

**Camp Aranzazu, Inc.
and Camp Aranzazu Foundation**

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2021 and 2020

Camp Aranzazu, Inc. and Camp Aranzazu Foundation

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Independent Auditors' Report

To the Board of Directors of Camp Aranzazu, Inc. and to
the Board of Directors of Camp Aranzazu Foundation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Camp Aranzazu, Inc. and Camp Aranzazu Foundation, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, of cash flows, and of functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Camp Aranzazu, Inc. and Camp Aranzazu Foundation as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Camp Aranzazu, Inc. and Camp Aranzazu Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Camp Aranzazu, Inc. and Camp Aranzazu Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that

includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

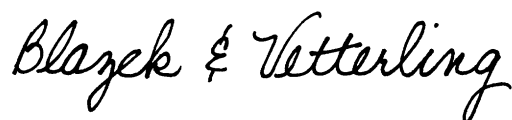
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Camp Aranzazu, Inc. and Camp Aranzazu Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Camp Aranzazu, Inc. and Camp Aranzazu Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the consolidating statement of financial position as of December 31, 2021 and consolidating statement of activities for the year ended December 31, 2021 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



September 23, 2022

Camp Aranzazu, Inc. and Camp Aranzazu Foundation

Consolidated Statements of Financial Position as of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 1,776,926	\$ 2,060,036
Contributions receivable (<i>Note 3</i>)	83,600	87,532
Prepaid expenses and other assets	102,092	72,821
Cash restricted for endowment	501,810	55,900
Contributions receivable restricted for endowment (<i>Note 3</i>)	4,231,850	1,000,000
Property, net (<i>Note 4</i>)	<u>13,690,530</u>	<u>14,001,613</u>
 TOTAL ASSETS	 <u>\$ 20,386,808</u>	 <u>\$ 17,277,902</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 49,031	\$ 33,478
Accrued liabilities	74,438	23,243
Construction payable		32,590
Deferred program service fees	7,601	18,904
Deferred special event revenue	78,775	13,000
Notes payable (<i>Note 5</i>)	156,972	212,774
Refundable advance – Paycheck Protection Program		<u>140,300</u>
Total liabilities	<u>366,817</u>	<u>474,289</u>
Net assets:		
Without donor restrictions	15,186,907	15,519,901
With donor restrictions (<i>Notes 6 and 7</i>)	<u>4,833,084</u>	<u>1,283,712</u>
Total net assets	<u>20,019,991</u>	<u>16,803,613</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 20,386,808</u>	 <u>\$ 17,277,902</u>

See accompanying notes to consolidated financial statements.

Camp Aranzazu, Inc. and Camp Aranzazu Foundation

Consolidated Statement of Activities for year ended December 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 781,741	\$ 3,796,460	\$ 4,578,201
Government grants <i>(Note 2)</i>		261,000	261,000
Fundraising events	337,091		337,091
Direct donor benefits	(97,420)		(97,420)
Program service fees	218,859		218,859
Other income	<u>(3,654)</u>		<u>(3,654)</u>
Total revenue	1,236,617	4,057,460	5,294,077
Net assets released from restrictions:			
Capital	55,902	(55,902)	
Program expenditures	<u>452,186</u>	<u>(452,186)</u>	
Total	<u>1,744,705</u>	<u>3,549,372</u>	<u>5,294,077</u>
EXPENSES:			
Program services	1,438,978		1,438,978
Management and general	214,872		214,872
Fundraising	<u>423,849</u>		<u>423,849</u>
Total expenses	<u>2,077,699</u>		<u>2,077,699</u>
CHANGES IN NET ASSETS	(332,994)	3,549,372	3,216,378
Net assets, beginning of year	<u>15,519,901</u>	<u>1,283,712</u>	<u>16,803,613</u>
Net assets, end of year	<u>\$ 15,186,907</u>	<u>\$ 4,833,084</u>	<u>\$ 20,019,991</u>

See accompanying notes to consolidated financial statements.

