense	-	-	150,229	150,229	150,229
Fundraising	41	110,801	5	110,806	110,847
Medical supplies	51,322	47	140	187	51,509
Program supplies	25,818	1,424	905	2,329	28,147
Food and hospitality	8,488	769	3,722	4,491	12,979
Volunteer recruitment and training	1,917	-	54	54	1,971
Total other expenses	<u>682,568</u>	<u>374,254</u>	<u>503,577</u>	<u>877,831</u>	<u>1,560,399</u>
Total expenses	<u>\$ 1,429,014</u>	<u>\$ 767,728</u>	<u>\$ 824,805</u>	<u>\$ 1,592,533</u>	<u>\$ 3,021,547</u>

Camp Korey Statements of Cash Flows

	Years Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 553,132	\$ 584,945
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	202,486	168,882
Loss on fixed assets	-	1,080
Allowance for doubtful accounts	-	(1,275)
In-kind donations of property and equipment	-	(60,449)
Donated stock	-	(105,000)
Unrealized/realized loss (gain) on investments	102,932	(171,279)
Interest and dividends on investments	(22,200)	(22,068)
Changes in operating assets and liabilities		
Pledges receivable	(648,654)	(144,669)
Grant receivable	110,000	(110,000)
Other receivables	39,305	29,520
Prepaid expenses and other	72,599	(78,276)
Accounts payable	114,856	35,281
Accrued liabilities	5,364	858
Deferred revenue	(56,750)	6,750
Net cash provided by operating activities	<u>473,070</u>	<u>134,300</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(607,987)	(764,137)
Sale of investments	195,309	-
Release of restricted cash reserve account, net	<u>539,273</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>126,595</u>	<u>(764,137)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	<u>(7,589)</u>	<u>(6,964)</u>
Net cash used in financing activities	<u>(7,589)</u>	<u>(6,964)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	592,076	(636,801)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,481,109</u>	<u>2,117,910</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,073,185</u>	<u>\$ 1,481,109</u>
SUPPLEMENTAL DISCLOSURE AND NON-CASH INVESTING AND FINANCING ACTIVITIES		
Cash paid during the year for interest	<u>\$ 176,655</u>	<u>\$ 150,229</u>
Contribution of stock	<u>\$ -</u>	<u>\$ 150,000</u>

Note 1 – Description of Operations and Significant Accounting Policies

Camp Korey (the Organization) was formed in 2005. The Organization is a not-for-profit corporation dedicated to honoring the courage, strength and determination of children and their families who battle life threatening and serious illnesses and to provide them with a safe, friendly, medically sound environment in which to simply have fun and be kids. The Organization holds week long camps at its facilities in Mt. Vernon, Washington (the property), and other year round programs including family weekend camps, camper reunions, and a hospital outreach program.

The Organization's significant accounting policies are summarized below.

Basis of accounting – The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Adoption of new accounting principle – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements in accordance with the updated accounting principles. The primary impact is the reclassification of net assets and inclusion of liquidity disclosure.

Use of estimates – The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents consist of cash on hand and in bank accounts and highly liquid short-term investments with original maturities of three months or less, which principally consists of money market funds.

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments – Investments consist of a money market account, one exchange traded fund, and one private equity investment that are carried at fair value, as described in Note 3, with any realized and unrealized gains and losses included in income. The investments are classified as long-term given their restricted nature.

Camp Korey

Notes to Financial Statements

Note 1 – Description of Operations and Significant Accounting Policies (continued)

Restricted cash – The Organization was required by its former lessor to deposit funds monthly into a reserve account for major repairs and maintenance expenses. At December 31, 2017, the balance in the reserve account was \$539,273 and was reported as restricted cash due to ongoing litigation with the former landlord. In July 2018, the Organization received an arbitration award related to the litigation. As a result, funds in Camp Korey's restricted cash account were awarded to Camp Korey and were released from restriction in 2018.

Contributions – All contributions are considered to be available for unrestricted use unless specifically restricted by purpose or time by the donor. Amounts received that are designated by the donor for specific purposes are reported as net assets with donor restriction regardless of the time period when the restriction is fulfilled. Amounts that are designated by the donor for future time periods are reported net assets with donor restriction until the time period arrives. Additionally, promises to pay are reported as net assets with donor restriction when the restriction is not fulfilled in the same period. Payments received for sponsorships and other earned revenue prior to the service period are deferred and recognized as earned during the service period.

Contributions that are expected to be collected within one year are recorded at net realizable value. Contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional contributions are not included as support until the conditions are substantially met.

