

The Lutheran
Camp
Association



Years Ended
December 31,
2019 and 2018

Financial
Statements

THE LUTHERAN CAMP ASSOCIATION

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements for the Years Ended December 31, 2019 and 2018	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9

INDEPENDENT AUDITORS' REPORT

July 16, 2020

Board of Directors
The Lutheran Camp Association
Arcadia, Michigan

We have audited the accompanying financial statements of *The Lutheran Camp Association* (the "Association" or "Camp"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, 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.

Independent Auditors' 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 audit 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 auditor 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 Association'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 Association'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 Lutheran Camp Association* as of December 31, 2019 and 2018, 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.

Change in Accounting Principles

As described in Note 1 to the financial statements, in 2019 the Association adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* and ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to these matters.

Rehmann Robson LLC

THE LUTHERAN CAMP ASSOCIATION

Statements of Financial Position

	December 31	
	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 605,249	\$ 1,041,954
Contributions receivable	326,127	563,338
Inventory	20,965	20,249
Prepaid expenses	29,694	22,085
Total current assets	982,035	1,647,626
Noncurrent assets		
Contributions receivable, net of current portion	205,643	384,075
Endowment cash and cash equivalents	46,320	143,334
Investments	1,111,688	865,134
Net property and equipment	5,333,447	3,743,629
Total noncurrent assets	6,697,098	5,136,172
Total assets	\$ 7,679,133	\$ 6,783,798
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 153,404	\$ 145,824
Short-term borrowings	776,094	-
Refundable advances	33,260	139,869
Total current liabilities (equal to total liabilities)	962,758	285,693
Net assets		
Without donor restrictions	5,514,182	4,715,610
With donor restrictions	1,202,193	1,782,495
Total net assets	6,716,375	6,498,105
Total liabilities and net assets	\$ 7,679,133	\$ 6,783,798

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

THE LUTHERAN CAMP ASSOCIATION

Statement of Activities

	Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains			
Program revenues	\$ 1,255,178	\$ -	\$ 1,255,178
Contributions	261,010	283,979	544,989
Net investment return	74,138	72,555	146,693
Net assets released from restrictions	936,836	(936,836)	-
Total revenue, support and gains	2,527,162	(580,302)	1,946,860
Expenses			
Program services	1,221,238	-	1,221,238
General and administrative	424,718	-	424,718
Fundraising	82,634	-	82,634
Total expenses	1,728,590	-	1,728,590
Change in net assets	798,572	(580,302)	218,270
Net assets, beginning of year	4,715,610	1,782,495	6,498,105
Net assets, end of year	\$ 5,514,182	\$ 1,202,193	\$ 6,716,375

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

THE LUTHERAN CAMP ASSOCIATION

Statement of Activities

	Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains (losses)			
Program revenues	\$ 1,174,489	\$ -	\$ 1,174,489
Contributions	218,964	1,090,770	1,309,734
Net investment return	(38,374)	(36,656)	(75,030)
Net assets released from restrictions	1,931,354	(1,931,354)	-
Total revenue, support and gains (losses)	3,286,433	(877,240)	2,409,193
Expenses			
Program services	1,108,881	-	1,108,881
General and administrative	347,209	-	347,209
Fundraising	103,313	-	103,313
Total expenses	1,559,403	-	1,559,403
Change in net assets	1,727,030	(877,240)	849,790
Net assets, beginning of year	2,988,580	2,659,735	5,648,315
Net assets, end of year	\$ 4,715,610	\$ 1,782,495	\$ 6,498,105

