

Audited Financial Statements

BAY CLIFF HEALTH CAMP, INC.

December 31, 2015

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December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Bay Cliff Health Camp, Inc.  
Big Bay, Michigan

We have audited the accompanying financial statements of Bay Cliff Health Camp, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Board of Directors  
Bay Cliff Health Camp, Inc.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bay Cliff Health Camp, Inc., as of December 31, 2015 and 2014, 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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2016, on our consideration of Bay Cliff Health Camp, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bay Cliff Health Camp, Inc.'s internal control over financial reporting and compliance.

*Makela, Toutant, Hill & Nardi, P.C.*

Marquette, Michigan

May 10, 2016

STATEMENTS OF FINANCIAL POSITION

BAY CLIFF HEALTH CAMP, INC.

	December 31	
	2015	2014
<b>ASSETS</b>		
Cash	\$ 486,524	\$ 186,524
Accounts and other receivables	417,467	192,784
Bequest receivable		40,000
Pledges receivable, net	96,383	176,427
Prepaid expenses	5,212	6,271
Investments	2,394,406	2,539,523
Other assets held for sale	22,000	21,000
Land, buildings, and equipment, net	<u>6,732,600</u>	<u>6,552,618</u>
TOTAL ASSETS	<u>\$ 10,154,592</u>	<u>\$ 9,715,147</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 164,563	\$ 3,930
Accrued payroll tax liabilities	4,880	4,035
401(k) contribution payable		11,086
Accrued interest payable	7,639	8,524
Line of credit	100,000	
Mortgage note payable	<u>2,950,591</u>	<u>3,005,874</u>
TOTAL LIABILITIES	<u>3,227,673</u>	<u>3,033,449</u>
<b>NET ASSETS</b>		
Unrestricted:		
Designated	1,113,296	1,121,215
Undesignated	<u>4,174,828</u>	<u>3,965,519</u>
TOTAL UNRESTRICTED NET ASSETS	5,288,124	5,086,734
Temporarily restricted	521,364	399,502
Permanently restricted	<u>1,117,431</u>	<u>1,195,462</u>
TOTAL NET ASSETS	<u>6,926,919</u>	<u>6,681,698</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,154,592</u>	<u>\$ 9,715,147</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

BAY CLIFF HEALTH CAMP, INC.

	Year Ended December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 1,143,579	\$ 417,612	\$ 13,225	\$ 1,574,416
Program income	129,856			129,856
Federal grants	41,298			41,298
Memorials and bequests	384,905			384,905
Rents	114,218			114,218
Interest and dividends	123,471	425		123,896
Miscellaneous	11,350			11,350
Net assets released due to satisfaction of restrictions	293,218	(293,218)		0
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,241,895</b>	<b>124,819</b>	<b>13,225</b>	<b>2,379,939</b>
<b>EXPENSES</b>				
Program Services	1,760,972			1,760,972
Supporting Services:				
Management and general	143,837			143,837
Fundraising	87,624			87,624
<b>TOTAL SUPPORTING SERVICES</b>	<b>231,461</b>	<b>0</b>	<b>0</b>	<b>231,461</b>
<b>TOTAL EXPENSES</b>	<b>1,992,433</b>	<b>0</b>	<b>0</b>	<b>1,992,433</b>
Change in net assets before net realized and unrealized gains on investments	249,462	124,819	13,225	387,506
Net realized and unrealized losses on investments	(48,072)	(2,957)	(91,256)	(142,285)
<b>CHANGE IN NET ASSETS</b>	<b>201,390</b>	<b>121,862</b>	<b>(78,031)</b>	<b>245,221</b>
Net assets at beginning of year	5,086,734	399,502	1,195,462	6,681,698
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 5,288,124</b>	<b>\$ 521,364</b>	<b>\$ 1,117,431</b>	<b>\$ 6,926,919</b>

See notes to financial statements.

STATEMENT OF ACTIVITIES

BAY CLIFF HEALTH CAMP, INC.

