

Audited Financial Statements

BAY CLIFF HEALTH CAMP, INC.

Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Bay Cliff Health Camp, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 audit 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, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2021, 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 solely 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 the effectiveness of Bay Cliff Health Camp, Inc.'s 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 & Katona, P.C.

May 18, 2021

STATEMENTS OF FINANCIAL POSITION

BAY CLIFF HEALTH CAMP, INC.

	December 31	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 985,906	\$ 692,316
Accounts receivable	216	870
Pledges receivable, net	33,300	
Prepaid expenses	3,589	24,456
Investments	2,747,718	2,572,719
Other assets held for sale	20,250	7,000
Land, buildings, and equipment, net	7,494,411	7,274,046
	<u>\$11,285,390</u>	<u>\$10,571,407</u>
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 15,408	\$ 247,066
Accrued payroll tax liabilities	1,654	1,605
Accrued interest payable	15,262	8,723
Line of credit		100,000
Mortgage note payable	2,579,017	2,698,027
	<u>2,611,341</u>	<u>3,055,421</u>
TOTAL LIABILITIES		
NET ASSETS		
Without donor restrictions:		
Designated	1,230,053	1,044,689
Undesignated	5,788,573	4,784,513
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>7,018,626</u>	<u>5,829,202</u>
With donor restrictions	1,655,423	1,686,784
	<u>8,674,049</u>	<u>7,515,986</u>
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	<u>\$11,285,390</u>	<u>\$10,571,407</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

BAY CLIFF HEALTH CAMP, INC.

	Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 1,063,441	\$ 956,887	\$ 2,020,328
Program income	12,525		12,525
Federal grants	203,500		203,500
Memorials and bequests	87,875		87,875
Rents	16,340		16,340
Miscellaneous	1,647		1,647
Net assets released due to satisfaction of restrictions	1,088,031	(1,088,031)	0
TOTAL SUPPORT AND REVENUE	2,473,359	(131,144)	2,342,215
EXPENSES			
Program Services	1,196,603		1,196,603
Supporting Services:			
Management and general	182,945		182,945
Fundraising	124,618		124,618
TOTAL SUPPORTING SERVICES	307,563	0	307,563
TOTAL EXPENSES	1,504,166	0	1,504,166
Change in net assets before other gains (losses)	969,193	(131,144)	838,049
Net investment return	88,924	99,783	188,707
Gain on disposal of assets	131,307		131,307
TOTAL OTHER GAINS (LOSSES)	220,231	99,783	320,014
CHANGE IN NET ASSETS	1,189,424	(31,361)	1,158,063
Net assets at beginning of year	5,829,202	1,686,784	7,515,986
NET ASSETS AT END OF YEAR	\$ 7,018,626	\$ 1,655,423	\$ 8,674,049

See notes to financial statements.

STATEMENT OF ACTIVITIES

BAY CLIFF HEALTH CAMP, INC.

	Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 1,304,953	\$ 951,074	\$ 2,256,027
Program income	98,455		98,455
Federal grants	47,270		47,270
Memorials and bequests	288,331		288,331
Rents	111,363		111,363
Miscellaneous	5,090		5,090
Net assets released due to satisfaction of restrictions	941,247	(941,247)	0
TOTAL SUPPORT AND REVENUE	2,796,709	9,827	2,806,536
EXPENSES			
Program Services	1,852,393		1,852,393
Supporting Services:			
Management and general	220,624		220,624
Fundraising	140,568		140,568
TOTAL SUPPORTING SERVICES	361,192	0	361,192
TOTAL EXPENSES	2,213,585	0	2,213,585
Change in net assets before other gains (losses)	583,124	9,827	592,951
Net investment return	153,267	207,397	360,664
Loss on disposal of fixed assets	(56,978)		(56,978)
TOTAL OTHER GAINS (LOSSES)	96,289	207,397	303,686
CHANGE IN NET ASSETS	679,413	217,224	896,637
Net assets at beginning of year	5,149,789	1,469,560	6,619,349
NET ASSETS AT END OF YEAR	\$ 5,829,202	\$ 1,686,784	\$ 7,515,986

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

BAY CLIFF HEALTH CAMP, INC.

