

CAMP ARANZAZU

Annual Financial Report

***For the Year Ended
December 31, 2018***



GOWLAND, STREALLY, MORALES & COMPANY, PLLC

Certified Public Accountants



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GOWLAND, STREALLY, MORALES & COMPANY, PLLC

Certified Public Accountants

Independent Auditors' Report

Board of Directors
Camp Aranzazu
Rockport, Texas

We have audited the accompanying financial statements of Camp Aranzazu (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year 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

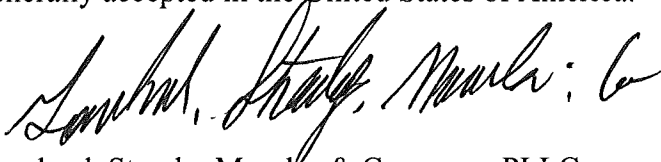
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Aranzazu as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Gowland, Streatly, Morales & Co", written in a cursive style.

Gowland, Streatly, Morales & Company, PLLC

May 3, 2019

CAMP ARANZAZU
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Current Assets:

Cash	\$ 700,863
Current Portion of Receivable	322,036
Prepaid expenses	46,150
Total Current Assets	<u>1,069,049</u>

Restricted Cash

Capital Additions	356,436
Hurricane Harvey	722,080
	<u>1,078,516</u>

Long-Term Portion of Receivable	96,294
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Property and Equipment, net	<u>13,191,514</u>
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Total Assets	<u><u>15,435,373</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	59,456
Accrued Liabilities	85,338
Deferred Revenue	7,500
Current Portion of Long-term Debt	54,467
Total Current Liabilities	<u>206,761</u>

LONG-TERM LIABILITIES

Long-term Debt	<u>878,801</u>
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NET ASSETS

Without Donor Restrictions	13,050,749
With Donor Restrictions	1,299,062
Total Net Assets	<u>14,349,811</u>

TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 15,435,373</u></u>
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The accompanying notes are an integral part of these financial statements.

CAMP ARANZAZU
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 498,899	\$ 808,959	\$ 1,307,858
Program Service Fees	397,092	0	397,092
Fundraising Events	1,018,546	0	1,018,546
Direct Donor Benefits	(233,369)		(233,369)
Other Income	58,724		58,724
Investment Income	2,814		2,814
Gain/(Loss) on the Sale of Assets	(1,200)		(1,200)
Total Support and Revenue	1,741,506	808,959	2,550,465
Net Assets Released from Restrictions	1,328,416	(1,328,416)	
Total Support and Revenue	3,069,922	(519,457)	2,550,465
Expenses:			
Program Services	1,475,769		1,475,769
Supporting Services:			
Management and General	237,130		237,130
Fundraising	383,520		383,520
Total Expenses	620,650	0	620,650
Loss from Hurricane Harvey	38,830		38,830
Total Expenses and Loss from Hurricane Harvey:	2,135,249	0	2,135,249
Increase in Net Assets	934,673	(519,457)	415,216
Net Assets, Beginning of the Year <u>As previously reported</u>	12,166,076	1,818,519	13,984,594
Prior Period Adjustment	(50,000)		(50,000)
Net Assets, End of the Year	\$ 13,050,749	\$ 1,299,062	\$ 14,349,811

The accompanying notes are an integral part of these financial statements

CAMP ARANZAZU
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

	<u>2018</u>
Cash Flows From Operating Activities:	
Net Increase (Decrease) in Net Assets	\$ 415,215
Adjustments to reconcile net increase in total net assets to cash provided by operating activities:	
Noncash Revenues and expenses Included in Net Income:	
Prior Period Adjustment	(50,000)
Depreciation and Amortization	374,002
Loss on Disposal of Hurricane Harvey Assets	41,231
Gain on Sale of Assets	(1,200)
Changes in Operating Assets & Liabilities:	
(Increase) Decrease in:	
Receivables	654,562
Prepaid assets	2,885
Increase (Decrease) in:	
Accounts Payable	(115,088)
Notes Payable	68,987
Deferred Income	1,300
Total Adjustments	<u>976,679</u>
Net Cash Provided (Used) by Operating Activities	<u>1,391,894</u>
Cash Flows from Investing Activities:	
Proceeds from sale of property and equipment	4,200
Purchase of Fixed Assets	<u>(1,244,221)</u>
Net Cash used in Investing Activities	<u>(1,240,021)</u>
Cash Flows from Financing Activities	
Proceeds from borrowing	0
Principal Payments of Long-Term Debt	<u>(66,732)</u>
Net cash provided (absorbed) by financing activities	<u>(66,732)</u>
Net Increase (Decrease) in Cash	85,140
Cash at Beginning of Year	<u>1,694,239</u>
Cash at End of Year	<u>\$ 1,779,379</u>
Summary	
Cash	700,863
Capital Additions	356,436
Hurricane Harvey	722,080
	<u>\$ 1,779,379</u>
Supplemental Data:	
Interest Paid	<u>\$ 28,896</u>

See accompanying notes to financial statements.