	Year Ended December 31, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 998,603	\$ 75,235		\$ 1,073,838
Program income	112,024			112,024
Federal grants	37,746			37,746
Memorials and bequests	541,309			541,309
Rents	128,220			128,220
Interest and dividends	144,201	2,429		146,630
Miscellaneous	3,647			3,647
Net assets released due to satisfaction of restrictions	103,354	(103,354)		0
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,069,104</b>	<b>(25,690)</b>	<b>\$ 0</b>	<b>2,043,414</b>
<b>EXPENSES</b>				
Program Services	1,703,990			1,703,990
Supporting Services:				
Management and general	150,483			150,483
Fundraising	99,800			99,800
<b>TOTAL SUPPORTING SERVICES</b>	<b>250,283</b>	<b>0</b>	<b>0</b>	<b>250,283</b>
<b>TOTAL EXPENSES</b>	<b>1,954,273</b>	<b>0</b>	<b>0</b>	<b>1,954,273</b>
Change in net assets before net realized and unrealized gains on investments	114,831	(25,690)		89,141
Net realized and unrealized gains (losses) on investments	(19,456)	977	2,625	(15,854)
<b>CHANGE IN NET ASSETS</b>	<b>95,375</b>	<b>(24,713)</b>	<b>2,625</b>	<b>73,287</b>
Net assets at beginning of year	4,991,359	424,215	1,192,837	6,608,411
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 5,086,734</b>	<b>\$ 399,502</b>	<b>\$ 1,195,462</b>	<b>\$ 6,681,698</b>

See notes to financial statements.

## STATEMENT OF FUNCTIONAL EXPENSES

BAY CLIFF HEALTH CAMP, INC.

	Year Ended December 31, 2015				
	Program Services	Supporting Services			Total Expenses
	Education and Therapy	Management and General	Fundraising	Total	
Salaries and wages	\$ 723,781	\$ 52,092	\$ 31,683	\$ 83,775	\$ 807,556
Payroll taxes	54,754	3,941	2,397	6,338	61,092
Employee benefits and retirement	103,577	7,455	4,534	11,989	115,566
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<b>882,112</b>	<b>63,488</b>	<b>38,614</b>	<b>102,102</b>	<b>984,214</b>
Food and food supplies	142,303				142,303
Auto and travel	24,884		1,871	1,871	26,755
Education and program supplies	16,927				16,927
Insurance	44,701	2,353		2,353	47,054
Maintenance	22,632	185	369	554	23,186
Postage	10,311	607	1,213	1,820	12,131
Printing	30,508	3,814	3,814	7,628	38,136
Supplies	3,960	495	495	990	4,950
Rent	2,712	1,627	1,085	2,712	5,424
Telephone	9,558	704	408	1,112	10,670
Bank and investment management fees		18,418		18,418	18,418
Utilities	114,305	6,016		6,016	120,321
Professional fees		17,641		17,641	17,641
Clothing and pictures	22,192				22,192
Medical and dental	10,622				10,622
Recruiting	21,527				21,527
Raffle prizes and fundraising events			34,082	34,082	34,082
Miscellaneous	25,142	1,513	5,673	7,186	32,328
Interest expense	122,361	13,596		13,596	135,957
<b>TOTAL EXPENSES</b>	<b>1,506,757</b>	<b>130,457</b>	<b>87,624</b>	<b>218,081</b>	<b>1,724,838</b>
LESS DEPRECIATION					
Depreciation of buildings and equipment	254,215	13,380		13,380	267,595
<b>TOTAL EXPENSES</b>	<b>\$ 1,760,972</b>	<b>\$ 143,837</b>	<b>\$ 87,624</b>	<b>\$ 231,461</b>	<b>\$ 1,992,433</b>

See notes to financial statements.