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

LUTHERN CAMP ASSOCIATION

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services	General and Administrative	Fundraising	Total
Salaries, payroll taxes, and benefits	\$ 399,472	\$ 241,262	\$ 29,690	\$ 670,424
Advertising	22,169	-	-	22,169
Bank charges	-	31,236	-	31,236
Depreciation	220,681	24,520	-	245,201
Fundraising	-	-	8,391	8,391
Insurance	23,731	4,909	1,288	29,928
Other	8,752	19,878	36,166	64,796
Archive expenses	29,148	-	-	29,148
Office expenses	3,462	18,610	2,027	24,099
Professional fees	-	27,930	1,620	29,550
Repairs and maintenance	86,669	3,408	-	90,077
Bad debt	-	41,350	-	41,350
Supplies	356,467	-	-	356,467
Travel	13,205	789	113	14,107
Utilities	57,482	10,826	3,339	71,647
Total expenses	\$ 1,221,238	\$ 424,718	\$ 82,634	\$ 1,728,590

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

LUTHERN CAMP ASSOCIATION

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services	General and Administrative	Fundraising	Total
Salaries, payroll taxes, and benefits	\$ 394,934	\$ 237,557	\$ 29,414	\$ 661,905
Advertising	16,149	-	-	16,149
Bank charges	-	19,070	-	19,070
Depreciation	138,757	15,418	-	154,175
Fundraising	-	-	7,529	7,529
Insurance	21,385	3,949	1,000	26,334
Other	25,931	15,059	58,475	99,465
Archive expenses	20,820	-	-	20,820
Office expenses	2,853	14,944	1,191	18,988
Professional fees	-	27,584	2,780	30,364
Repairs and maintenance	82,454	3,722	-	86,176
Supplies	348,171	-	-	348,171
Travel	8,968	1,021	146	10,135
Utilities	48,459	8,885	2,778	60,122
Total expenses	\$ 1,108,881	\$ 347,209	\$ 103,313	\$ 1,559,403

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

THE LUTHERAN CAMP ASSOCIATION

Statements of Cash Flows

	Year Ended December 31	
	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 218,270	\$ 849,790
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	245,201	154,175
Provision for uncollectable contribution receivables	41,350	-
Loss on sale of property and equipment	4,119	-
Realized and unrealized (gain) loss on investments	(125,176)	95,266
Gifts restricted for capital purposes	(144,585)	(533,857)
Gifts restricted for endowment	-	(18,323)
Changes in operating assets and liabilities which provided (used) cash:		
Contributions receivable	374,293	286,465
Inventory	(716)	(2,130)
Prepaid expenses	(7,609)	(1,743)
Accounts payable and accrued expenses	7,580	68,744
Refundable advances	(106,609)	3,225
Net cash provided by operating activities	506,118	901,612
Cash flows from investing activities		
Proceeds from sale of investments	100,399	118,901
Purchase of investments	(209,035)	(30,894)
Purchases and construction of property and equipment	(1,839,138)	(1,870,446)
Net cash used in investing activities	(1,947,774)	(1,782,439)
Cash flows from financing activities		
Net short-term borrowings	776,094	-
Cash gifts restricted for capital purposes	122,255	512,201
Cash gifts restricted for endowment	9,588	14,523
Net cash provided by financing activities	907,937	526,724
Net decrease in cash and cash equivalents	(533,719)	(354,103)
Cash and cash equivalents, beginning of year	1,185,288	1,539,391
Cash and cash equivalents, end of year	\$ 651,569	\$ 1,185,288
Reconciliation to statements of financial position		
Cash and cash equivalents	\$ 605,249	\$ 1,041,954
Endowment cash and cash equivalents	46,320	143,334
Cash and cash equivalents, end of year	\$ 651,569	\$ 1,185,288

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

THE LUTHERAN CAMP ASSOCIATION

Notes to Financial Statements

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Lutheran Camp Association (the "Association" or "Camp") is a 501(c)3 non-profit organization. The Association consists of a group of individuals and families that obtain memberships and operate Camp Arcadia. The group is committed to the Camp's ministry and mission.