Contributed professional services are recognized at fair value. The work of non-professional volunteers has been assigned no monetary value but provides significant benefit to the Organization. See Note 9.

Special events – The Organization conducts special fundraising events, including a spring luncheon, and a fall dinner and auction. Revenues raised by special fundraising events are recorded separately from contributions, and include sponsorships and contributions made at the event. The cost of the direct benefit that participants receive at such events is presented as a line item on the statement of activities and changes in net assets and deducted from special event revenue to arrive at net revenues from special events.

A separately operated non-profit corporation, The Korey Foundation, holds an annual spring golf tournament in which the Organization is the sole beneficiary of any excess revenues over expenses that result.

Note 1 – Description of Operations and Significant Accounting Policies (continued)

Functional allocation of expenses – The costs of providing program services and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and the statements of functional expenses. Throughout the year, “common costs” relating to facilities, legal fees, interest expense, insurance, etc., are allocated to departments based on each department’s percentage of total salaries. This functional analysis then involves assigning percentage allocations to the Program, Management & General, and Fundraising categories for each department, depending on the nature of the department’s workload. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Land, buildings and equipment – Land, buildings, and equipment are stated at cost, if purchased, or fair value if contributed. Camper recreation equipment consisted of boats, teepees, pottery kiln, and various other equipment to enhance the camp experience. Depreciation and amortization is computed using the straight-line method over the useful lives of assets ranging from 5 to 20 years for furniture, equipment, and vehicles and 50 years for buildings. The Organization capitalizes asset purchases greater than \$5,000.

Federal income taxes – The Organization is exempt from federal taxes on income as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is not considered a private foundation. Net unrelated business income, if any, is subject to federal income taxes under Sections 512 and 514. There were no taxes due for the years ended December 31, 2018 and 2017.

The Organization recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. The Organization recognizes interest and penalties related to income tax matters in income tax expense, if applicable. As of December 31, 2018 and 2017, the Organization is not aware of any uncertain tax positions that require accrual.

Subsequent events – Subsequent events are events or transactions that occur after the financial position date but before financial statements are available to be issued. The Organization recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the financial position date and before financials statements are available to be issued. See Note 16 for additional disclosures of these subsequent events.

Subsequent events were evaluated through September 24, 2019, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2018.

Reclassifications – Certain prior year amounts have been reclassified to be in accordance with current year presentation. The changes had no impact on total change in net assets.

Camp Korey

Notes to Financial Statements

Note 2 – Liquidity and Availability of Financial Assets

The following reflects the Organization's availability of financial assets as of the statements of financial position date. Financial assets are reduced by the amounts not available for general use within one year of the statements of financial position date because of contractual or donor-imposed restrictions or internal designations. Internal designations can be changed based on board approval.

Camp Korey's financial assets available within one year of the statement of financial position date for general expenditures were as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 2,073,385	\$ 1,481,109
Receivables	76,736	226,041
Promises to give for general purposes, due within one year	<u>439,540</u>	<u>200,569</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,589,661</u>	<u>\$ 1,907,719</u>

Camp Korey's policy is to maintain adequate liquid assets to fund near-term operating needs using bank deposits or a money market mutual fund.

The Organization's cash flows have seasonal variations attributed to summer residential camp activities and key fund raising activities which occur in the spring and fall.

Note 3 – Investments

Investments are stated at the fair value based on quoted market prices and consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Money market fund	\$ 69,995	\$ 285,563
International stock exchange-traded fund	914,709	975,182
Stock of privately held company	<u>105,000</u>	<u>105,000</u>
Total investments	<u>\$ 1,089,704</u>	<u>\$ 1,365,745</u>

Note 4 – Fair Value Measurements

The Organization applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Quoted prices for similar assets or liabilities in active markets or inputs that are observable; and

Level 3 – Inputs that are unobservable. These valuations require significant judgment.

The fair value measurement of the money market account and stock exchange-traded fund assets is based on quoted market prices in active markets and, therefore, these assets are recorded at fair value on a recurring basis and classified as Level 1 assets. The fair value measurement of privately held donated stock is valued using unobservable inputs and is therefore classified as a Level 3 asset as of December 31, 2018 and 2017.

