

**Camp
Aranzazu**

Annual Financial Report

**For the Year Ended
December 31, 2016**

Gowland, Strealy, Morales & Company

A Professional Limited Liability Company

Certified Public Accountants

**5934 S. Staples, Suite 201
Corpus Christi, Texas 78413**

Gowland, Strealy, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

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Professional Associates:
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Dudley Gowland, CPA (1917-2015)

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, 2016, and the related statements of activities, functional expenses, 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.

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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, 2016, 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 cursive script, appearing to read "Gowland, Strealy, Morales & Company, PLLC".

Gowland, Strealy, Morales & Company, PLLC

July 24, 2017

CAMP ARANZAZU
STATEMENT OF FINANCIAL POSITION
December 31, 2016

ASSETS

Current Assets:

| | |
|-------------------------------|---------------|
| Cash | \$ 2,849,221 |
| Current Portion of Receivable | 683,000 |
| Prepaid expenses | <u>43,874</u> |
| Total Current Assets | 3,576,095 |

| | |
|---------------------------------|---------|
| Long-Term Portion of Receivable | 502,355 |
|---------------------------------|---------|

| | |
|-----------------------------|-------------------|
| Property and equipment, net | <u>12,417,398</u> |
|-----------------------------|-------------------|

| | |
|--------------|-----------------------------|
| Total Assets | <u><u>\$ 16,495,848</u></u> |
|--------------|-----------------------------|

LIABILITIES AND NET ASSETS

Current Liabilities:

| | |
|---------------------------|---------------|
| Accounts payable | <u>29,038</u> |
| Total Current Liabilities | <u>29,038</u> |

LONG-TERM LIABILITIES

| | |
|----------------|------------------|
| Long-term Debt | <u>3,000,000</u> |
|----------------|------------------|

NET ASSETS

| | |
|-----------------------------------|-------------------|
| Unrestricted Net Assets | 9,566,914 |
| Temporarily Restricted Net Assets | <u>3,899,896</u> |
| Total Net Assets | <u>13,466,810</u> |

| | |
|--------------------------------|-----------------------------|
| TOTAL LIABILITIES & NET ASSETS | <u><u>\$ 16,495,848</u></u> |
|--------------------------------|-----------------------------|

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

CAMP ARANZAZU
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2016

| | Unrestricted | Temporarily Restricted | Total |
|---------------------------------------|---------------------|---------------------------|----------------------|
| Support and Revenue: | | | |
| Contributions | \$ 660,202 | \$ 1,022,688 | \$ 1,682,890 |
| Program Service Fees | 298,002 | | 298,002 |
| Fundraising Events | 362,377 | | 362,377 |
| Direct Donor Benefits | (46,884) | | (46,884) |
| Other Income | 9,705 | | 9,705 |
| Investment Income | 3,094 | | 3,094 |
| Gain/(Loss) on the Sale of Assets | (7,938) | | (7,938) |
| Total Support and Revenue | <u>1,278,558</u> | <u>1,022,688</u> | <u>2,301,246</u> |
| Net Assets Released from Restrictions | | | |
| Program Expenditures | 9,224 | (9,224) | |
| Capital Expenditures | <u>2,685,304</u> | <u>(2,685,304)</u> | |
| Total Support and Revenue | <u>3,973,086</u> | <u>(1,671,840)</u> | <u>2,301,246</u> |
| Expenses: | | | |
| Program Services | 1,085,917 | | 1,085,917 |
| Supporting Services: | | | |
| Management and General | 216,567 | | 216,567 |
| Fund-raising | <u>215,702</u> | | <u>215,702</u> |
| Total Expenses | <u>1,518,186</u> | <u>0</u> | <u>1,518,186</u> |
| Increase in Net Assets | 2,454,900 | (1,671,840) | 783,060 |
| Net Assets, Beginning of the Year | <u>7,112,014</u> | <u>5,571,736</u> | <u>12,683,750</u> |
| Net Assets, End of the Year | <u>\$ 9,566,914</u> | <u>\$ 3,899,896</u> | <u>\$ 13,466,810</u> |