Risks and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. Many State Governors issued temporary Executive Orders that, among other stipulations, effectively prohibit in-person work activities for most businesses and industries including nonprofit entities, having the effect of suspending or severely curtailing operations. As a result, the COVID-19 outbreak is disrupting and affecting the Association's normal activities. The extent of the ultimate impact of the pandemic on the Association's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on funders, program recipients, employees, vendors, and other constituents, all of which cannot be reasonably predicted at this time. In addition, the current environment may place additional demands on the Association for providing immediate financial support and/or services to its program recipients. As a result, the Association has made operational changes, including canceling, shortening or limiting attendance to events, eliminating certain services and changing other services in order to comply with state and local legal requirements. The Association has also secured borrowings in the amount of \$137,076 through the Paycheck Protection Program ("PPP"), obtained through the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted into law on March 28, 2020, see Note 6. While management reasonably expects the COVID-19 outbreak to negatively impact the Association's financial position, changes in net assets, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and the statements of activities.

Basis of Reporting and Classification of Net Assets

To ensure observance of limitations and restrictions placed on the use of available resources, for internal accounting and stewardship purposes the accounts of the Association are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and internal reporting into funds established according to their nature and purpose. Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- ***Net Assets Without Donor Restrictions:*** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

THE LUTHERAN CAMP ASSOCIATION

Notes to Financial Statements

- **Net Assets With Donor Restrictions:** Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. See Note 7.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual amounts could differ from those estimates. Significant estimates include but are not limited to management's estimate of the useful lives of depreciable property and equipment and management's determination of the fair value of investments.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand, and deposits in money market funds with original maturities when purchased of less than three months. The Association maintains its deposits in established financial institutions, which at times may exceed the federally insured limits. Management does not believe the Association is exposed to any significant interest rate or other financial risks as a result of these deposits.

Contributions

Contributions, including unconditional promises to give in the future, are reported as revenue of the net assets without donor restrictions class when received unless use of the related assets is limited by donor-imposed restrictions. Expirations of restrictions on net assets (e.g., the donor-stipulated purpose has been fulfilled) are reported as reclassifications between the applicable classes of net assets. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Donor restricted contributions whose restrictions are met in the same reporting period are reported as support of the net assets without donor restrictions class.

Contributions Receivable

Contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management estimates a valuation of allowance of \$48,191 and \$1,470 at December 31, 2019 and 2018, respectively. The Association has determined the effects of discounting the carrying value of contributions receivable based on the future cash flows using the rates currently offered for deposits of similar remaining maturities is insignificant and therefore has not adjusted such contributions receivable.

THE LUTHERAN CAMP ASSOCIATION

Notes to Financial Statements

Program Revenues and Refundable Advances

Reservation revenues, included in program revenues on the statements of activities, is recognized as camping activities and programs are performed. The performance obligation is generally satisfied over time as the benefits are consumed as the services are performed; therefore, the revenue is recognized ratably over the course of the camp. Any payments received in advance are recorded as refundable advances on the accompanying statements of financial position. Trading post revenues, which includes merchandise and food and is included in program revenues on the statements of activities, are recognized at the point of sale. The performance obligation is generally satisfied at the time control of products is transferred.

Investments

Investments are stated at fair value based upon quoted market prices. Investment transactions are accounted for on the trade date (date the order to buy or sell is executed). Gifts of securities are recorded at their fair value based on quoted price of stock transactions at the date of the gift. Any gains or losses on the sale of a security is determined using the cost basis of the security sold. Income from investments, including realized and unrealized gains and losses is allocated among net assets with donor restrictions and without donor restrictions based on donor restrictions on the absence thereof. Investment return is presented net of external investment expenses.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the Association transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

A description of each category in the fair value hierarchy is as follows:

- *Level 1:* Valuation is based upon quoted prices for identical instruments traded in active markets.
- *Level 2:* Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market. The Association does not have any assets valued using Level 2 inputs.
- *Level 3:* Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates that market participants would use in pricing the asset or liability. The Association does not have any assets valued using Level 3 inputs.

For a further discussion of fair value measurement, refer to Note 4.

