



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

CAMP KOREY

December 31, 2020 and 2019

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Report of Independent Auditors

To the Board of Directors
Camp Korey

Report on the Financial Statements

We have audited the accompanying financial statements of Camp Korey, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows, for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Camp Korey as of December 31, 2020 and 2019, 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.

Mon Adams LLP

Seattle, Washington
October 1, 2021

Camp Korey Statements of Financial Position

ASSETS

	December 31,	
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,100,120	\$ 1,925,110
Current portion of pledges receivable, net of allowance for doubtful accounts of \$26,996 and \$8,310 at December 31, 2020 and 2019 (Note 5)	1,164,895	1,657,709
Grants Receivable	106,047	-
Other receivables	10,251	38,245
Prepaid expenses and other	64,684	110,427
Total current assets	4,445,997	3,731,491
LAND, BUILDINGS AND EQUIPMENT , net of accumulated depreciation and amortization (Note 6)	4,950,446	4,645,400
INVESTMENTS (Notes 3 and 4)	1,399,941	1,230,830
PLEDGES RECEIVABLE , net of current portion (Note 5)	336,448	366,048
OTHER ASSETS	4,386	4,650
Total assets	\$ 11,137,218	\$ 9,978,419

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 46,502	\$ 59,186
Accrued liabilities	153,624	78,788
Current portion of capital lease obligation (Note 7)	6,125	5,609
Current portion of EIDL loan (Note 8)	1,893	-
Current portion of term loan (Note 8)	89,084	85,348
Total current liabilities	297,228	228,931
CAPITAL LEASE OBLIGATION , net of current portion (Note 7)	17,896	24,020
ECONOMIC INJURY DISASTER LOAN (EIDL) (Note 8)	148,107	-
TERM LOAN , net of issuance costs (Note 8)	3,133,160	3,218,321
Total liabilities	3,596,391	3,471,272
COMMITMENTS AND CONTINGENCIES (Notes 1, 7 and 15)		
NET ASSETS		
Net assets without donor restrictions	3,348,897	3,026,591
Net assets with donor restrictions (Note 11)	4,191,930	3,480,556
Total net assets	7,540,827	6,507,147
Total liabilities and net assets	\$ 11,137,218	\$ 9,978,419

Camp Korey
Statements of Activities and Changes in Net Assets
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	2020 Total
SUPPORT AND REVENUE			
Contributed income and earned revenue			
Contributed income	\$ 1,040,342	\$ 1,159,024	\$ 2,199,366
In-kind contributions (Note 9)	441,662	-	441,662
Earned revenue, net	23,346	-	23,346
Paycheck protection program proceeds	340,130	-	340,130
Investment and interest income, net	6,539	242,943	249,482
	<u>1,852,019</u>	<u>1,401,967</u>	<u>3,253,986</u>
Total support from contributed income and earned revenue			
Special events revenue			
Special events revenue	1,012,713	-	1,012,713
Less cost of direct benefit to donors	(258,921)	-	(258,921)
	<u>753,792</u>	<u>-</u>	<u>753,792</u>
Net revenues from special events			
Total support and revenue	2,605,811	1,401,967	4,007,778
Assets released from restriction	690,593	(690,593)	-
	<u>3,296,404</u>	<u>711,374</u>	<u>4,007,778</u>
Total support, revenue, and releases			
EXPENSES			
Program	2,189,522	-	2,189,522
Fundraising	671,915	-	671,915
Management and general	112,661	-	112,661
	<u>2,974,098</u>	<u>-</u>	<u>2,974,098</u>
Total expenses			
INCREASE IN NET ASSETS	322,306	711,374	1,033,680
NET ASSETS, beginning of year	<u>3,026,591</u>	<u>3,480,556</u>	<u>6,507,147</u>
NET ASSETS, end of year	<u>\$ 3,348,897</u>	<u>\$ 4,191,930</u>	<u>\$ 7,540,827</u>