The following table presents information about the Organization's assets measured at fair value as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance</u>
ASSETS (at fair value)				
Investments				
Money market	\$ 69,995	\$ -	\$ -	\$ 69,995
Public equity securities	914,709	-	-	914,709
Private equity securities	-	-	105,000	105,000
	<u>\$ 984,704</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 1,089,704</u>

The following table presents information about the Organization's assets measured at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance</u>
ASSETS (at fair value)				
Investments				
Money market	\$ 285,563	\$ -	\$ -	\$ 285,563
Public equity securities	975,182	-	-	975,182
Private equity securities	-	-	105,000	105,000
	<u>\$ 1,260,745</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 1,365,745</u>

The transfer of assets between fair value hierarchy levels are recognized on the date the event occurs. There were no such transfers during the years ended December 31, 2018 and 2017. The Level 3 investments were added in 2017 and did not have a valuation change during the year ended December 31, 2018.

There were no changes in valuation methodologies or assumptions during the years ended December 31, 2018 and 2017.

Camp Korey

Notes to Financial Statements

Note 5 – Pledges Receivable

Pledges receivable consist of unconditional promises to give cash from individuals, businesses and other organizations. Pledges are comprised of the following at December 31:

	<u>2018</u>	<u>2017</u>
Expected to be realized:		
In one year or less	\$ 439,540	\$ 220,569
Between one year and five years	<u>459,550</u>	<u>20,000</u>
Total	899,090	240,569
Less allowance for doubtful accounts	-	-
Less unamortized discount	<u>(10,837)</u>	<u>(970)</u>
	<u>\$ 888,253</u>	<u>\$ 239,599</u>

Pledges due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3.38%. Approximately 73% of pledges receivable at December 31, 2018, are due from five different donors. Approximately 78% of pledges receivable at December 31, 2017, are due from two different donors.

Note 6 – Land, Buildings and Equipment and Leasehold Rights

Land, buildings and equipment consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 882,319	\$ 882,319
Buildings and improvements	3,464,403	2,992,738
Furniture, fixtures, and equipment	694,763	644,217
Camper recreation equipment	76,082	59,202
Vehicles	333,576	271,716
Construction in process	<u>7,035</u>	<u>-</u>
	5,458,178	4,850,192
Less accumulated depreciation and amortization	<u>(849,344)</u>	<u>(646,859)</u>
	<u>\$ 4,608,834</u>	<u>\$ 4,203,333</u>

Note 7 – Capital Lease Obligation

The Organization leases certain equipment under a capital lease arrangement. The lease requires monthly payments through 2022 and has an interest rate of 8.75%. Future payments on the capital lease obligation are as follows:

<u>Years Ending December 31,</u>	
2019	\$ 10,324
2020	10,324
2021	10,324
2022	<u>435</u>
Less interest	<u>(3,881)</u>
	<u><u>\$ 27,526</u></u>

The Organization recognizes depreciation expense on assets acquired under capital leases. The cost and related accumulated depreciation of the assets acquired under capital leases are classified in land, buildings and equipment accounts and is insignificant to the financial statements.

Note 8 – Term Loan

In September 2016, the Organization obtained a one-year loan for \$3,150,000 that was scheduled to mature on September 1, 2017, from a financial institution in order to finance the purchase of the property in Mt. Vernon. The loan bears interest at prime (5.5% at December 31, 2018) plus 0.5% per annum, paid monthly, and is guaranteed by five Board members of the Organization. The principal and any unpaid interest are payable as a lump sum upon maturity. The loan maturity date was extended several times throughout 2018.

On April 1, 2019, the Washington State Housing Finance Commission issued Variable Rate Demand Nonprofit Revenue Bonds, Series 2019 (the 2019 Bonds) of \$3,450,000 and loaned the proceeds to Camp Korey. The 2019 Bonds were issued with the purpose of refinancing the Organization's existing bridge loan. The 2019 Bonds were then sold to a private lender. The bonds mature on April 1, 2044 and bear interest at 3.875% per annum, subject to reset on each reset date set forth in the financing agreement, and paid monthly. Principal payments, as determined in the financing agreement schedule of payments, are payable monthly. As a result of this subsequent refinancing of the Organization's term loan, the total amount outstanding of \$3,150,000 as of December 31, 2018 and 2017, is shown as a long-term liability on the statement of financial position.

Note 9 – In-Kind Contributions

The Organization received in-kind gifts and in-kind accounting, legal, and medical services valued at \$1,114,539 and \$493,927 for the years ended December 31, 2018 and 2017, respectively.

Camp Korey

Notes to Financial Statements

Note 10 – Related-Party Transactions and Board Contributions

During the years ended December 31, 2018 and 2017, 21 and 14 board members provided contributions totaling approximately \$571,000 and \$334,500, respectively, to the Organization, either individually or through foundations or businesses in which they exercise control in discretionary contributions.