THE LUTHERAN CAMP ASSOCIATION

Notes to Financial Statements

Inventory

Inventory consists of food and supplies for the Camp, and is stated at the lower of cost, principally determined by the first-in, first-out method, or net realizable value.

Property and Equipment and Depreciation

Property and equipment is stated at cost. Donated property and equipment are stated at their fair value at the date of the gift and reported as net assets without donor restrictions unless the donor has restrictions regarding their use. Management reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. Maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight-line basis over the estimated useful lives of the assets, which range from 5 to 30 years.

Income Taxes

The Association is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Association was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." The Association has been classified as not a private foundation.

The Association considers whether it has engaged in activities that jeopardize its current tax-exempt status with the Internal Revenue Service. Furthermore, the Association determines whether it has any unrelated business income, which may be subject to federal and state income taxes.

The Association has evaluated years 2016 through 2019, the years which remain subject to examination by major tax jurisdictions as of December 31, 2019, for uncertain tax positions. The Association concluded that there are no significant uncertain tax positions requiring recognition in the Association's financial statements. The Association does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Association does not have any amounts accrued for interest and penalties related to UTBs at December 31, 2019, and it is not aware of any claims for such amounts by federal or state income tax authorities.

Advertising

The cost of advertising and promotion are expensed as they are incurred. Advertising and promotional material costs were \$22,169 and \$16,149 for the years ended December 31, 2019 and 2018, respectively.

THE LUTHERAN CAMP ASSOCIATION

Notes to Financial Statements

Functional Allocation of Expenses

The cost of program, general and administrative and fundraising activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses which apply to more than one functional category have been allocated among the respective function based upon the time spent on these functions by specific employees as estimated by management, square footage of the facilities, and specific usage of the expenses and applied on a consistent basis. Although the methods of allocation used are considered reasonable, other methods could be used and produce different amounts.

Change in Accounting Principles

The Financial Accounting Standards Board ("FASB") has issued Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), in June 2018, which was effective for the Association for the year ended December 31, 2019. The amendments in ASU 2018-08 provides additional guidance for entities to use to evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or exchange (reciprocal) transactions and to determine whether the transaction is conditional. On January 1, 2019, the Association adopted the standard on its contributions received using the modified prospective basis and elected to apply the standard only to agreements that were not completed as of that date. There was no impact to the timing or amount of revenue recognized as a result of this adoption.

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), in May 2014. The standard, as amended, requires revenue to be recognized when promised goods and services are transferred to customers in amounts that reflect the consideration to which the Association expects to be entitled in exchange for those goods or services. On January 1, 2019, the Association adopted the standard using the modified retrospective method and applied the standard only to contracts that were not completed as of that date. There was no impact to the timing or amount of revenue recognized as a result of this adoption.

Reclassification

Certain amounts as reported in the 2018 financial statements have been reclassified to conform with the 2019 presentation.

Subsequent Events

In preparing the accompanying financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2019, the date of the statement of financial position presented herein, through July 16, 2020, the date these financial statements were available to be issued. No such significant events or transactions were identified, other than the risks and economic uncertainties matter described above and the matters disclosed in Note 6.

THE LUTHERAN CAMP ASSOCIATION

Notes to Financial Statements

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2019:

	2019	2018
Cash and cash equivalents	\$ 651,569	\$ 1,185,288
Contribution receivable	531,770	947,413
Investments	1,111,688	865,134
Endowment spending-rate distributions and appropriations	<u>2,488</u>	<u>2,193</u>
Total financial assets	2,297,515	3,000,028
Less amounts unavailable for general expenditures within one year due to:		
Net assets with donor restrictions	<u>(1,202,193)</u>	<u>(1,782,495)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,095,322</u>	<u>\$ 1,217,533</u>

As part of the Association's liquidity plan, the Association receives program revenue that is available for general expenditures, without donor or other restrictions limiting its use, within one year of the statement of financial position date. The line of credit described in Note 6 is also available for general expenditures, without donor or other restrictions limiting its use, within one year of the statement of financial position date.