Camp Aranzazu, Inc. and Camp Aranzazu Foundation

Consolidated Statement of Activities for year ended December 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 1,149,529	\$ 1,384,090	\$ 2,533,619
Fundraising events	542,523		542,523
Direct donor benefits	(101,282)		(101,282)
Program service fees	29,653		29,653
Other income	4,298		4,298
	<hr/>	<hr/>	<hr/>
Total revenue	1,624,721	1,384,090	3,008,811
Net assets released from restrictions:			
Capital	624,940	(624,940)	
Program expenditures	87,169	(87,169)	
	<hr/>	<hr/>	<hr/>
Total	2,336,830	671,981	3,008,811
EXPENSES:			
Program services	1,089,874		1,089,874
Management and general	212,673		212,673
Fundraising	304,535		304,535
	<hr/>	<hr/>	<hr/>
Total expenses	1,607,082		1,607,082
CHANGES IN NET ASSETS			
	729,748	671,981	1,401,729
Net assets, beginning of year	14,790,153	611,731	15,401,884
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Net assets, end of year	\$ 15,519,901	\$ 1,283,712	\$ 16,803,613

See accompanying notes to consolidated financial statements.

Camp Aranzazu, Inc. and Camp Aranzazu Foundation

Consolidated Statements of Cash Flows for the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 3,216,378	\$ 1,401,729
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	451,499	433,316
Loss on disposal of property	6,419	
Contribution of land		(397,500)
Contributions restricted for endowment	(3,677,760)	(1,025,400)
Contributions restricted for capital		(139,550)
Changes in operating assets and liabilities:		
Contributions receivable	3,932	106,968
Prepaid expenses and other assets	(29,271)	(15,091)
Accounts payable and accrued liabilities	66,748	(75,435)
Deferred revenue	54,472	(140,109)
Refundable advance – Paycheck Protection Program	<u>(140,300)</u>	<u>140,300</u>
Net cash provided (used) by operating activities	<u>(47,883)</u>	<u>289,228</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property	<u>(179,425)</u>	<u>(475,557)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowment	445,910	25,400
Proceeds from contributions restricted for capital		184,550
Repayment of notes payable	<u>(55,802)</u>	<u>(161,008)</u>
Net cash provided by financing activities	<u>390,108</u>	<u>48,942</u>
NET CHANGE IN CASH	162,800	(137,387)
Cash, beginning of year	<u>2,115,936</u>	<u>2,253,323</u>
Cash, end of year	<u>\$ 2,278,736</u>	<u>\$ 2,115,936</u>
<i>Reconciliation of cash in the consolidated statements of financial position with cash in the consolidated statements of cash flows:</i>		
Cash	\$ 1,776,926	\$ 2,060,036
Cash restricted for endowment	<u>501,810</u>	<u>55,900</u>
Total cash	<u>\$ 2,278,736</u>	<u>\$ 2,115,936</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$5,312	\$8,815

See accompanying notes to consolidated financial statements.

Camp Aranzazu, Inc. and Camp Aranzazu Foundation

Consolidated Statement of Functional Expenses for the year ended December 31, 2021

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Payroll and benefits	\$ 517,245	\$ 167,446	\$ 287,728	\$ 972,419
Depreciation	442,307	9,065	127	451,499
Maintenance and repairs	130,293	2,344	49	132,686
Insurance	107,180	1,938	924	110,042
Utilities	77,814	4,896	4,258	86,968
Postage, printing and delivery	2,366	1,016	71,057	74,439
Food	69,092			69,092
Professional fees		17,164	29,883	47,047
Program supplies	23,613			23,613
Equipment rentals	20,035			20,035
Travel and entertainment	5,355	1,396	8,736	15,487
Staff, partner, and volunteer expenses	11,106	929	929	12,964
Dues, license and subscriptions	10,017	130	180	10,327
Marketing	1,390	1,475	7,249	10,114
Continuing education	8,388	750	810	9,948
Credit card and bank fees		4,771	4,771	9,542
Rent	1,443	1,029	5,928	8,400
Office supplies	6,090	455	1,220	7,765
Interest	5,244	68		5,312
Total expenses	<u>\$ 1,438,978</u>	<u>\$ 214,872</u>	<u>\$ 423,849</u>	2,077,699
Direct donor benefits				<u>97,420</u>
Total				<u>\$ 2,175,119</u>

See accompanying notes to consolidated financial statements.