## STATEMENT OF FUNCTIONAL EXPENSES

### BAY CLIFF HEALTH CAMP, INC.

	Year Ended December 31, 2014				
	Program Services	Supporting Services			Total Expenses
	Education and Therapy	Management and General	Fundraising	Total	
Salaries and wages	\$ 675,719	\$ 53,566	\$ 29,014	\$ 82,580	\$ 758,299
Payroll taxes	50,147	3,975	2,153	6,128	56,275
Employee benefits and retirement	105,120	8,333	4,514	12,847	117,967
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<b>830,986</b>	<b>65,874</b>	<b>35,681</b>	<b>101,555</b>	<b>932,541</b>
Food and food supplies	143,960				143,960
Auto and travel	25,434		1,717	1,717	27,151
Education and program supplies	21,595				21,595
Insurance	43,062	2,266		2,266	45,328
Maintenance	23,379	197	393	590	23,969
Postage	7,670	451	902	1,353	9,023
Printing	23,140	2,893	2,893	5,786	28,926
Supplies	5,293	662	662	1,324	6,617
Rent	4,017	803	536	1,339	5,356
Telephone	11,397	893	496	1,389	12,786
Bank and investment management fees		17,987		17,987	17,987
Utilities	126,525	6,659		6,659	133,184
Professional fees		23,101	1,230	24,331	24,331
Clothing and pictures	16,761				16,761
Medical and dental	7,884				7,884
Recruiting	20,952				20,952
Raffle prizes and fundraising events			36,287	36,287	36,287
Campership appeal			13,448	13,448	13,448
Miscellaneous	12,156	1,389	5,555	6,944	19,100
Interest expense	125,166	13,907		13,907	139,073
<b>TOTAL EXPENSES</b>	<b>1,449,377</b>	<b>137,082</b>	<b>99,800</b>	<b>236,882</b>	<b>1,686,259</b>
<b>LESS DEPRECIATION</b>					
Depreciation of buildings and equipment	254,613	13,401		13,401	268,014
<b>TOTAL EXPENSES</b>	<b>\$ 1,703,990</b>	<b>\$ 150,483</b>	<b>\$ 99,800</b>	<b>\$ 250,283</b>	<b>\$ 1,954,273</b>

See notes to financial statements.

## STATEMENTS OF CASH FLOWS

### BAY CLIFF HEALTH CAMP, INC.

	Year Ended December 31	
	2015	2014
<b>CASH FLOWS PROVIDED (USED) BY</b>		
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 245,221	\$ 73,287
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	267,595	268,014
Write-down of land held for sale		
Net realized and unrealized losses on investments	142,285	15,855
Non-cash contributions	(208,144)	(28,143)
Contributions restricted for long-term purposes	(13,225)	(70,000)
Amortization of discount on pledges receivable	(3,000)	(3,000)
(Increase) Decrease in:		
Accounts and other receivables	(224,683)	(34,979)
Bequests receivable	40,000	(40,000)
Prepaid expenses	1,059	4,963
Other assets	(1,000)	(14,000)
Increase (Decrease) in:		
Accounts payable and other liabilities	161,478	(25,406)
Accrued interest	(885)	982
401(k) contribution payable	(11,086)	11,086
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>395,615</b>	<b>158,659</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(599,253)	(240,715)
Sales and maturities of investments	635,808	324,402
Capital expenditures for building improvements and equipment	(259,877)	(61,985)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(223,322)</b>	<b>21,702</b>
<b>FINANCING ACTIVITIES</b>		
Contributions restricted for long-term purposes	82,990	68,109
Net draws (payments) on line of credit	100,000	(99,986)
Payments on long-term debt	(55,283)	(55,495)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>127,707</b>	<b>(87,372)</b>
<b>NET INCREASE IN CASH</b>	<b>300,000</b>	<b>92,989</b>
Cash at beginning of year	186,524	93,535
<b>CASH AT END OF YEAR</b>	<b>\$ 486,524</b>	<b>\$ 186,524</b>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Stock donations as pledge payments	\$ 13,279	\$ 12,376

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

BAY CLIFF HEALTH CAMP, INC.

December 31, 2015

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bay Cliff Health Camp, Inc. (Corporation), is a private not-for-profit organization with the primary mission of serving children and adults with disabilities. The Corporation's main program is a seven-week summer session of therapy and camp activities for children with orthopedic, hearing, vision, and speech disabilities. The Corporation also seeks cooperative relationships with other not-for-profit organizations to provide programs for children and adults with many different kinds of disabilities and health challenges, helping them live a better life. The Corporation is governed by a fifteen-member Board of Directors and is funded primarily by charitable contributions.

The financial statements of the Corporation have been prepared on the accrual basis of accounting.

The Corporation reports information regarding its financial position and activities according to three classes of net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) based on the existence or nature of any donor-imposed restrictions. The Corporation has the following asset classes:

Unrestricted Net Assets--Unrestricted net assets are those currently available for use in the activities of the Corporation, under direction of the Board and those invested in land, buildings, and equipment. Board-designated or appropriated amounts are reported as part of the unrestricted class. All funds not classified as temporarily or permanently restricted are recorded as unrestricted net assets.