The Association's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The operations endowment of \$62,201 and \$54,824 at December 31, 2019 and 2018, respectively, is subject to an annual spending rate as described in Note 8.

THE LUTHERAN CAMP ASSOCIATION

Notes to Financial Statements

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of unconditional promises to give toward the Spirit of Arcadia campaign. Contributions receivable, representing unconditional promises to give are as follows at December 31:

	2019	2018
Receivable in less than one year	\$ 358,266	\$ 564,808
Receivable in one to five years	221,695	364,172
Receivable greater than five years	-	19,903
Less allowance for uncollectible pledges	<u>(48,191)</u>	<u>(1,470)</u>
Contributions receivable, net	<u>\$ 531,770</u>	<u>\$ 947,413</u>

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Association utilizes fair value measurements to record fair value adjustments to investments and to determine fair value disclosures. Investments are recorded at fair value on a recurring basis.

Following is a description of the valuation methodologies used for assets recorded at fair value on a recurring basis. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Mutual funds: Shares held in mutual funds are valued at quoted market prices that represent the net asset value ("NAV") of shares held by the Association at year end and are classified as Level 1. The NAV is based on the value of the underlying assets owned by the fund, less its liabilities then divided by the number of shares outstanding. Mutual funds held by the Association are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

Exchange traded funds: Level 1 fair value measurement is based upon the closing price reported on the active market in which the funds are traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

THE LUTHERAN CAMP ASSOCIATION

Notes to Financial Statements

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Commodities	\$ 409,625	\$ -	\$ -	\$ 409,625
Fixed income	442,907	-	-	442,907
International	47,472	-	-	47,472
Real estate	69,979	-	-	69,979
Exchange traded funds	141,705	-	-	141,705
Total investments at fair value	\$ 1,111,688	\$ -	\$ -	\$ 1,111,688

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Commodities	\$ 368,990	\$ -	\$ -	\$ 368,990
Fixed income	330,852	-	-	330,852
International	109,955	-	-	109,955
Real estate	55,337	-	-	55,337
Total investments at fair value	\$ 865,134	\$ -	\$ -	\$ 865,134

5. NET PROPERTY AND EQUIPMENT

Net property and equipment consists of the following at December 31:

	2019	2018
Land	\$ 225,017	\$ 225,017
Buildings and building improvements	5,609,806	4,223,967
Furniture and equipment	572,788	447,891
Water and septic systems	122,199	122,199
Land improvements	2,140,704	975,751
Construction in progress	-	857,145
Total	8,670,514	6,851,970
Less accumulated depreciation	(3,337,067)	(3,108,341)
Net property and equipment	\$ 5,333,447	\$ 3,743,629

THE LUTHERAN CAMP ASSOCIATION

Notes to Financial Statements

Depreciation expense was \$245,201 and \$154,175 for December 31, 2019 and 2018, respectively. Of this amount, \$75,938 and \$76,365 was attributable to assets purchased from operating and annual fundraising activities at December 31, 2019 and 2018, respectively. \$169,263 and \$77,810 was attributable to assets purchased from special fundraising campaigns at December 31, 2019 and 2018, respectively.

6. BORROWED DEBT AND SUBSEQUENT EVENTS

The Association entered into an agreement with the Church Extension Fund of the Michigan District Lutheran Church where they can draw funds up to \$1,700,000. Interest is charged at a rate of 4.50% and the Association's property serves as collateral for the agreement. The Association had outstanding draws in the amount of \$776,094 at December 31, 2019. There were no outstanding draws as of December 31, 2018. The agreement was renewed in June 2020 with funds available up to \$1,200,000 and interest charged at a rate of 3.88% maturing in May 2021.