Camp Korey
Statements of Activities and Changes in Net Assets
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	2019 Total
SUPPORT AND REVENUE			
Contributed income and earned revenue			
Contributed income	\$ 1,072,082	\$ 1,845,593	\$ 2,917,675
In-kind contributions (Note 9)	981,467	-	981,467
Earned revenue, net	11,112	-	11,112
Investment and interest income, net	5,781	253,334	259,115
Total support from contributed income and earned revenue	<u>2,070,442</u>	<u>2,098,927</u>	<u>4,169,369</u>
Special events revenue			
Special events revenue	1,312,583	-	1,312,583
Less cost of direct benefit to donors	<u>(241,999)</u>	<u>-</u>	<u>(241,999)</u>
Net revenues from special events	<u>1,070,584</u>	<u>-</u>	<u>1,070,584</u>
Total support and revenue	3,141,026	2,098,927	5,239,953
Assets released from restriction	<u>199,246</u>	<u>(199,246)</u>	<u>-</u>
Total support, revenue, and releases	<u>3,340,272</u>	<u>1,899,681</u>	<u>5,239,953</u>
EXPENSES			
Program	2,968,989	-	2,968,989
Fundraising	863,061	-	863,061
Management and general	<u>120,040</u>	<u>-</u>	<u>120,040</u>
Total expenses	<u>3,952,090</u>	<u>-</u>	<u>3,952,090</u>
NON-OPERATING LOSS	(105,000)	-	(105,000)
(DECREASE) INCREASE IN NET ASSETS	(716,818)	1,899,681	1,182,863
NET ASSETS, beginning of year	<u>3,743,409</u>	<u>1,580,875</u>	<u>5,324,284</u>
NET ASSETS, end of year	<u>\$ 3,026,591</u>	<u>\$ 3,480,556</u>	<u>\$ 6,507,147</u>

Camp Korey
Statements of Functional Expenses
Year Ended December 31, 2020

	Program	Supporting Services			Total Expenses
		Fundraising	Management and General	Total	
PERSONNEL EXPENSES					
Salaries	\$ 1,088,330	\$ 290,495	\$ 50,846	\$ 341,341	\$ 1,429,671
Employee benefits	106,204	24,164	6,674	30,838	137,042
Payroll taxes	100,834	26,580	4,753	31,333	132,167
	<u>1,295,368</u>	<u>341,239</u>	<u>62,273</u>	<u>403,512</u>	<u>1,698,880</u>
OTHER EXPENSES					
Donated goods and services	126,900	38,822	1,944	40,766	167,666
Other expenses	277,906	147,609	18,859	166,468	444,374
Facilities and utilities	134,009	2,837	7,093	9,930	143,939
Depreciation and amortization	209,832	4,513	11,281	15,794	225,626
Interest expense	119,818	2,663	10,650	13,313	133,131
Fundraising	1,602	133,872	198	134,070	135,672
Medical supplies	3,970	13	46	59	4,029
Food and hospitality	2,960	23	65	88	3,048
Program supplies	16,001	(14)	190	176	16,177
Volunteer recruitment and training	1,156	338	62	400	1,556
	<u>894,154</u>	<u>330,676</u>	<u>50,388</u>	<u>381,064</u>	<u>1,275,218</u>
Total expenses	<u>\$ 2,189,522</u>	<u>\$ 671,915</u>	<u>\$ 112,661</u>	<u>\$ 784,576</u>	<u>\$ 2,974,098</u>

Camp Korey
Statements of Functional Expenses
Year Ended December 31, 2019

	Supporting Services			Total	Total Expenses
	Program	Fundraising	Management and General		
PERSONNEL EXPENSES					
Salaries	\$ 1,245,082	\$ 387,730	\$ 58,557	\$ 446,287	\$ 1,691,369
Employee benefits	77,257	25,125	3,689	28,814	106,071
Payroll taxes	94,296	36,401	3,096	39,497	133,793
Total personnel expenses	<u>1,416,635</u>	<u>449,256</u>	<u>65,342</u>	<u>514,598</u>	<u>1,931,233</u>
OTHER EXPENSES					
Donated goods and services	636,156	109,942	720	110,662	746,818
Other expenses	253,515	122,547	15,531	138,078	391,593
Facilities and utilities	208,308	13,082	10,997	24,079	232,387
Depreciation and amortization	200,693	11,150	11,150	22,300	222,993
Interest expense	125,905	2,798	11,192	13,990	139,895
Professional fees	43,599	969	3,875	4,844	48,443
Fundraising	4,327	151,688	137	151,825	156,152
Medical supplies	5,635	7	7	14	5,649
Food and hospitality	42,383	410	438	848	43,231
Program supplies	29,119	902	494	1,396	30,515
Volunteer recruitment and training	2,714	310	157	467	3,181
Total other expenses	<u>1,552,354</u>	<u>413,805</u>	<u>54,698</u>	<u>468,503</u>	<u>2,020,857</u>
Total expenses	<u>\$ 2,968,989</u>	<u>\$ 863,061</u>	<u>\$ 120,040</u>	<u>\$ 983,101</u>	<u>\$ 3,952,090</u>