	Year Ended December 31, 2020				
	Program Services		Supporting Services		Total Expenses
	Education and Therapy	Management and General	Fundraising	Total	
Salaries and wages	\$ 406,937	\$ 68,311	\$ 72,493	\$ 140,804	\$ 547,741
Payroll taxes	30,396	5,102	5,415	10,517	40,913
Employee benefits and retirement	103,456	17,366	18,430	35,796	139,252
TOTAL SALARIES AND RELATED EXPENSES	540,789	90,779	96,338	187,117	727,906
Food and food supplies	5,158				5,158
Auto and travel	12,912		882	882	13,794
Education and program supplies	28,178				28,178
Insurance	58,153	3,061		3,061	61,214
Maintenance	28,625	84	168	252	28,877
Postage	10,844	638	1,276	1,914	12,758
Printing	25,496	3,187	3,187	6,374	31,870
Supplies	3,965	496	495	991	4,956
Rent	3,073	1,843	1,229	3,072	6,145
Telephone	6,803	780	421	1,201	8,004
Bank and investment management fees		10,329		10,329	10,329
Utilities	70,321	3,701		3,701	74,022
Professional fees		41,907		41,907	41,907
Clothing and pictures	14,678				14,678
Recruiting	3,145				3,145
Raffle prizes and fundraising events			15,610	15,610	15,610
Scholarships	25,000				25,000
Miscellaneous	5,870	1,337	5,012	6,349	12,219
Interest expense	105,903	11,767		11,767	117,670
TOTAL EXPENSES LESS DEPRECIATION	948,913	169,909	124,618	294,527	1,243,440
Depreciation of buildings and equipment	247,690	13,036		13,036	260,726
TOTAL EXPENSES	\$ 1,196,603	\$ 182,945	\$ 124,618	\$ 307,563	\$ 1,504,166

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

BAY CLIFF HEALTH CAMP, INC.

	Year Ended December 31, 2019				
	Program Services	Supporting Services			Total Expenses
	Education and Therapy	Management and General	Fundraising	Total	
Salaries and wages	\$ 750,653	\$ 69,640	\$ 68,627	\$ 138,267	\$ 888,920
Payroll taxes	56,410	5,233	5,157	10,390	66,800
Employee benefits and retirement	108,672	10,082	9,935	20,017	128,689
TOTAL SALARIES AND RELATED EXPENSES	915,735	84,955	83,719	168,674	1,084,409
Food and food supplies	143,460				143,460
Auto and travel	25,385		2,382	2,382	27,767
Education and program supplies	25,275				25,275
Insurance	54,982	2,894		2,894	57,876
Maintenance	41,633	135	270	405	42,038
Postage	15,407	906	1,813	2,719	18,126
Printing	30,180	3,773	3,772	7,545	37,725
Supplies	5,791	724	724	1,448	7,239
Rent	2,828	1,697	1,131	2,828	5,656
Telephone	6,948	770	456	1,226	8,174
Bank and investment management fees		8,503		8,503	8,503
Utilities	126,859	6,677		6,677	133,536
Professional fees		74,114		74,114	74,114
Clothing and pictures	20,851				20,851
Medical and dental	15,241				15,241
Recruiting	5,814				5,814
Raffle prizes and fundraising events			41,222	41,222	41,222
Scholarships	35,000				35,000
Bad debt expense		7,710		7,710	7,710
Miscellaneous	8,113	1,354	5,079	6,433	14,546
Interest expense	116,042	12,894		12,894	128,936
TOTAL EXPENSES	1,595,544	207,106	140,568	347,674	1,943,218
LESS DEPRECIATION					
Depreciation of buildings and equipment	256,849	13,518		13,518	270,367
TOTAL EXPENSES	\$ 1,852,393	\$ 220,624	\$ 140,568	\$ 361,192	\$ 2,213,585

See notes to financial statements.

STATEMENTS OF CASH FLOWS

BAY CLIFF HEALTH CAMP, INC.