Camp Aranzazu, Inc. and Camp Aranzazu Foundation

Consolidated Statement of Functional Expenses for the year ended December 31, 2020

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Payroll and benefits	\$ 322,981	\$ 166,575	\$ 199,935	\$ 689,491
Depreciation	425,941	7,338	37	433,316
Maintenance and repairs	108,792	1,759		110,551
Insurance	84,614	1,749	793	87,156
Utilities	73,162	5,133	3,627	81,922
Postage, printing and delivery	1,591	663	47,759	50,013
Food	9,778			9,778
Professional fees		10,600	35,625	46,225
Program supplies	17,033			17,033
Equipment rentals	3,653			3,653
Travel and entertainment	5,425	1,782	2,053	9,260
Staff, partner, and volunteer expenses	4,658	501	401	5,560
Dues, license and subscriptions	12,090	735	825	13,650
Marketing	1,843	3,930	2,973	8,746
Continuing education	3,555	1,185	1,185	5,925
Credit card and bank fees		4,755	4,755	9,510
Rent		4,200	4,200	8,400
Office supplies	6,058	459	367	6,884
Interest	8,700	115		8,815
Other		1,194		1,194
Total expenses	<u>\$ 1,089,874</u>	<u>\$ 212,673</u>	<u>\$ 304,535</u>	1,607,082
Direct donor benefits				<u>101,282</u>
Total				<u>\$ 1,708,364</u>

See accompanying notes to consolidated financial statements.

Camp Aranzazu, Inc. and Camp Aranzazu Foundation

Notes to Consolidated Financial Statements for the years ended December 31, 2021 and 2020

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Camp Aranzazu, Inc. is a non-profit organization dedicated to enriching the lives of children and adults with chronic illnesses and disabilities by providing unique camping, environmental studies, and retreat experiences to groups with special needs. Camp Aranzazu, Inc. collaborates with these groups, providing its 104-acre wheelchair-friendly campground, food, and programming customized to each group. The groups bring the campers, supervisors, and medical staff, as deemed appropriate and necessary. The mission is accomplished based on an understanding that Camp Aranzazu, Inc. is called to demonstrate love and compassion for others, and called to share and be responsible for its unique natural environment.

In 2019, Camp Aranzazu, Inc. established Camp Aranzazu Foundation (the Foundation). The purpose of the Foundation is to raise charitable contributions as an endowment for the benefit of Camp Aranzazu, Inc. Camp Aranzazu, Inc. is the sole beneficiary of the Foundation. The Foundation is governed by a separate Board of Directors, which are appointed by Camp Aranzazu, Inc.'s Board of Directors.

Basis of presentation – These consolidated financial statements include the assets, liabilities, net assets and activities of Camp Aranzazu, Inc. and the Foundation (collectively Camp Aranzazu). All balances and transactions between the consolidated entities have been eliminated.

Federal income tax status – Both Camp Aranzazu, Inc. and the Foundation are exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code. Camp Aranzazu, Inc. is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi). The Foundation is classified as a Type I supporting organization under §509(a)(3).

Cash – Bank deposits exceed the federally insured limit per depositor per institution.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted, if material, to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contributions revenue.

An allowance for contributions receivable is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and donor-by-donor analysis of balances.

Property is reported at cost, if purchased, or at fair value at the date of gift, if donated. Camp Aranzazu capitalizes additions and improvements with a cost of more than \$500. Depreciation is calculated using the straight-line method over estimated useful lives of 3 to 25 years.

Deferred program service fees result from payments received before the performance obligations are satisfied and are expected to be recognized as revenue in the following year. Deferred program service fees include payments from contracts with user groups in excess of revenue recognized. At December 31, 2021, 2020 and 2019, deferred program service fees were \$7,601, \$18,904 and \$6,300, respectively. All of Camp Aranzazu's performance obligations for deferred revenue at December 31, 2021 relate to contracts which will be completed within one year.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *net assets with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the organization is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when conditions have been met.