Temporarily Restricted Net Assets--Temporarily restricted net assets are those assets accepted by the Corporation subject to a stipulation, such as a specific operating purpose, the acquisition of property and equipment, or a time limitation, which causes the assets to be unavailable for current use until those commitments have been fulfilled or time restrictions have been met.

Permanently Restricted Net Assets--Permanently restricted net assets are those funds that are to be invested in perpetuity in accordance with the donor's stipulation.

#### Cash

Cash includes cash on hand and cash in checking and savings accounts.

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Receivables

Revenues earned, but not received, as of December 31, are recorded as accounts receivable on the balance sheet. Interest earned on investments at December 31, but not received, is recorded as accrued interest receivable. In the opinion of management, a provision for doubtful accounts is not necessary because all significant amounts are generally collected within two months of the balance sheet date.

Prepaid Expenses

Advance payments for products or services, which are expected to be used in operations within the next twelve months, are included as prepaid expenses.

Pledges Receivable

Contributions are recognized when the donor makes an unconditional promise to give. When donor restrictions expire (i.e., when a stipulated time restriction ends or other restrictions are met), temporarily restricted net assets are reclassified to unrestricted net assets as "net assets released due to satisfaction of restrictions" in the statement of activities. Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Corporation uses the allowance method to estimate uncollectible pledges receivable based on management's analysis of the pledges receivable outstanding.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, except for property received as a gift, which is stated at the fair value at the date of the gift.

Depreciation on properties is computed on a straight-line basis over the estimated useful lives of the assets.

Capital items costing in excess of \$1,000 are capitalized. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	10-40 years
Buildings	20-40 years
Building improvements	5-20 years
Equipment, furniture, and fixtures	5-10 years

## NOTES TO FINANCIAL STATEMENTS--Continued

### BAY CLIFF HEALTH CAMP, INC.

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

##### Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Both realized and unrealized gains and losses are included in net gains or losses on investments in the statement of activities. Investments acquired by gift or bequest are recorded at the market value on the date of donation, and thereafter carried in accordance with the above provision.

##### Accounts Payable and Accrued Expenses

Amounts due for expenses incurred, but not paid, and estimates of obligations for expenses incurred as of December 31, are recorded as accounts payable and accrued expenses.

##### Donated Services and Materials (Gifts-in-Kind)

Contributed professional services are recognized if the services received (a) create or enhance non-financial 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.

Additionally, the Corporation receives a significant amount of contributed time that does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not recorded in the accompanying financial statements.

Contributions of tangible assets are recognized at fair market value when received.

##### Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statement of functional expenses. Based on estimates made by the Corporation's management, certain costs have been allocated among the program and supporting services benefited.

##### Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Subsequent Events

Subsequent events were evaluated through May 10, 2016, which is the date the financial statements were available to be issued.

NOTE B--CONCENTRATION OF CREDIT RISK

At December 31, 2015, the Corporation had cash deposits in excess of federally-insured limits. Uninsured deposits totaled \$259,872 at December 31, 2015. The deposits in excess of federally insured limits are based on the Corporation's bank balances as of December 31, 2015.

NOTE C--INVESTMENTS

Market value and unrealized appreciation (depreciation) on investments are as follows:

	December 31, 2015		
	Cost	Market Value	Unrealized Appreciation (Depreciation)
Short-term investments	\$ 155,305	\$ 155,305	\$ 0
Mutual funds:			
Equity funds	1,526,852	1,448,217	(78,635)
Fixed income funds	860,851	790,884	(69,967)
TOTAL MUTUAL FUNDS	<u>2,387,703</u>	<u>2,239,101</u>	<u>(148,602)</u>
TOTAL AT END OF YEAR	<u>\$ 2,543,008</u>	<u>\$ 2,394,406</u>	<u>\$ (148,602)</u>
	December 31, 2014		
	Cost	Market Value	Unrealized Appreciation (Depreciation)
Short-term investments	\$ 31,741	\$ 31,741	\$ 0
Mutual funds:			
Equity funds	1,577,055	1,677,667	100,612
Fixed income funds	867,574	830,115	(37,459)
TOTAL MUTUAL FUNDS	<u>2,444,629</u>	<u>2,507,782</u>	<u>63,153</u>
TOTAL AT END OF YEAR	<u>\$ 2,476,370</u>	<u>\$ 2,539,523</u>	<u>\$ 63,153</u>

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE C--INVESTMENTS--Continued

The following table presents information about the Corporation's investments measured at fair value on a recurring basis at December 31 and the valuation techniques used by the Corporation to determine those fair values. The Corporation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The FASB ASC 820 Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels:

Level 1: Unadjusted quoted prices in active markets for identical assets that are accessible at the measurement date.