Camp Korey

Statements of Cash Flows

	Years Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,033,680	\$ 1,182,863
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	225,626	222,993
Donated stock	-	(5,005)
Contribution of design work	-	(71,750)
Write off of stock in privately held company	-	105,000
Unrealized/realized gain on investments	(219,118)	(230,767)
Interest and dividends on investments	(12,982)	(10,354)
Allowance for doubtful accounts	26,996	8,310
Changes in operating assets and liabilities		
Pledges receivable	495,418	(1,143,814)
Grant receivable	(106,047)	-
Other receivables	27,994	38,491
Prepaid expenses and other	46,007	(2,961)
Accounts payable	(12,684)	(209,114)
Accrued liabilities	74,836	18,495
Deferred revenue	-	(14,500)
Net cash provided by (used in) operating activities	<u>1,579,726</u>	<u>(112,113)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(526,748)	(184,866)
Purchase of investments	(526,417)	(173,309)
Sale of investments	589,406	173,309
Release of restricted cash reserve account, net	-	-
Net cash used in investing activities	<u>(463,759)</u>	<u>(184,866)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment on loan	(85,349)	(3,205,088)
Borrowings on loan	150,000	3,450,000
Borrowings (payments) on capital lease obligation	(5,608)	2,103
Payments on deferred financing costs	-	(98,111)
Net cash provided by financing activities	<u>59,043</u>	<u>148,904</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>1,175,010</u>	<u>(148,075)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,925,110</u>	<u>2,073,185</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,100,120</u>	<u>\$ 1,925,110</u>
SUPPLEMENTAL DISCLOSURE AND NON-CASH INVESTING AND FINANCING ACTIVITIES		
Cash paid during the year for interest	<u>\$ 133,131</u>	<u>\$ 139,894</u>

Note 1 – Description of Operations and Significant Accounting Policies

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

The Organization's significant accounting policies are summarized below.

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

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

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

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

Investments – Investments consist of a money market account and one exchange traded fund that are carried at fair value, as described in Note 3, with any realized and unrealized gains and losses included in income. The investments are classified as long-term given their restricted nature. The private equity investment was written off during 2019.

Contributions – All contributions are considered to be available without donor restrictions unless specifically restricted by purpose or time by the donor. Amounts received that are designated by the donor for specific purposes are reported as net assets with donor restriction regardless of the time period when the restriction is fulfilled. Amounts that are designated by the donor for future time periods are reported as net assets with donor restriction until the time period arrives. Additionally, promises to pay are reported as net assets with donor restriction when the restriction is not fulfilled in the same period. Payments received for sponsorships and other earned revenue prior to the service period are deferred and recognized as earned during the service period.

Camp Korey

Notes to Financial Statements

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

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

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

The 2019-2021 Washington State Capital Budget included a \$528,650 net appropriation to Camp Korey for construction of its Youth Recreational Facility for Children with Life-Altering Medical Conditions Project. The Department of Commerce will administer the project on a reimbursement basis. The revenue from the grant will be recognized as expenses are incurred during the life of the project, currently planned for calendar year 2021. No revenue has been recorded as of December 31, 2020.

During 2020, the Organization received a conditional grant from the M.J. Murdock Charitable Trust in the amount of \$300,000. The grant is to be used towards general project support in constructing the new youth recreational center. Receipt of grant funds is contingent upon completing the project during the planned timeline. The balance of funds required to complete the project is expected to be received by July 1, 2022. The tentative payment date is scheduled for July 1, 2022. The Organization anticipates conditions will be met during 2021.