Special event revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special event revenue is recognized when the event occurs. Amounts received for future events represent conditional contributions and are reported in the consolidated statement of financial position as deferred special event revenue until earned. Direct donor benefits represent the cost of goods and services provided to attendees of special events.

In-kind contributions – Donated materials and use of facilities are recognized as contributions at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Camp Aranzazu received donated services from a variety of volunteers who assist in fundraising and special projects for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Program service fees represent fees from user groups for use of camp facilities, meals and incidentals. Revenue is recognized when the services are provided in an amount that reflects the consideration Camp Aranzazu expects to be entitled to in exchange for those services. Revenue is recognized based on the service output method as services are rendered for the term of the camp as Camp Aranzazu believes this to be the most faithful depiction of the transfer of control of services as participants simultaneously receive and consume the benefits provided by the performance obligation. User groups pay a deposit when the contract is executed. Prior to camp, a guarantee fee payment is received based on the estimated number of campers which is non-refundable, unless the cancellation is due to weather or other factors beyond the user group's control. User groups are billed after the camp session for additional campers, meals and incidentals. There are no amounts receivable at December 31, 2021 or 2020. Amounts received in advance are recorded as deferred revenue.

Subsequent changes to the transaction price are recorded as adjustments to program service fees in the period of change. Subsequent changes that are determined to be a result of an adverse change in the user group's ability to pay (change in credit risk) are recorded as bad debt expense. Camp Aranzazu had no material adjustments related to subsequent changes in the estimate of the transaction price or subsequent changes of an adverse nature in a user group's ability to pay for the periods reported.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Interest, building repairs, depreciation and occupancy costs are allocated based on square footage usage.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2021</u>	<u>2020</u>
Financial assets available for general expenditure:		
Cash	\$ 1,776,926	\$ 2,060,036
Contributions receivable	<u>83,600</u>	<u>87,532</u>
Total financial assets	1,860,526	2,147,568
Less:		
Donor-restricted for use in future periods or for future projects	<u>(45,297)</u>	<u>(69,112)</u>
Total financial assets available for general expenditure	<u>\$ 1,815,229</u>	<u>\$ 2,078,456</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Camp Aranzazu considers all expenditures related to its ongoing activities of providing a camp facility designed for individuals with special needs, as well as the conduct of services undertaken to support those activities other than capital expenditures, to be general expenditures. Camp Aranzazu's liquidity management plan is to have cash on hand to meet normal operating expenses and to structure its financial assets to be available as its general expenses, liabilities, and other obligations become due.

During 2020, Camp Aranzazu, Inc. was approved for an unsecured \$140,300 bank loan funded under the Small Business Administration's (SBA) Paycheck Protection Program (PPP) that is to be used for qualified payroll and other eligible costs. In 2021, Camp Aranzazu, Inc. received a second PPP loan for \$120,700. Both loans were forgiven and were recognized as government grant revenue in fiscal year 2021.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2021</u>	<u>2020</u>
Endowment	\$ 4,231,850	\$ 1,000,000
Operations	<u>83,600</u>	<u>87,532</u>
Contributions receivable, net	<u>\$ 4,315,450</u>	<u>\$ 1,087,532</u>

Contributions receivable at December 31, 2021 are expected to be collected as follows:

Receivable in less than one year	\$ 1,649,210
Receivable in one to five years	<u>2,666,240</u>
Total contribution receivable	<u>\$ 4,315,450</u>

At December 31, 2021, 65% of contributions receivable is from one foundation and 40% of contributions are due from a foundation for 2021. At December 31, 2020, 92% of contributions receivable is from one donor and 39% of contributions are due from one donor for 2020.

During 2020, the Foundation received a matching contribution of \$2,500,000 for the endowment. The donor agreed to match up to \$2,500,000 of funds raised for the endowment prior to December 31, 2022. The gift is payable in equal installments prior to December 31 of each of the three successive calendar years. Camp Aranzazu will recognize the contribution when the conditions are substantially met. As of December 31, 2021, \$1,851,580 is recognized as contribution revenue related to the matching gift.