Level 2: Quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are not active; or inputs that are observable, either directly or indirectly.

Level 3: Inputs are unobservable, that is, the inputs are supported by little or no market activity.

	Fair Value	Level 1
<u>December 31, 2015:</u>		
Short-term investments	\$ 155,305	\$ 155,305
Mutual funds:		
Equity funds	1,448,217	1,448,217
Fixed income funds	790,884	790,884
TOTAL INVESTMENT SECURITIES	<u>\$ 2,394,406</u>	<u>\$ 2,394,406</u>
<u>December 31, 2014:</u>		
Short-term investments	\$ 31,741	\$ 31,741
Mutual funds:		
Equity funds	1,677,667	1,677,667
Fixed income funds	830,115	830,115
TOTAL INVESTMENT SECURITIES	<u>\$ 2,539,523</u>	<u>\$ 2,539,523</u>

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE D--LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following:

	December 31	
	2015	2014
Land and land improvements	\$ 763,237	\$ 583,238
Buildings and improvements	8,899,286	8,887,558
Equipment, furniture, and fixtures	813,385	802,832
Construction in progress	414,691	188,237
	<u>10,890,599</u>	<u>10,461,865</u>
Less accumulated depreciation	<u>(4,157,999)</u>	<u>(3,909,247)</u>
<b>TOTAL LAND, BUILDINGS, AND EQUIPMENT</b>	<b><u>\$ 6,732,600</u></b>	<b><u>\$ 6,552,618</u></b>

NOTE E--PLEDGES RECEIVABLE

As of December 31, 2015, pledges receivable totaling \$105,383 are from the "Securing the Future" Campership Appeal:

	December 31, 2015
Receivable in less than one year	\$ 66,028
Receivable in one to five years	<u>39,355</u>
Total unconditional pledges receivable	105,383
Less discount to net present value (discounted at 3%)	(4,000)
Less allowance for uncollectible pledges	<u>(5,000)</u>
<b>NET UNCONDITIONAL PLEDGES RECEIVABLE</b>	<b><u>\$ 96,383</u></b>

As of December 31, 2014, pledges receivable totaling \$185,877 are from the "Securing the Future" Campership Appeal and \$2,550 represent outstanding pledges from the "Building for the Future" Capital Campaign, which officially ended on December 31, 2008:

	December 31, 2014
Receivable in less than one year	\$ 75,925
Receivable in one to five years	<u>112,502</u>
Total unconditional pledges receivable	188,427
Less discount to net present value (discounted at 3%)	(7,000)
Less allowance for uncollectible pledges	<u>(5,000)</u>
<b>NET UNCONDITIONAL PLEDGES RECEIVABLE</b>	<b><u>\$ 176,427</u></b>



NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE F--RETIREMENT PLAN

The Corporation has a contributory defined contribution retirement plan for its permanent, full-time employees who meet the requirement of working more than 1,000 hours annually. The plan is being funded through the purchase of individual annuities. The Corporation contributes five percent of employees' gross salaries for qualifying participants. Contributions to the plan were \$35,131 and \$34,948 for the years ended December 31, 2015 and 2014, respectively.

NOTE G--SUMMARY OF EXPENSES

A summary of expenses for services performed by the Corporation is as follows:

	Year Ended December 31			
	2015		2014	
Program Services:				
Education and Therapy	\$ 1,760,972	88.4%	\$ 1,703,990	87.2%
Supporting Services:				
Management and general	143,837	7.2%	150,483	7.7%
Fundraising	87,624	4.4%	99,800	5.1%
TOTAL SUPPORTING SERVICES	<u>231,461</u>	<u>11.6%</u>	<u>250,283</u>	<u>12.8%</u>
TOTAL EXPENSES	<u>\$ 1,992,433</u>	<u>100.0%</u>	<u>\$ 1,954,273</u>	<u>100.0%</u>

NOTE H--OPERATING LEASE COMMITMENTS

The Corporation leases an office facility in Marquette, Michigan, under a non-cancelable operating lease that expires April 30, 2017. Rental expense totaled \$5,423 and \$5,356 for the years ended December 31, 2015 and 2014, respectively. Future minimum payments due under this lease for the years ended December 31, 2016 and 2017 total \$5,495 and \$1,840, respectively.