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

A separately operated non-profit corporation, The Korey Foundation, held an annual spring golf tournament in which the Organization was the sole beneficiary of any excess revenues over expenses that resulted. The Foundation ceased operation in 2020 and provided a final distribution to Camp Korey.

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

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

Land, buildings and equipment – Land, buildings, and equipment are stated at cost, if purchased, or fair value if contributed. Camper recreation equipment consisted of boats, teepees, pottery kiln, and various other equipment to enhance the camp experience. Depreciation and amortization is computed using the straight-line method over the useful lives of assets ranging from 5 to 20 years for furniture, equipment, and vehicles and 50 years for buildings. The Organization capitalizes asset purchases greater than \$1,000.

Federal income taxes – The Organization is exempt from federal taxes on income as a nonprofit organization described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is not considered a private foundation. Net unrelated business income, if any, is subject to federal income taxes under Sections 512 and 514. There were no taxes due for the years ended December 31, 2020 and 2019.

The Organization recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. The Organization recognizes interest and penalties related to income tax matters in income tax expense, if applicable. As of December 31, 2020 and 2019, the Organization is not aware of any uncertain tax positions that require accrual.

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

On January 25, 2021, the Organization received a second round of funding through the Paycheck Protection Program (PPP) in the amount of \$476,184 from the Small Business Administration. The loan is payable monthly beginning on November 25, 2021, and matures on January 25, 2026. The loan carries an interest rate of 1%. The PPP program includes forgiveness provisions and Camp Korey anticipates that the full amount of the loan will be forgiven.

On March 12, 2021, the Organization received notification from the Small Business Administration that their initial PPP loan of \$340,130, plus accrued interest, had been approved for forgiveness. The cash inflow from the PPP loan has been recorded as revenue in 2020, which matches the accounting period of the eligible expenses. This amount is shown as a separate line item on the statement of activities and changes in net assets.

Camp Korey

Notes to Financial Statements

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

On April 22, 2021, the Organization secured a loan for \$5,500,000 through Mountain Pacific Bank to fund construction at camp. The loan includes interest only payments due monthly beginning June 10, 2021, and matures May 10, 2024. All outstanding principal plus accrued unpaid interest is due upon maturity. The loan carries a variable interest rate of the Wall Street Journal Prime Rate Index plus 1.5%, initially set at 4.75%. The loan is secured by a construction deed of trust, assignment of rents, and all equipment, inventory and accounts.

On July 29, 2021, the Organization received approval of an increase of its Small Business Administration Economic Injury Disaster Loan (EIDL) from \$150,000 to \$500,000. The loan is payable monthly beginning June 6, 2023, and matures on June 6, 2051. The loan carries an interest rate of 2.75%.

Subsequent events were evaluated through October 1, 2021, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2020.

Note 2 – Liquidity and Availability of Financial Assets

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

Camp Korey's financial assets available within one year of the statement of financial position date for general expenditures were as follows for the year ended December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,100,120	\$ 1,925,110
Investments	1,399,941	1,230,830
Receivables	10,251	38,245
Promises to give for general purposes, due within one year	<u>1,191,891</u>	<u>1,666,019</u>
Allowance for doubtful accounts	(26,996)	(8,310)
Less those unavailable for general expenditure within one year:		
Long term investments	<u>(1,399,941)</u>	<u>(1,230,830)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,275,266</u>	<u>\$ 3,621,064</u>

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

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

Camp Korey
Notes to Financial Statements

Note 3 – Investments

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

	<u>2020</u>	<u>2019</u>
Money market fund	\$ 101,839	\$ 73,773
International stock exchange-traded fund	<u>1,298,102</u>	<u>1,157,057</u>
Total investments	<u>\$ 1,399,941</u>	<u>\$ 1,230,830</u>

Note 4 – Fair Value Measurements

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

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

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

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

The fair value measurement of the money market account and stock exchange-traded fund assets is based on quoted market prices in active markets and, therefore, these assets are recorded at fair value on a recurring basis and classified as Level 1 assets.