NOTE 4 – PROPERTY

Property is comprised of the following:

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 5,539,636	\$ 5,467,666
Buildings	10,561,336	10,546,732
Office furniture and equipment	417,960	378,143
Vehicles	68,592	66,638
Construction in progress	<u>3,001</u>	<u>6,419</u>
Property, at cost	16,590,525	16,465,598
Accumulated depreciation	<u>(2,899,995)</u>	<u>(2,463,985)</u>
Property, net	<u>\$ 13,690,530</u>	<u>\$ 14,001,613</u>

NOTE 5 – NOTES PAYABLE

In 2015, Camp Aranzazu, Inc. entered into a 15-year loan agreement to finance the construction of *Unlimited Horizon*, a project on the land located in Aransas County, Texas. The note has an adjustable rate equal to the Wall Street Journal prime rate minus 0.25% per annum (3% at December 31, 2021 and 2020). This rate is adjusted every fifth year. The note is secured by a first mortgage lien on the property on which the project is located. Principal and interest payments of \$6,810 are due monthly until maturity. Outstanding balances as of December 31, 2021 and 2020 are \$156,972 and \$212,774, respectively.

Principal payments at December 31, 2021 are due as follows:

2022	\$ 78,079
2023	<u>78,893</u>
Total	<u>\$ 156,972</u>

Camp Aranzazu, Inc. has an unsecured \$300,000 revolving line of credit with a bank with interest at prime rate plus 0.75%. There were no amounts outstanding on this line of credit at December 31, 2021 and 2020. This line of credit was renewed on February 2, 2021 and extended through February 2, 2023.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Program development	\$ 64,035	\$ 94,979
Facility and sailing staffing	18,475	87,169
Capital projects		22,000
Other	<u>16,914</u>	<u>23,664</u>
Total subject to expenditure for specified purpose	99,424	227,812
Endowments subject to spending policy and appropriation:		
Capital and Maintenance Fund	2,851,580	1,000,000
Resiliency Fund – general endowment	<u>1,882,080</u>	<u>55,900</u>
Total net assets with donor restrictions	<u>\$ 4,833,084</u>	<u>\$ 1,283,712</u>

NOTE 7 – ENDOWMENT FUND

The Foundation manages funds established by donors to provide perpetual financial support to Camp Aranzazu, Inc. The Foundation’s Board of Directors has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment fund. In addition, the Board of Directors allows the Foundation to appropriate for expenditure or accumulate as much of an endowment fund as determined is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to explicit donor stipulations.

As a result of this interpretation, the Foundation classifies the original value of gifts donated to the perpetual endowment as *net assets with donor restrictions* required to be maintained in perpetuity. The amount is not reduced by losses on investments of the endowment, nor by approved distributions. The remaining portion of the donor-restricted endowment fund is also classified as *net assets with donor restrictions* until appropriated in accordance with spending policies and used for the stipulated purpose. Should the fair value of assets associated with the endowment fall below the level that is required to be maintained in perpetuity, a deficiency would be reported in *net assets with donor restrictions*. There were no such deficiencies at December 31, 2021.

Spending Policy

The Foundation will not make appropriations from the endowment until the endowment fund totals \$3.5 million. The maximum annual appropriation is currently established at 4.5% of the average level of the endowment assets in the previous twelve quarters. In extraordinary circumstances, the maximum appropriation can increase to 7%, but in the following years the distributions should be reduced.

Investment Policy

The endowment funds shall be invested with the aim of preserving the long-term real purchasing power of the assets while providing a relatively predictable and growing stream of annual appropriations in support of Camp Aranzazu.

The endowment's assets will be managed as a balanced portfolio composed of two major components: equities and fixed-income. The role of equities will be to maximize the long-term real growth of the portfolio. The role of fixed-income will be to generate current income and provide some protection to the portfolio in times of decline in the value of equities. The role of real assets may be to provide protection from inflation, additional returns, and diversification.