NOTE I--FEDERAL INCOME TAXES

The Corporation is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization other than a private foundation.

The Corporation files Form 990 with the Internal Revenue Service. The Corporation believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Corporation's financial condition, results of operations, or cash flows.

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE J--LONG-TERM DEBT

The following is a summary of the mortgage note payable:

	December 31	
	2015	2014
	<hr/>	
Mortgage note payable to the United States Department of Agriculture, bearing a fixed interest rate of 4.5%. The note is payable in monthly installments of \$15,853, including interest, for the remainder of the note maturing in December 2044. The note is secured by a mortgage on the Bay Cliff property and a UCC filing on all furniture, equipment, personal property, accounts receivable, supplies, contract rights, and intangibles.	<u>\$2,950,591</u>	<u>\$3,005,874</u>

Future maturities of the mortgage note payable are as follows:

<u>Year Ending</u> <u>December 31</u>	
2016	\$ 58,812
2017	61,514
2018	64,340
2019	67,296
2020	67,296
Thereafter	<u>2,631,333</u>
	<u>\$ 2,950,591</u>

The Corporation paid interest of \$136,842 and \$138,091 during the years ended December 31, 2015 and 2014, respectively.

NOTE K--LINE OF CREDIT

The Corporation has a line of credit with a local financial institution. This line matures on December 17, 2016, has a limit of \$100,000, and had \$100,000 and \$0 outstanding as of December 31, 2015 and 2014, respectively. This line bears interest at the prime rate, with a minimum of five percent and is unsecured.

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE L--BOARD DESIGNATIONS AND NET ASSETS

Designated net assets represent the following:

Evelyn T. Cohodas Memorial Center

All contributions received in memory of Evelyn T. Cohodas are placed in trust with the income designated for operating expenses of the Corporation.

Development Fund for Staff Salary, Program Improvements, and Facility Renovations

The Board has established the Bay Cliff Development Fund, which is a planned giving program that better equips the Corporation to invest and utilize substantial gifts from donors. Contributions not restricted by the donor may be used at the Board's discretion. The Board has designated the use of income from these funds for staff salary, program improvements, and facility renovations.

Board Designated USDA Required Reserve Account

Funds are required to be set aside into a reserve account to meet the requirements set forth in the USDA security agreement. The USDA has permitted the Corporation to designate a portion of its investment portfolio to meet this reserve requirement.

Total net assets consist of the following:

	December 31	
	2015	2014
Unrestricted		
Designated		
Evelyn T. Cohodas Memorial Center	\$ 123,071	\$ 130,990
Development Fund for staff salary, program improvements, and facility renovations	800,000	800,000
USDA required reserve account	190,225	190,225
TOTAL DESIGNATED	1,113,296	1,121,215
Undesignated	4,174,828	3,965,519
TOTAL UNRESTRICTED	5,288,124	5,086,734
Temporarily Restricted		
Program support and equipment	136,911	203,282
Capital projects	384,453	196,220
TOTAL TEMPORARILY RESTRICTED	521,364	399,502
Permanently Restricted--Endowment Funds	1,117,431	1,195,462
TOTAL NET ASSETS	\$ 6,926,919	\$ 6,681,698

## NOTES TO FINANCIAL STATEMENTS--Continued

### BAY CLIFF HEALTH CAMP, INC.

#### NOTE M--ENDOWMENT FUNDS

The Corporation's endowment funds consist of two individual funds (Brule and Other). As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions, considering the laws of the state for endowment management.