	Year Ended December 31	
	2020	2019
CASH FLOWS PROVIDED (USED) BY		
OPERATING ACTIVITIES		
Change in net assets	\$ 1,158,063	\$ 896,637
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	260,726	270,367
(Gain) Loss on disposal of fixed assets	(131,307)	56,978
Net realized and unrealized gains on investments	(151,276)	(293,740)
Non-cash contributions	(64,947)	(55,973)
Contributions restricted for long-term purposes	(629,000)	(878,915)
(Increase) Decrease in:		
Accounts receivable	654	(870)
Pledges receivable	(33,300)	100
Prepaid expenses	20,867	(20,031)
Increase (Decrease) in:		
Accounts payable and other liabilities	(19,758)	24,277
Accrued interest	6,539	1,365
NET CASH PROVIDED BY OPERATING ACTIVITIES	417,261	195
INVESTING ACTIVITIES		
Purchase of investments	(1,013,851)	(448,877)
Sales and maturities of investments	997,075	580,642
Proceeds from the sale of other assets	6,093	
Proceeds from the sale of fixed assets	312,214	
Capital expenditures for building improvements and equipment	(835,192)	(690,850)
NET CASH USED BY INVESTING ACTIVITIES	(533,661)	(559,085)
FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	629,000	878,915
Net payments on line of credit	(100,000)	
Payments on long-term debt	(119,010)	(68,461)
NET CASH PROVIDED BY FINANCING ACTIVITIES	409,990	810,454
NET INCREASE IN CASH	293,590	251,564
Cash and cash equivalents at beginning of year	692,316	440,752
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 985,906	\$ 692,316
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 111,131	\$ 127,571
Fixed asset additions in accounts payable	\$ 0	\$ 211,851

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

BAY CLIFF HEALTH CAMP, INC.

NOTE A--DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bay Cliff Health Camp, Inc. (Corporation), is a private nonprofit 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 nonprofit 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 15-member Board of Directors (Board) and is funded primarily by charitable contributions.

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

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

Accounts Receivable: Revenues earned but not received as of December 31 are recorded as accounts receivable. Allowances for uncollectible accounts are established based on management's specific assessment of open account balances, historical collection experience, and current economic conditions. As of December 31, 2020 and 2019, management has determined no allowance for uncollectible accounts is necessary.

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), net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

Prepaid Expenses: Advance payments for products or services which are expected to be used in operations within the next 12 months are included as prepaid expenses.

Investments: Investments are carried at fair value, based on quoted prices in active markets. Donated investments are recorded at fair value at the date of donation and are thereafter carried in conformity with the stated policy. Investment return is reported in the statement of activities net of external and direct internal investment expenses and consists of interest and dividend income and realized and unrealized gains or losses.

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE A--DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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.

Capital items costing in excess of \$3,000 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

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.

Financial Statement Presentation: The Corporation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions: Net assets that are not subject to, or are no longer subject to, donor-imposed stipulations. The Board may designate, from net assets without donor restrictions, funds for specified use.

Net Assets With Donor Restrictions: Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition: Revenue is recognized when earned. Revenue from fee-for-services and exchange transactions are recognized as the services are performed. Revenue from contributions is recognized at the time an unconditional promise to give or transfer of assets is made. Revenue from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses, are recognized when the Corporation has incurred expenditures in compliance with specific contract or grant provisions.

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE A--DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Donated Services and Materials (Gifts-in-Kind): Contributed 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: Expenses have been allocated between program services and supporting services (management and general and fundraising). Expenses that can be identified with program or supporting services are charged directly to the program or supporting service benefited. Other expenses which apply to more than one functional category have been allocated on various bases, as determined by management.

Fair Values of Financial Instruments: Investment securities are the Corporation's only assets measured at fair value on a recurring basis.

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.

Reclassifications: Certain amounts as of and for the year ended December 31, 2019, have been reclassified to conform with the current year's presentation.

Subsequent Events: Subsequent events were evaluated through May 18, 2021, which is the date the financial statements were available to be issued.

NOTE B--CASH AND CASH EQUIVALENTS

The composition of the Corporation's cash and cash equivalents at December 31 is as follows:

	December 31	
	2020	2019
Operating	\$ 868,448	\$ 533,562
Restricted for donor-specific purposes	117,458	158,754
TOTAL	<u>\$ 985,906</u>	<u>\$ 692,316</u>

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE B--CASH AND EQUIVALENTS--Continued

The Corporation had cash deposits in excess of federally-insured limits. Uninsured deposits approximated \$695,000 and \$351,400 at December 31, 2020 and 2019, respectively. The deposits in excess of federally-insured limits are based on the Corporation's bank balances as of December 31, 2020 and 2019.