Changes in endowment net assets are as follows:

	<u>WITH DONOR RESTRICTIONS</u>		
	<u>ACCUMULATED</u>	<u>REQUIRED TO BE</u>	
	<u>NET INVESTMENT</u>	<u>MAINTAINED</u>	
	<u>RETURN</u>	<u>IN PERPETUITY</u>	<u>TOTAL</u>
Endowment net assets, December 31, 2019	\$ 0	\$ 30,500	\$ 30,500
Contributions		<u>1,025,400</u>	<u>1,025,400</u>
Endowment net assets, December 31, 2020	<u>0</u>	<u>1,055,900</u>	<u>1,055,900</u>
Contributions	<u>0</u>	<u>3,677,760</u>	<u>3,677,760</u>
Endowment net assets, December 31, 2021	<u>\$ 0</u>	<u>\$ 4,733,660</u>	<u>\$ 4,733,660</u>

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 23, 2022, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Camp Aranzazu, Inc. and Camp Aranzazu Foundation

Consolidating Statement of Financial Position as of December 31, 2021

	<u>CAMP ARANZAZU, INC.</u>	<u>CAMP ARANZAZU FOUNDATION</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
ASSETS				
Cash	\$ 1,776,926			\$ 1,776,926
Contributions receivable	230,537		\$ (146,937)	83,600
Prepaid expenses and other assets	101,423	\$ 669		102,092
Cash restricted for endowment		501,810		501,810
Contributions receivable restricted for endowment		4,231,850		4,231,850
Property, net	<u>13,690,530</u>	<u> </u>	<u> </u>	<u>13,690,530</u>
TOTAL ASSETS	<u>\$ 15,799,416</u>	<u>\$ 4,734,329</u>	<u>\$ (146,937)</u>	<u>\$ 20,386,808</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	\$ 59,131	\$ 136,837	\$ (146,937)	\$ 49,031
Accrued liabilities	64,976	9,462		74,438
Deferred program service fees	7,601			7,601
Deferred special event revenue	78,775			78,775
Notes payable	<u>156,972</u>	<u> </u>	<u> </u>	<u>156,972</u>
Total liabilities	<u>367,455</u>	<u>146,299</u>	<u>(146,937)</u>	<u>366,817</u>
Net assets:				
Without donor restrictions	15,332,537	(145,630)		15,186,907
With donor restrictions	<u>99,424</u>	<u>4,733,660</u>		<u>4,833,084</u>
Total net assets	<u>15,431,961</u>	<u>4,588,030</u>		<u>20,019,991</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,799,416</u>	<u>\$ 4,734,329</u>	<u>\$ (146,937)</u>	<u>\$ 20,386,808</u>

Camp Aranzazu, Inc. and Camp Aranzazu Foundation

Consolidating Statement of Activities for year ended December 31, 2021

	CAMP ARANZAZU, INC.	CAMP ARANZAZU FOUNDATION	ELIMINATIONS	TOTAL
REVENUE:				
Contributions	\$ 897,357	\$ 3,680,844		\$ 4,578,201
Government grants	261,000			261,000
Fundraising events	337,091			337,091
Direct donor benefits	(97,420)			(97,420)
Program service fees	218,859			218,859
Other income	<u>(3,654)</u>			<u>(3,654)</u>
Total revenue	<u>1,613,233</u>	<u>3,680,844</u>		<u>5,294,077</u>
EXPENSES:				
Program services	1,438,978			1,438,978
Management and general	209,389	5,483		214,872
Fundraising	<u>328,992</u>	<u>94,857</u>		<u>423,849</u>
Total expenses	<u>1,977,359</u>	<u>100,340</u>		<u>2,077,699</u>
CHANGES IN NET ASSETS	(364,126)	3,580,504		3,216,378
Net assets, beginning of year	<u>15,796,087</u>	<u>1,007,526</u>		<u>16,803,613</u>
Net assets, end of year	<u>\$ 15,431,961</u>	<u>\$ 4,588,030</u>	<u>\$ 0</u>	<u>\$ 20,019,991</u>