The accompanying notes are an integral part of these financial statements

Camp Aranzazu
Statement of Cash Flows
For the Year Ended December 31, 2016

| | <u>2016</u> |
|--|----------------------------|
| Cash Flows From Operating Activities: | |
| Net Increase (Decrease) in Net Assets | \$ 783,060 |
| Adjustments to reconcile net increase in total net assets to cash provided by operating activities: | |
| Noncash Revenues and expenses Included in Net Income: | |
| Depreciation and Amortization | 207,026 |
| Loss on disposition of assets | 7,938 |
| Increase in Allowance for Bad Debts | 15,000 |
| Changes in Operating Assets & Liabilities: | |
| (Increase) Decrease in: | |
| Receivables | 354,151 |
| Prepaid assets | (15,480) |
| Increase (Decrease) in: | |
| Accounts Payable | (14,200) |
| Notes Payable | (50,000) |
| Total Adjustments | <u>504,435</u> |
| Net Cash Provided (Used) by Operating Activities | <u>1,287,495</u> |
| Cash Flows from Investing Activities: | |
| Proceeds from sale of property and equipment | 2,500 |
| Purchase of Fixed Assets | <u>(5,417,548)</u> |
| Net Cash used in Investing Activities | <u>(5,415,048)</u> |
| Cash Flows from Financing Activities | |
| Proceeds from borrowing | 0 |
| Principal Payments of Long-Term Debt | <u>0</u> |
| Net cash provided (absorbed) by financing activities | <u>0</u> |
| Net Increase (Decrease) in Cash | (4,127,553) |
| Cash at Beginning of Year | <u>6,976,774</u> |
| Cash at End of Year | \$ <u><u>2,849,221</u></u> |
| Supplemental Data: | |
| Interest Paid | \$ <u><u>3,112</u></u> |

See accompanying notes to financial statements.

CAMP ARANZAZU
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2016

| | Program Services | Management and General | Fund Raising | 2016 Totals |
|---------------------------------|---------------------|---------------------------|-------------------|---------------------|
| Payroll & Benefits | 424,983 | 111,237 | 125,210 | 661,430 |
| Payroll Taxes | 33,171 | 8,081 | 9,097 | 50,349 |
| Insurance | 107,765 | 17,912 | 14,947 | 140,624 |
| Utilities | 84,666 | 5,357 | 4,500 | 94,523 |
| Program Supplies | 68,500 | - | | 68,500 |
| Food | 68,386 | | | 68,386 |
| Maintenance and Repairs | 42,145 | 402 | 349 | 42,896 |
| Postage, Printing and Delivery | 1,482 | 809 | 37,973 | 40,264 |
| Professional Fees | | 32,360 | 1,540 | 33,900 |
| Travel and Entertainment | 11,363 | 2,648 | 5,297 | 19,308 |
| Bad Debts | | 15,591 | | 15,591 |
| Office Supplies | 6,385 | 540 | 5,071 | 11,996 |
| Dues, License and Subscriptions | 5,653 | 358 | 3,877 | 9,888 |
| Equipment Rental | 9,699 | | | 9,699 |
| Staff/Partner/Volunteer Expense | 7,682 | | | 7,682 |
| Payroll Hiring Expense | 6,633 | 560 | 467 | 7,660 |
| Bank Service Charges | | 3,474 | 3,474 | 6,948 |
| Continuing Education | 5,763 | 435 | 369 | 6,567 |
| Marketing | | 5,250 | | 5,250 |
| Miscellaneous | - | 4,525 | | 4,525 |
| Interest | | 3,112 | | 3,112 |
| Rent | | 1,031 | 1,031 | 2,062 |
| Total Functional Expenses | | | | |
| Before Depreciation | 884,276 | 213,682 | 213,202 | 1,311,160 |
| Depreciation & Amortization | 201,641 | 2,885 | 2,500 | 207,026 |
| Total Functional Expenses | <u>\$ 1,085,917</u> | <u>\$ 216,567</u> | <u>\$ 215,702</u> | <u>\$ 1,518,186</u> |
| Direct Donor Benefits | | | 46,884 | 46,884 |
| | | | <u>\$ 262,586</u> | <u>\$ 1,565,070</u> |