NOTE C--LIQUIDITY

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 985,906	\$ 692,316
Accounts receivable	216	870
Pledges receivable, current portion	33,300	
Investments	<u>2,747,718</u>	<u>2,572,719</u>
TOTAL FINANCIAL ASSETS	3,767,140	3,265,905
Less amounts restricted for purposes other than operations:		
Donor purpose restricted	(169,214)	(300,358)
Endowments	(1,486,209)	(1,386,426)
Less amounts designated by the Board:		
USDA reserve requirement	(190,225)	(190,225)
Other	(1,039,828)	(854,464)
Plus anticipated endowment distributions	<u>65,000</u>	<u>65,000</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR EXPENDITURES WITHIN ONE YEAR	<u>\$ 946,664</u>	<u>\$ 599,432</u>

As part of the Corporation's liquidity management plan, the Corporation invests cash in excess of anticipated future obligations in savings and investments.

At December 31, 2020, the Corporation had two \$100,000 lines of credit which could be drawn upon in the event of an anticipated liquidity need.

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE D--INVESTMENTS

Investments are held for the following purposes at December 31:

	December 31	
	2020	2019
Board designated	\$ 1,039,828	\$ 854,464
Donor purpose restricted	31,456	141,604
USDA reserve requirement	190,225	190,225
Endowments	<u>1,486,209</u>	<u>1,386,426</u>
TOTAL	<u>\$ 2,747,718</u>	<u>\$ 2,572,719</u>

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

	December 31, 2020		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Short-term investments	\$ 232,160	\$ 232,160	\$ 0
Mutual funds:			
Equity funds	1,345,863	1,712,435	366,572
Fixed income funds	785,092	803,123	18,031
TOTAL MUTUAL FUNDS	<u>2,130,955</u>	<u>2,515,558</u>	<u>384,603</u>
TOTAL INVESTMENTS	<u>\$ 2,363,115</u>	<u>\$ 2,747,718</u>	<u>\$ 384,603</u>

	December 31, 2019		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Short-term investments	\$ 249,463	\$ 249,463	\$ 0
Mutual funds:			
Equity funds	1,269,999	1,562,404	292,405
Fixed income funds	758,695	760,852	2,157
TOTAL MUTUAL FUNDS	<u>2,028,694</u>	<u>2,323,256</u>	<u>294,562</u>
TOTAL INVESTMENTS	<u>\$ 2,278,157</u>	<u>\$ 2,572,719</u>	<u>\$ 294,562</u>

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE D--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. Generally accepted accounting principles in the United States of America establish 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.

	<u>Fair Value</u>	<u>Level 1</u>
<u>December 31, 2020:</u>		
Short-term investments	\$ 232,160	\$ 232,160
Mutual funds:		
Equity funds	1,712,435	1,712,435
Fixed income funds	<u>803,123</u>	<u>803,123</u>
TOTAL INVESTMENTS	<u>\$ 2,747,718</u>	<u>\$ 2,747,718</u>
<u>December 31, 2019:</u>		
Short-term investments	\$ 249,463	\$ 249,463
Mutual funds:		
Equity funds	1,562,404	1,562,404
Fixed income funds	<u>760,852</u>	<u>760,852</u>
TOTAL INVESTMENTS	<u>\$ 2,572,719</u>	<u>\$ 2,572,719</u>

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE E--LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following:

	December 31	
	2020	2019
Land and land improvements	\$ 204,656	\$ 384,656
Buildings and improvements	10,760,641	9,280,593
Equipment, furniture, and fixtures	328,749	328,749
Construction in progress	76,294	895,251
	<u>11,370,340</u>	<u>10,889,249</u>
Less accumulated depreciation	<u>(3,875,929)</u>	<u>(3,615,203)</u>
LAND, BUILDINGS, AND EQUIPMENT, NET	<u>\$ 7,494,411</u>	<u>\$ 7,274,046</u>

NOTE F--LINES OF CREDIT

At December 31, 2020, the Corporation had two unsecured lines of credit with local financial institutions. The first line has a limit of \$100,000, bearing interest at the prime rate (minimum of 5 percent) and a maturity date of February 2, 2022. The second line has a limit of \$100,000, bearing interest at prime rate plus 0.5 percent (minimum rate of 5 percent) and a maturity date of November 22, 2021. There were no draws outstanding on either line as of December 31, 2020.