Additionally, in June 2020, the Association entered into an agreement with the Church Extension Fund of the Michigan District Lutheran Church where they can draw funds up to \$500,000. Interest is charged at a rate of 2.88% and the Association's property serves as collateral for the agreement. The agreement matures in June 2021.

In April 2020, the Association received proceeds from borrowings in the amount of \$137,076 through the Paycheck Protection Program ("PPP"), obtained through the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The loan has a two year maturity and is subject to a 1% interest rate. There are certain provisions with the PPP which permit the Association to have this loan fully forgiven based on specific stipulations within the agreement.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31:

	2019	2018
Subject to expenditure for specified purpose:		
Program expenses	\$ 13,644	\$ 16,218
Equipment and capital improvements	576,794	1,214,872
Endowments		
Subject to endowment spending policy and appropriation:		
Scholarships	105,149	92,599
Operations	62,201	54,824
Capital and program improvements	444,405	403,982
Total net assets with donor restrictions	\$ 1,202,193	\$ 1,782,495

The net assets released from restriction amounted to \$936,836 and \$1,931,354 in 2019 and 2018, respectively. Such amounts related primarily to the satisfaction of capital improvements and scholarships.

THE LUTHERAN CAMP ASSOCIATION

Notes to Financial Statements

8. ENDOWMENTS

The Association's endowments consist of three funds established for the benefit of the Association. All endowments consist of donor-restricted funds.

Interpretation of Relevant Law

The Association's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as 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. As a result of this interpretation, net assets with donor restrictions consist of the original value of gifts to the endowment and the original value of subsequent gifts to the endowment. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by use in a manner consistent with the standard of prudence prescribed by UPMIFA. The Association considers multiple factors in making determinations to appropriate or accumulate donor restricted endowment funds.

The Association's endowments are held and invested under the direction of an Investment Policy Statement, which is monitored by the Board of Directors and an Association committee established in the by-laws. Funds are invested in cash, fixed income securities, mutual funds, and equities within parameters described in the investment policy. The policy provides limitations regarding investment concentrations, quality of the security purchased as determined by normally recognized ratings, characteristics of security issuers, and the type of investment. The overall objective of the investments is balanced growth with a significant component of income securities.

To achieve its long-term investment objectives, the Association relies on both current income and capital appreciation. The Association targets a diversified asset allocation that places greater emphasis on equity based investments to achieve its long-term objectives within prudent risk constraints.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Association has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2019 and 2018, the Association did not have any underwater endowments.

Endowment net asset composition by type of fund as of December 31:

	2019	2018
Endowment funds with donor restrictions:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 509,085	\$ 498,769
Accumulated investment earnings	102,670	52,636
Total funds	\$ 611,755	\$ 551,405

THE LUTHERAN CAMP ASSOCIATION

Notes to Financial Statements

Changes in endowment net assets for the years ended December 31:

	2019	2018
Endowment net assets - beginning of year	\$ 551,405	\$ 594,375
Net investment gain (loss)	72,555	(36,656)
Contributions	10,316	18,323
Amounts appropriated for expenditure	(22,521)	(24,637)
Endowment net assets, end of year	\$ 611,755	\$ 551,405

Spending Policy

The Association has a policy of appropriating for distribution each year 4% of the fair value of investment holdings as the beginning of the year for the fiscal year in which the distribution is planned. This distribution does not have to be taken if the Board of Directors determines it is not needed. Unspent 4% distribution funds can be used in future years if approved by the Board. If, at any time, the fair value of the endowments is less than the principal amount, the principal will be held whole. The specific amount available for distribution shall be determined by the Association Committee in compliance with the terms stated in the By-Laws.

9. RETIREMENT PLAN

The Association sponsors a defined contribution plan (a SIMPLE plan) for all employees who qualify under the applicable regulations of the Internal Revenue Code. The Association matches 100% of participants' contributions up to 3% of total compensation. Employer contributions to the retirement plan were \$27,323 and \$28,856 for the years ended December 31, 2019 and 2018, respectively.