The accompanying notes are an integral part of these financial statements

CAMP ARANZAZU
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

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's mission is accomplished, based on an understanding that as people of God we are called to demonstrate love and compassion for others, and responsibility for our environment. Camp Aranzazu, Inc. was incorporated on March 11, 2002, in Houston, Texas, and spent its first four years organizing and developing the camp and its 104 acre wheelchair-friendly facilities. Camp Aranzazu, with camp physically located in Rockport, Texas, opened its doors to children and adults with special needs 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”). Under SFAS 117, Camp Aranzazu is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Camp Aranzazu is required to present a statement of cash flows.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated and those resources invested in land, buildings, and equipment are under the direction of the board, are legally unrestricted, and are reported as part of the unrestricted class.

The camp has no permanently restricted net assets.

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.

CAMP ARANZAZU
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

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 temporarily restricted net assets to unrestricted net assets 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. The Organization 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, 2016

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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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 International Bank of Commerce and Frost Bank 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, 2016

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 | \$ | 2,864,902 |
| Buildings | | 8,867,887 |
| Vehicles | | 41,375 |
| Computers and Telephone System | | 21,812 |
| Furniture and Equipment | | 252,773 |
| Construction in Progress | | 1,595,933 |
| Amortized Fees | | 45,194 |
| | | <hr/> 13,689,876 |
| Less: Accumulated Depreciation | | 1,272,478 |
| | \$ | <hr/> <hr/> 12,417,398 |

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, 2016

Note 6 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Operating Fund

| | |
|--------------------------------------|---------------------|
| Capital Campaign | \$ 3,886,520 |
| Foundation - gift for art programing | 13,376 |
| | <u>\$ 3,899,896</u> |

Note 7 – Long-Term Liabilities

3% Note Payable to Ed Rachal Foundation.
Principle and interest are due and payable in
monthly installments of \$20,717 starting January 1,
2018 and continuing until December 1, 2032. The
note is secured by approximately 85.549 acres.

| | |
|-------------------------|---------------------|
| | \$ 3,000,000 |
| Less Current Maturities | - |
| Long Term Notes | <u>\$ 3,000,000</u> |

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

| | |
|------------|---------------------|
| 2017 | - |
| 2018 | 160,809 |
| 2019 | 165,700 |
| 2020 | 170,796 |
| Thereafter | 2,502,695 |
| | <u>\$ 3,000,000</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 1.25%. There were no amounts outstanding on this line of credit at December 31, 2016. This line of credit was renewed and extended through January 26, 2018.

Note 9 – Subsequent Event

Subsequent events have been evaluated through July 24, 2017 which is the date the financial statements were available to be issued.

CAMP ARANZAZU
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

Note 10 - Concentration of Credit Risk

| | | |
|-------------------------|---------------------|---------------------|
| Frost Bank | \$ <u>2,836,324</u> | \$ <u>2,819,754</u> |
| FDIC | | \$ 250,000 |
| Net Excess (Deficiency) | | \$ <u>2,569,754</u> |

| | | |
|-------------------------|------------------|-------------------|
| IBC Bank | \$ <u>12,897</u> | \$ <u>12,897</u> |
| FDIC | | 250,000 |
| Net Excess (Deficiency) | | \$ <u>237,103</u> |

Note 11 –Pledges Receivable and Accounts Receivable

Unconditional promises to give at December 31, 2016 consists of the following:

| | |
|--|---------------------|
| Capital Campaign | \$ 1,265,850 |
| Contributions Receivable | 8,050 |
| Accounts Receivable | <u>600</u> |
| | 1,274,500 |
| Allowance for Doubtful Accounts | (15,000) |
| Discount on Capital Campaign Contributions | <u>(74,145)</u> |
| | \$ <u>1,185,355</u> |
| Amounts due in: | |
| Less than one year | \$ 683,000 |
| One to five years | <u>502,355</u> |
| | \$ <u>1,185,355</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%.