At December 31, 2019, the Corporation had two unsecured lines of credit with local financial institutions. The first line had a limit of \$100,000, bearing interest at the prime rate (minimum rate of 5 percent) and a maturity date of January 16, 2021. This line was fully drawn as of December 31, 2019. The second line had a limit of \$100,000, bearing interest at the prime rate plus 0.5 percent (minimum rate of 5 percent) and a maturity date of November 22, 2020. There were no draws outstanding on this line of credit as of December 31, 2019.

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE G--LONG-TERM DEBT

The following is a summary of the mortgage note payable:

	December 31	
	2020	2019
	<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>\$ 2,579,017</u>	<u>\$ 2,698,027</u>

Future maturities of the mortgage note payable are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2021	\$ 75,729
2022	79,208
2023	82,847
2024	86,653
2025	90,634
Thereafter	<u>2,163,946</u>
TOTAL	<u>\$ 2,579,017</u>

NOTE H--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 were placed in a fund, from which the Board annually distributes a percentage to address financial needs of the facility and programs.

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE H--BOARD DESIGNATIONS AND NET ASSETS--Continued

Development Fund for Programs and Facilities

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 annually distributes a percentage of the fund to address financial needs of the facility and programs.

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.

Net assets at December 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Net Assets Without Donor Restrictions		
Designated:		
Evelyn T. Cohodas Memorial Center	\$ 152,732	\$ 138,892
Development Fund	887,096	715,572
USDA required reserve account	190,225	190,225
TOTAL DESIGNATED	<u>1,230,053</u>	<u>1,044,689</u>
Undesignated	<u>5,788,573</u>	<u>4,784,513</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>7,018,626</u>	<u>5,829,202</u>
Net Assets With Donor Restrictions		
Subject to Expenditure for Specified Purpose:		
Program support and equipment	123,672	49,283
Capital projects	45,542	251,075
TOTAL SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSE	<u>169,214</u>	<u>300,358</u>
ENDOWMENT FUNDS SUBJECT TO SPENDING POLICY	<u>1,486,209</u>	<u>1,386,426</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>1,655,423</u>	<u>1,686,784</u>
TOTAL NET ASSETS	<u><u>\$8,674,049</u></u>	<u><u>\$7,515,986</u></u>

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE I--ENDOWMENT FUNDS

The Corporation's endowment funds consist of two individual funds (Brule and Other). As required by U.S. GAAP, 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. The remaining portion of the donor-restricted endowment fund that is not classified as 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.

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE I--ENDOWMENT FUNDS--Continued

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.

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) has included a specific purpose restriction for the physical therapy program and funds for which the donor(s) has not included any purpose restriction.

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

	December 31, 2020		
	Original Gift	Accumulated Earnings	Total
Brule Endowment	\$ 1,000,000	\$ 398,703	\$ 1,398,703
Other Endowment	71,451	16,055	87,506
TOTAL ENDOWMENT FUNDS	\$ 1,071,451	\$ 414,758	\$ 1,486,209
	December 31, 2019		
	Original Gift	Accumulated Earnings	Total
Brule Endowment	\$ 1,000,000	\$ 306,814	\$ 1,306,814
Other Endowment	66,451	13,161	79,612
TOTAL ENDOWMENT FUNDS	\$ 1,066,451	\$ 319,975	\$ 1,386,426

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE I--ENDOWMENT FUNDS--Continued

The following represents the changes in endowment fund net assets for the years ended December 31, 2020 and 2019:

	<u>Brule Endowment</u>	<u>Other Endowment</u>	<u>Total</u>
Endowment net assets as of December 31, 2018	\$ 1,178,701	\$ 66,717	\$ 1,245,418
Net investment return	191,315	11,082	202,397
Contributions		5,000	5,000
Appropriation of endowment assets for expenditure	<u>(63,202)</u>	<u>(3,187)</u>	<u>(66,389)</u>
Endowment net assets as of December 31, 2019	1,306,814	79,612	1,386,426
Net investment return	91,889	7,894	99,783
Contributions			0
Appropriation of endowment assets for expenditure			<u>0</u>
Endowment net assets as of December 31, 2020	<u>\$ 1,398,703</u>	<u>\$ 87,506</u>	<u>\$ 1,486,209</u>

NOTE J--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 during a 12-month period. The plan is being funded through the purchase of individual annuities. The Corporation contributes eight percent of employees' gross salaries for qualifying participants. Contributions to the plan were \$39,383 and \$40,262 for the years ended December 31, 2020 and 2019, respectively.