The following table presents information about the Organization's assets measured at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance</u>
ASSETS (at fair value)				
Investments				
Money market	\$ 101,839	\$ -	\$ -	\$ 101,839
Public equity securities	<u>1,298,102</u>	<u>-</u>	<u>-</u>	<u>1,298,102</u>
	<u>\$ 1,399,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,399,941</u>

Camp Korey

Notes to Financial Statements

Note 4 – Fair Value Measurements (continued)

The following table presents information about the Organization's assets measured at fair value as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance</u>
ASSETS (at fair value)				
Investments				
Money market	\$ 73,773	\$ -	\$ -	\$ 73,773
Public equity securities	1,157,057	-	-	1,157,057
	<u>\$ 1,230,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,230,830</u>

The transfer of assets between fair value hierarchy levels are recognized on the date the event occurs. There were no such transfers during the years ended December 31, 2020 and 2019.

There were no changes in valuation methodologies or assumptions during the years ended December 31, 2020 and 2019.

Note 5 – Pledges Receivable

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

	<u>2020</u>	<u>2019</u>
Expected to be realized:		
In one year or less	\$ 1,191,891	\$ 1,666,019
Between one year and five years	338,000	367,600
Total	1,529,891	2,033,619
Less allowance for doubtful accounts	(26,996)	(8,310)
Less unamortized discount	(1,552)	(1,552)
	<u>\$ 1,501,343</u>	<u>\$ 2,023,757</u>

As of December 31, 2020 and 2019, pledges due in more than one year were reflected at the present value of estimated future cash flows using a discount rate of 1.69%.

Approximately 59% of pledges receivable at December 31, 2020, are due from four donors. Approximately 58% of pledges receivable at December 31, 2019, are due from one donor.

Camp Korey
Notes to Financial Statements

Note 6 – Land, Buildings, and Equipment

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

	<u>2020</u>	<u>2019</u>
Land	\$ 882,319	\$ 882,319
Buildings and improvements	3,732,239	3,539,143
Furniture, fixtures, and equipment	742,370	736,757
Camper recreation equipment	76,082	76,082
Vehicles	333,576	333,576
Construction in process	<u>474,955</u>	<u>146,916</u>
	6,241,541	5,714,793
Less accumulated depreciation and amortization	<u>(1,291,095)</u>	<u>(1,069,393)</u>
	<u><u>\$ 4,950,446</u></u>	<u><u>\$ 4,645,400</u></u>

Note 7 – Commitments

The Organization leases certain equipment under a capital lease arrangement. The lease requires monthly payments through 2024 and has an interest rate of 8.83%. Future payments on the capital lease obligation are as follows:

2021	\$ 8,005
2022	8,005
2023	8,005
2024	<u>4,003</u>
Less interest	<u>(3,997)</u>
	<u><u>\$ 24,021</u></u>

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

Camp Korey

Notes to Financial Statements

Note 7 – Commitments (continued)

The Organization leases office facilities under operating lease agreements that extend through May 2022. One of the agreements for the office facilities requires the Organization to pay a pro rata share of operating expenses associated with the leased property. Future minimum lease payments for the years ending December 31 are as follows:

2021	\$	6,784
2022		<u>1,931</u>
	\$	<u><u>8,715</u></u>

Rental expense under operating leases was \$42,053 and \$46,580 for the years ended December 31, 2020 and 2019, respectively. Camp Korey vacated its Lynnwood, Washington administrative office space in January 2021.

Note 8 – Term Loan

Future maturities of long term debt are as follows:

2021	\$	89,084
2022		92,598
2023		96,251
2024		99,718
2025		103,981
Thereafter		<u>2,827,930</u>
Less unamortized issuance costs		<u>(87,318)</u>
	\$	<u><u>3,222,244</u></u>

On April 1, 2019, the Washington State Housing Finance Commission issued Variable Rate Demand Nonprofit Revenue Bonds, Series 2019 (the 2019 Bonds) of \$3,450,000 and loaned the proceeds to Camp Korey. The 2019 Bonds were issued with the purpose of refinancing the Organization's existing bridge loan. The 2019 Bonds were then sold to a private lender. The bonds mature on April 1, 2044, and bear interest at 3.875% per annum, subject to reset on each reset date set forth in the financing agreement, and paid monthly. Principal payments, as determined in the financing agreement schedule of payments, are payable monthly. The current portion of debt of \$89,084 and long term portion of \$3,133,160 net of issuance costs is presented as outstanding as of December 31, 2020. The current portion of debt of \$85,348 and long term portion of \$3,218,321 net of issuance costs is presented as outstanding as of December 31, 2019. The loan is secured by real property.