On September 15, 2009, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) was signed into law in the State of Michigan. The Corporation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the applicable donor gift instrument, if applicable. The remaining portion of the donor-restricted endowment fund, that is not classified in permanently restricted net assets, is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the Corporation and the endowment fund
- General economic factors
- The possible effect of inflation or deflation
- The expected total return from income and appreciation of investments
- Other resources of the Corporation
- The investment policy of the Corporation

#### Brule Endowment

The majority of the Corporation's endowment fund net assets are subject to a donor restriction that is more limiting than state law. On December 31, 2008, the Corporation received a donation in the amount of \$1,000,000 to establish the David and Elsa Brule Family Endowment (Brule Endowment). The Corporation and the donors have entered into a formal "Endowment Fund Agreement" (Agreement). This Agreement cites that the historic dollar value of the Brule Endowment shall not be expended. The Corporation may expend realized income (interest and dividends) and net realized appreciation as deemed appropriate. The Agreement prohibits the Corporation from expending unrealized appreciation.

The Agreement allows that the Corporation, at its discretion, may reinvest any net income or net realized appreciation for spending in subsequent periods or the Corporation may elect to allocate any spendable amount to the historic dollar value of the Brule Endowment.

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE M--ENDOWMENT FUNDS--Continued

The Corporation has adopted a "Statement of Investment Policy" (Policy) for the Brule Endowment assets. The investment objectives are to preserve the purchasing power of the historic dollar value of the Brule Endowment through an appropriate allocation to growth investments while generating operating revenues through current investment returns. The Policy sets forth an overall asset allocation guideline, limits concentrations of investments, and prohibits certain types of investments.

The Corporation uses the services of a third-party investment manager. The Policy cites specific investment benchmarks for evaluating the performance of the Brule Endowment and the investment manager.

Other Endowment

The Corporation has established an endowment for other permanently endowed gifts. This endowment includes funds where the donor(s) have included a specific purpose restriction for the physical therapy program and funds for which the donor(s) have not included any purpose restriction.

The Corporation's endowment fund net assets consist of the following:

	December 31, 2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Brule Endowment	\$ 138,733		\$ 1,051,980	\$ 1,190,713
Other Endowment	(160)		65,451	65,291
<b>TOTAL ENDOWMENT FUNDS</b>	<b>\$ 138,573</b>	<b>\$ 0</b>	<b>\$ 1,117,431</b>	<b>\$ 1,256,004</b>

  

	December 31, 2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Brule Endowment	\$ 134,160		\$ 1,143,236	\$ 1,277,396
Other Endowment	272	\$ 2,988	52,226	55,486
<b>TOTAL ENDOWMENT FUNDS</b>	<b>\$ 134,432</b>	<b>\$ 2,988</b>	<b>\$ 1,195,462</b>	<b>\$ 1,332,882</b>

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE M--ENDOWMENT FUNDS--Continued

The following represents the changes in endowment fund net assets for the years ended December 31, 2015 and 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets as of December 31, 2013	\$ 142,107	\$ 2,933	\$ 1,192,837	\$ 1,337,877
Investment return:				
Investment income, net of fees	75,251	414		75,665
Realized losses	(18,452)			(18,452)
Unrealized appreciation	790	187	2,625	3,602
Total investment return	<u>57,589</u>	<u>601</u>	<u>2,625</u>	<u>60,815</u>
Contributions	0	0	0	0
Appropriation of endowment assets for expenditure	<u>(65,264)</u>	<u>(536)</u>	<u>0</u>	<u>(65,800)</u>
Endowment net assets as of December 31, 2014	<u>134,432</u>	<u>2,998</u>	<u>1,195,462</u>	<u>1,332,892</u>
Investment return:				
Investment income, net of fees	60,767	383		61,150
Realized gains	11,598	324		11,922
Unrealized depreciation	(2,003)	(3,281)	(91,256)	(96,540)
Total investment return	<u>70,362</u>	<u>(2,574)</u>	<u>(91,256)</u>	<u>(23,468)</u>
Contributions	0	0	13,225	13,225
Appropriation of endowment assets for expenditure	<u>(66,221)</u>	<u>(424)</u>	<u>0</u>	<u>(66,645)</u>
Endowment net assets as of December 31, 2015	<u>\$ 138,573</u>	<u>\$ 0</u>	<u>\$ 1,117,431</u>	<u>\$ 1,256,004</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS*

Board of Directors  
Bay Cliff Health Camp, Inc.  
Big Bay, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bay Cliff Health Camp, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 10, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bay Cliff Health Camp, Inc.'s (Corporation) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors  
Bay Cliff Health Camp, Inc.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Makela, Toutant, Hill & Nardi, P.C.*

Marquette, Michigan

May 10, 2016