NOTE K--OPERATING LEASE COMMITMENTS

The Corporation leases an office facility in Marquette, Michigan, under a non-cancelable operating lease that expired April 30, 2021. Rental expense totaled \$6,145 and \$5,656 for the years ended December 31, 2020 and 2019, respectively. Future minimum payments due under this lease for the year ending December 31, 2021, total \$1,418.

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE L--SUMMARY OF EXPENSES

A summary of expenses for the Corporation is as follows:

	Year Ended December 31			
	2020		2019	
Program Services:				
Education and therapy	\$ 1,196,603	79.6%	\$ 1,852,393	83.7%
Supporting Services:				
Management and general	182,945	12.1%	220,624	9.9%
Fundraising	124,618	8.3%	140,568	6.4%
TOTAL SUPPORTING SERVICES	<u>307,563</u>	<u>20.4%</u>	<u>361,192</u>	<u>16.3%</u>
TOTAL EXPENSES	<u>\$ 1,504,166</u>	<u>100.0%</u>	<u>\$ 2,213,585</u>	<u>100.0%</u>

NOTE M--FEDERAL INCOME TAXES

The Corporation is a nonprofit 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.

NOTE N--RELATED-PARTY TRANSACTIONS

The Corporation recorded donated services from an individual that is a member of Corporation's Board. These services were for construction management relating to the construction of the Boy's Unit and were valued at \$58,000 for the year ended December 31, 2020.

During the years ended December 31, 2020 and 2019, the Corporation recorded donated legal services valued at approximately \$25,000 and \$50,000 respectively. The legal services were provided by a member of the Corporation's Board in response to a successor trustee's effort to nullify a grantor's gift to the Corporation. In addition, during the years ended December 31, 2020 and 2019, the Corporation paid \$378 and \$597 to a law firm for which this same Board member is a principal. The amounts paid by the Corporation represent reimbursement of expenses incurred by the law firm related to the issue described above.

During the year ended December 31, 2020, the Corporation paid \$77,656 for electrical contracting services to a company that is owned by a member of the Corporation's Board.

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE N--RELATED-PARTY TRANSACTIONS--Continued

The Corporation purchased windows from a business that is owned by a member of the Corporation's Board. The purchases totaled \$1,729 and \$22,567 for the years ended December 31, 2020 and 2019, respectively.

NOTE O--PAYCHECK PROTECTION PROGRAM

In April 2020, the Corporation received loan proceeds in the amount of \$203,500, pursuant to the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The PPP provides loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll and certain other expenses. The loans and accrued interest are forgivable if the borrower uses the loan proceeds for eligible purposes. The note has a scheduled maturity of April 2022 and bears an interest rate of 1 percent. Payments of unpaid principal and interest are deferred until the Small Business Administration remits the amount of forgiveness of the note to the lender or notifies the lender that no loan forgiveness is allowed.

In November 2020, the Corporation was notified by their lender that the Small Business Administration had forgiven the full amount of the PPP loan, including accrued interest; therefore, the Corporation has recognized \$203,500 as federal grant income in the statement of activities for the year ended December 31, 2020.

Subsequent to December 31, 2020, the Corporation applied, and was approved, for a second \$203,500 loan under the PPP.

NOTE P--RISKS AND UNCERTAINTIES

In March 2020, the COVID-19 virus was declared a global pandemic, as it continued to spread rapidly. In response to the COVID-19 pandemic, the Governor of Michigan had enacted "Stay Home, Stay Safe" Executive Order(s) directing all Michigan businesses and operations to temporarily suspend in-person operations that were not necessary to sustain or protect life.

As a result of the pandemic, Corporation management made the decision to suspend programming through September 30, 2020, including cancellation of the 2020 Summer Camp. Management continues to monitor the situation, and potential impacts to the Corporation may include decreases in support and revenue and declines in the market value of the investment securities. No adjustments have been made to these financial statements as a result of this uncertainty.

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) (Corporation), which comprise the statement of financial position as of December 31, 2020, 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 18, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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 & Katona, P.C.

May 18, 2021