CAMP ARANZAZU
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2018

	Program Services	Management and General	Fund Raising	Totals
Payroll & Benefits	444,619	133,871	227,734	806,224
Maintenance and Repairs	222,502	1,629		224,131
Utilities	138,742	5,102	3,408	147,252
Postage, Printing and Delivery	1,510	3,679	110,306	115,495
Food	76,897	-	-	76,897
Insurance	72,539	1,908	1,476	75,923
Payroll Taxes	37,734	9,569	17,547	64,850
Program Supplies	44,403	-	-	44,403
Interest	-	28,896	-	28,896
Stewardship and Marketing	-	17,170	6,193	23,363
Staff, Partner, & Volunteer Expense	17,059	616	616	18,291
Credit Card and Bank Fees	-	7,958	7,958	15,916
Travel and Entertainment	9,262	1,531	3,063	13,856
Continuing Education	9,305	1,945	342	11,592
Equipment Rental	11,252	-	-	11,252
Dues, License and Subscriptions	9,244	130	431	9,805
Professional Fees	-	7,360	1,840	9,200
Office Supplies	7,596	482	603	8,681
Rent	-	6,720	1,680	8,400
Payroll Hiring Expense	4,283	3,313	282	7,878
Miscellaneous	-	112	-	112
 Total Functional Expenses				
Before Depreciation	1,106,947	231,991	383,479	1,722,417
Depreciation & Amortization	368,822	5,139	41	374,002
 Total Functional Expenses	<u>\$ 1,475,769</u>	<u>\$ 237,130</u>	<u>\$ 383,520</u>	<u>\$ 2,096,419</u>
 Loss from Hurricane Harvey				38,830
Direct Donor Benefits			233,369	233,369
			<u>616,889</u>	<u>2,368,618</u>

The accompanying notes are an integral part of these financial statements

CAMP ARANZAZU
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Purpose and Organization

Camp Aranzazu is an independent 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 collaborates with these groups, providing the 104-acre wheelchair friendly camp ground, 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 we are called to demonstrate love and compassion for others, and called to share and be responsible for our unique natural environment.

Camp Aranzazu was incorporated on March 11, 2002 in Houston, Texas and spent its first four years organizing and developing the camp, which is located in Rockport, Texas. The first camp was in July 2006. Camp Aranzazu is recognized as tax exempt by the Internal Revenue Service, which has granted Camp Aranzazu 501(c)(3) status.

Basis of Accounting

The financial statements of Camp Aranzazu have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

Camp Aranzazu also prepares financial statements in accordance with FASB Accounting Standards Codification (ASC) 958-205 and subsections (formerly Statement of Financial Accounting Standards “SFAS” No. 117, Financial Statements of Not-for-Profit Organization “SFAS 117”). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absences of donor-imposed restrictions. Accordingly, net assets of Camp Aranzazu and the changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

Net Assets with Donor Imposed Restrictions – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of Camp Aranzazu and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

In addition, Camp Aranzazu is required to present a statement of cash flows.

CAMP ARANZAZU
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Property and Equipment

Purchased property and equipment are capitalized at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. Purchases are determined to be capital assets based upon Camp Aranzazu's policy of capitalizing assets acquired at a cost exceeding \$500.

Donations of property and equipment, when material, are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Contributions of cash earmarked to acquire property and equipment and assets donated with explicit restrictions regarding their use are reported as temporarily restricted support. Camp Aranzazu reclassifies net assets with donor restrictions to net assets without donor restrictions when these restrictions expire.

Cash Flows Information

For purposes of the statement of Cash Flows, Camp Aranzazu considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Income Taxes

Camp Aranzazu is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax. Camp Aranzazu currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

The Financial Accounting Standards Board (FASB) guidance requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined that there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for income taxes is reflected in these financial statements. Interest and penalties would be recognized as tax expense, however, there is no interest or penalties recognized in the statements of activities. The tax years after 2012 are still open to audit.

Estimates

Management uses estimates and assumptions in preparing the financial statements such as depreciation. Those estimates and assumptions affect the reported amounts of assets and expenses.

CAMP ARANZAZU
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Investments

Investments consist primarily of assets invested in money-market accounts. Camp Aranzazu accounts for investment in accordance with FASB ASC 958-320 and subsections (formerly SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations* ["SFAS 124"]). This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the consolidated statement of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. Alternative investments are stated at the fair value of their underlying assets and allocated to the investors in proportion to the investor's ownership percentage. The realized and unrealized gain or loss on investments is reflected in the consolidated statement of changes in net assets.

Promises to Give

Contributions are recognized when the donor makes a promise to give to Camp Aranzazu that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Direct donor benefit costs represent the expenses recognized for food, beverages, facility rental, entertainment, and items purchased for auction.

Provisions for losses on receivables are determined on the basis of known and inherent risks of the pledges and accounts receivable.

Donated Services

Camp Aranzazu records amounts for donated services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation.