On June 6, 2020, the Organization received \$150,000 in loan proceeds from the Small Business Administration. The \$150,000 EIDL loan is payable monthly beginning on June 6, 2021, and matures on June 6, 2051. The loan carries an interest rate of 2.75%.

Note 9 – In-Kind Contributions

The Organization received in-kind gifts and in-kind accounting, legal, and medical services valued at \$441,652 and \$981,467 for the years ended December 31, 2020 and 2019, respectively.

Note 10 – Related-Party Transactions and Board Contributions

During the years ended December 31, 2020 and 2019, 13 and 15 board members provided contributions totaling approximately \$238,000 and \$373,000, respectively, to the Organization, either individually or through foundations or businesses in which they exercise control in discretionary contributions.

Note 11 – Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Program activities	\$ 54,621	\$ 79,000
Capital activities	<u>2,724,569</u>	<u>2,221,915</u>
	<u>2,779,190</u>	<u>2,300,915</u>
Subject to the passage of time:		
For periods after December 31,	<u>-</u>	<u>-</u>
Subject to spending policy and appropriation:		
Endowment earnings (losses) for use in programming	<u>417,649</u>	<u>184,550</u>
Not subject to appropriation or expenditure:		
Endowment donor restricted funds	<u>995,091</u>	<u>995,091</u>
	<u>\$ 4,191,930</u>	<u>\$ 3,480,556</u>

Camp Korey

Notes to Financial Statements

Note 11 – Net Assets with Donor Restrictions (continued)

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

	2020	2019
Purpose restrictions accomplished:		
Program expenses	\$ 201,792	\$ 91,201
Capital expenses	488,801	35,057
	<u>690,593</u>	<u>126,258</u>
Time restrictions accomplished:		
Passage of a specified time	-	10,000
	<u>-</u>	<u>62,988</u>
Release of appropriated endowment amounts	<u>-</u>	<u>62,988</u>
	<u>\$ 690,593</u>	<u>\$ 199,246</u>

Note 12 – Endowments

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

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

The Organization receives contributions towards an endowment whose investment earnings will be used for program needs while the principal remains intact. There was an investment gain of \$242,943 and \$253,334 during the years ended December 31, 2020 and 2019, respectively. These contributions are recorded in net assets with donor restrictions and their earnings are included in program and capital restricted revenue. There were no amounts contributed during the years ended December 31, 2020 and 2019, to the endowment. Total donor-restricted endowment funds were \$995,091 as of December 31, 2020 and 2019.

Note 12 – Endowments (continued)

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

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

Spending policy and how the investment objectives relate to spending policy – In 2018, Camp Korey adopted an Endowment Spending Policy with two primary goals: maintaining the perpetual purchasing power of the principal providing a significant and stable flow of funds to the operating budget. This allows the Organization to provide services and programs to children today, while providing adequate resources to support the Organization in the future. Distributions were \$0 and \$62,988 in 2020 and 2019, respectively. For future budgeting years, the Organization may elect to take an annual distribution based on a Board approved calculation that considers inflation and market value of the endowment investments.

Note 13 – Concentrations

For the year ended December 31, 2020, no individual donor made contributions representing more than 10% of the Organization’s total support. Approximately 29% of the Organization’s total support was provided by contributions from one donor during the year ended December 31, 2019.

Approximately \$607,000 and \$662,520 of the Organization’s total support was provided by contributions from one fundraising event, the Grow fall dinner and auction, held during the years ended December 31, 2020 and 2019, respectively, and is recorded in special events revenue.

Camp Korey

Notes to Financial Statements

Note 14 – 401(k) Retirement Plan

The Organization sponsors a 401(k) Salary Deferral Plan (Plan) which covers all employees of the Organization. The Organization contributes to the retirement accounts of employees who have completed 1,000 hours of service. Individual contributions to the Plan are determined by the employee at an amount not to exceed Internal Revenue Code limits. Effective January 1, 2016, the Organization contributes to the Plan by matching participating employees' 401(k) salary reductions up to 3% of compensation. The Organization made matching contributions of \$20,430 and \$13,320 during the years ended December 31, 2020 and 2019, respectively.

Note 15 – Contingencies

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