Note 11 – Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31 are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Program activities	\$ 3,000	\$ 82,975
Capital activities	578,629	254,276
	<u>581,629</u>	<u>337,251</u>
Subject to the passage of time:		
For periods after December 31,	<u>10,000</u>	<u>20,000</u>
Subject to spending policy and appropriation:		
Endowment earnings (losses) for use in programming	<u>(5,845)</u>	<u>265,655</u>
Not subject to appropriation or expenditure:		
Endowment donor restricted funds	<u>995,091</u>	<u>995,091</u>
	<u>\$ 1,580,875</u>	<u>\$ 1,617,997</u>

Net assets with donor restrictions where restrictions were met by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors were as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Purpose restrictions accomplished:		
Program expenses	\$ 162,348	\$ 18,174
Capital expenses	280,897	1,007,084
	<u>443,245</u>	<u>1,025,258</u>
Time restrictions accomplished:		
Passage of a specified time	<u>10,000</u>	<u>20,000</u>
Release of appropriated endowment amounts	<u>195,766</u>	<u>-</u>
	<u>\$ 649,011</u>	<u>\$ 1,045,258</u>

Note 12 – Endowments

The Organization follows the provisions of Accounting Standards Codification (ASC) 958-205, Reporting Endowment Funds. ASC 958-205 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

Interpretation of relevant law – The Board of Trustees of the Organization has followed Washington State law and determined that requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary, is appropriate. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment, as applicable, made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Organization receives contributions towards an endowment whose investment earnings will be used for program needs while the principal remains intact. These contributions are recorded in net assets with donor restrictions and their earnings are included in program and capital restricted revenue. There were no amounts contributed during the years ended December 31, 2018 and 2017, to the endowments. Total donor restricted endowment funds were \$995,091 as of December 31, 2018 and 2017.

Return objectives and risk parameters – The endowment fund’s primary long-term investment objective is to attain an average annual total return (net of investment management fees) of at least the Seattle area CPI Index plus the anticipated spend rate over the long term (a minimum five-year period). The Organization has determined that the initial strategy will be a growth style because of the “in perpetuity” time frame and the desire to grow the endowment. This strategy will be maintained until the Board adopts a revised style. The allocation of the endowment assets consists of a single investment in an international stock exchange-traded fund to allow exposure to a broad participation in the world equity market. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s).

Strategies employed for achieving objectives – The Organization relies on a total return strategy in which investment returns are achieved through current yield (interest and dividends) and appreciation of the investments. The Organization targets an asset allocation that places a greater emphasis on endowment growth.

Spending policy and how the investment objectives relate to spending policy – In 2018, Camp Korey adopted an Endowment Spending Policy with two primary goals: maintaining the perpetual purchasing power of the principal providing a significant and stable flow of funds to the operating budget. This allows the Camp to provide services and programs to children today, while provided adequate resources to support the Camp in the future. Since the endowment’s inception, Camp Korey has not taken a distribution. In 2018, Camp Korey elected to take a one-time distribution for the cumulative three prior years. For future budgeting years, the Camp may elect to take an annual distribution based on a Board approved calculation that considers inflation and market value of the endowment investments.

Camp Korey

Notes to Financial Statements

Note 13 – Concentrations

Approximately 14% of the Organization's total support was provided by contributions from one donor during the year ended December 31, 2018. Approximately 13% of the Organization's total support was provided by contributions from one donor during the year ended December 31, 2017.

Approximately \$929,833 and \$971,000 of the Organization's total support was provided by contributions from one fundraising event, the Grow fall dinner and auction, held during the years ended December 31, 2018 and 2017, respectively, and is recorded in special events revenue.

Note 14 – 401(k) Retirement Plan

The Organization sponsors a 401(k) Salary Deferral Plan (Plan) which covers all employees of the Organization. The Organization contributes to the retirement accounts of employees who have completed 1,000 hours of service. Individual contributions to the Plan are determined by the employee at an amount not to exceed Internal Revenue Code limits. Effective January 1, 2016, the Organization contributes to the Plan by matching participating employees' 401(k) salary reductions up to 3% of compensation. The Organization made matching contributions of \$18,188 and \$11,625 during the years ended December 31, 2018 and 2017, respectively.

Note 15 – Contingencies

The Organization is periodically involved in claims and complaints that arise in the ordinary course of business. In the opinion of management, any unresolved outcomes of these complaints and claims is not expected to have a material adverse effect on the Organization's financial condition, results of operations, or its liquidity.

In July 2018, the Organization received an arbitration award related to litigation with Camp Korey's former landlord. As a result, funds in Camp Korey's restricted cash account that were retained by Camp Korey were released from restriction in 2018. No amounts are due by the Organization to the landlord.