Note 2 – Concentration of Credit Risk

Camp Aranzazu maintains bank accounts with Frost Bank and International Bank of Commerce that at various times during the year exceeded \$250,000. Federal deposit insurance on these accounts totaled \$250,000. There are no other insurance or collateralization agreements to protect these accounts above the federal insurance limits.

CAMP ARANZAZU
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Note 3 – Property and Equipment

Depreciation of property and equipment other than land, is computed using the straight-line method. Buildings have an estimated useful life of 50 years; furniture, fixtures and equipment have an estimated useful life ranging from 3 to 20 years.

A summary of property and equipment follows:

Land and Land Improvements	\$ 4,926,673
Buildings	9,500,195
Vehicles	50,523
Computers and Telephone System	7,083
Furniture and Equipment	307,412
Construction in Progress	34,792
Amortized Fees	45,193
	<u>14,871,871</u>
Less: Accumulated Depreciation and Amortization	<u>1,680,357</u>
	<u>\$ 13,191,514</u>

The basis for assets purchased or constructed is cost; for assets acquired by gift, it is fair market value at the date of gift.

Note 4 - Donated Assets and Services

Camp Aranzazu receives donated services from a variety of unpaid volunteers who assist in fund-raising and special projects. No amounts have been recognized, except as noted in note 10, in the accompanying statement of activities because the criteria for recognition of such volunteer effort under FASB ASC 958 (formerly SFAS No. 116) have not been satisfied.

Note 5 – Functional Allocation of Expenses

The costs of providing the various program and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated between the program and supporting services benefited.

CAMP ARANZAZU
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Note 6 – Net Assets with Donor Restrictions

Net assets with Donor Restrictions are available for the following purposes:

<u>Operating Fund</u>	
Capital Campaign	\$ 679,730
Repairs related to Hurricane Harvey	602,128
Other	17,204
	<u>\$ 1,299,062</u>

Note 7 – Long-Term Liabilities

3% Note Payable to Ed Rachal Foundation. Principle and interest are due and payable in monthly installments of \$6,810 starting January 1, 2018 and continuing until December 1, 2032. The note is secured by approximately 85.549 acres.

	\$ 933,268
Less Current Maturities	54,467
Long Term Notes	<u>\$ 878,801</u>

Maturities of long-term debt over the following five-year period are tabulated below:

2019	54,467
2020	56,124
2021	57,831
2022	59,590
Thereafter	705,256
	<u>\$ 933,268</u>

Note 8 – Line of Credit

Camp Aranzazu had a \$300,000 revolving line of credit with a bank with interest at the prime rate plus 0.75%. There were no amounts outstanding on this line of credit at December 31, 2018. This line of credit was renewed and extended through February 12, 2020.

CAMP ARANZAZU
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Note 9 - Concentration of Credit Risk

	Per Books	Per Bank
Frost Checking	700,863	667,965
Frost Savings	\$ <u>356,436</u>	\$ <u>263,936</u>
	<u>1,057,299</u>	<u>931,901</u>
FDIC		250,000
Net Excess (Deficiency)		\$ <u>(681,901)</u>

	Per Books	Per Bank
IBC Bank	\$ <u>722,080</u>	\$ <u>713,499</u>
FDIC		250,000
Net Excess (Deficiency)		\$ <u>(463,499)</u>

Note 10 –Pledges Receivable and Accounts Receivable

Unconditional promises to give at December 31, 2018 consists of the following:

Capital Campaign	\$ 362,000
Contributions Receivable	35,250
Accounts Receivable	10,055
Other Receivable	<u>32,231</u>
	439,536
Discount on Capital Campaign Contributions	<u>(21,206)</u>
	\$ <u>418,330</u>
Amounts due in:	
Less than one year	\$ 322,036
One to five years	<u>96,294</u>
	\$ <u>418,330</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4.41%.

CAMP ARANZAZU
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Note 11 – Loss Due to Hurricane Harvey

Camp Aranzazu incurred significant damage in August 2017 due to Hurricane Harvey. The following is a summary of expenses for the year ended December 31, 2018:

Emergency Supplies and Expenditures	38,830
Loss Due to Hurricane Harvey	\$ <u><u>38,830</u></u>

Note 12 – Liquidity and Availability of Financial Assets

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

Cash and cash equivalents	\$700,863
Accounts receivable	<u>45,305</u>
	<u><u>\$746,168</u></u>

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 come due. At this time Camp Aranzazu does not invest cash in excess of normal daily operating expenses.

Note 13 – Prior Period Adjustment

During 2018, Camp Aranzazu discovered that a donor wished for a gift given in 2017 be reclassified as a capital campaign pledge payment. The correction to meet the wishes of the donor resulted in a decrease of opening unrestricted net assets by \$50,000 and a decrease in Capital Campaign Pledges receivable by \$50,000.

Note 14 – Subsequent Event

Subsequent events have been evaluated through May 3, 2019 which is the date the financial statements were available to be issued.