

Audited Financial Statements

BAY CLIFF HEALTH CAMP, INC.

Years Ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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 30, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bay Cliff Health Camp, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bay Cliff Health Camp, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Bay Cliff Health Camp, Inc.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bay Cliff Health Camp, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bay Cliff Health Camp, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Makela, Tautant, Hill, Nardi & Katona, P.C.

May 17, 2022

STATEMENTS OF FINANCIAL POSITION

BAY CLIFF HEALTH CAMP, INC.

	December 31	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,333,529	\$ 985,906
Accounts receivable	250	216
Pledges receivable, net		33,300
Prepaid expenses	4,110	3,589
Investments	3,819,646	2,747,718
Other assets held for sale	307,000	20,250
Land, buildings, and equipment, net	<u>7,467,271</u>	<u>7,494,411</u>
TOTAL ASSETS	<u>\$12,931,806</u>	<u>\$11,285,390</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 175,746	\$ 15,408
Accrued payroll tax liabilities	1,907	1,654
Accrued interest payable	599	15,262
Notes payable	<u>794,916</u>	<u>2,579,017</u>
TOTAL LIABILITIES	973,168	2,611,341
NET ASSETS		
Without donor restrictions:		
Designated	2,065,609	1,230,053
Undesignated	<u>7,932,529</u>	<u>5,788,573</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	9,998,138	7,018,626
With donor restrictions	<u>1,960,500</u>	<u>1,655,423</u>
TOTAL NET ASSETS	<u>11,958,638</u>	<u>8,674,049</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$12,931,806</u>	<u>\$11,285,390</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

BAY CLIFF HEALTH CAMP, INC.

	Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 1,357,311	\$ 1,772,837	\$ 3,130,148
Program income	18,688		18,688
Federal grants	203,500		203,500
Memorials and bequests	942,135		942,135
Rents	24,917		24,917
Miscellaneous	36,919		36,919
Net assets released due to satisfaction of restrictions	1,704,128	(1,704,128)	0
TOTAL SUPPORT AND REVENUE	4,287,598	68,709	4,356,307
EXPENSES			
Program Services	1,335,598		1,335,598
Supporting Services:			
Management and general	195,431		195,431
Fundraising	107,310		107,310
TOTAL SUPPORTING SERVICES	302,741	0	302,741
TOTAL EXPENSES	1,638,339	0	1,638,339
SUPPORT AND REVENUE IN EXCESS OF EXPENSES	2,649,259	68,709	2,717,968
OTHER CHANGES IN NET ASSETS			
Net investment return	81,250	236,368	317,618
Gain on disposal of assets	249,003		249,003
TOTAL OTHER CHANGES IN NET ASSETS	330,253	236,368	566,621
CHANGE IN NET ASSETS	2,979,512	305,077	3,284,589
Net assets at beginning of year	7,018,626	1,655,423	8,674,049
NET ASSETS AT END OF YEAR	\$ 9,998,138	\$ 1,960,500	\$ 11,958,638

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
SUPPORT AND REVENUE IN EXCESS OF EXPENSES	969,193	(131,144)	838,049
OTHER CHANGES IN NET ASSETS			
Net investment return	88,924	99,783	188,707
Gain on disposal of assets	131,307		131,307
TOTAL OTHER CHANGES IN NET ASSETS	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 FUNCTIONAL EXPENSES

BAY CLIFF HEALTH CAMP, INC.

	Year Ended December 31, 2021				Total Expenses
	Program Services	Management and General	Supporting Services	Total	
	Education and Therapy		Fundraising		
Salaries and wages	\$ 479,634	\$ 72,391	\$ 54,632	\$ 127,023	\$ 606,657
Payroll taxes	35,580	5,370	4,053	9,423	45,003
Employee benefits and retirement	112,485	16,977	12,813	29,790	142,275
TOTAL SALARIES AND RELATED EXPENSES	627,699	94,738	71,498	166,236	793,935
Food and food supplies	34,147				34,147
Auto and travel	19,814		1,343	1,343	21,157
Education and program supplies	43,557				43,557
Insurance	59,633	3,139		3,139	62,772
Maintenance	46,272	1,280	2,561	3,841	50,113
Postage	13,313	783	1,566	2,349	15,662
Printing	22,408	2,801	2,801	5,602	28,010
Supplies	4,790	599	598	1,197	5,987
Rent	2,853	1,712	1,141	2,853	5,706
Telephone	6,977	800	431	1,231	8,208
Bank fees		10,090		10,090	10,090
Utilities	91,247	4,802		4,802	96,049
Professional fees		54,080		54,080	54,080
Clothing and pictures	15,714				15,714
Recruiting	5,105				5,105
Raffle prizes and fundraising events			20,341	20,341	20,341
Scholarships	15,000				15,000
Miscellaneous	11,372	1,342	5,030	6,372	17,744
Interest expense	45,309	5,034		5,034	50,343
TOTAL EXPENSES	1,065,210	181,200	107,310	288,510	1,353,720
Depreciation of buildings and equipment	270,388	14,231		14,231	284,619
TOTAL EXPENSES	\$ 1,335,598	\$ 195,431	\$ 107,310	\$ 302,741	\$ 1,638,339

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 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.

STATEMENTS OF CASH FLOWS

BAY CLIFF HEALTH CAMP, INC.

	Year Ended December 31	
	2021	2020
CASH FLOWS PROVIDED (USED) BY		
OPERATING ACTIVITIES		
Change in net assets	\$ 3,284,589	\$ 1,158,063
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	284,619	260,726
Gain on disposal of fixed assets	(249,003)	(131,307)
Net realized and unrealized gains on investments	(225,239)	(151,276)
Non-cash contributions	(357,630)	(64,947)
Contributions restricted for long-term purposes	(381,700)	(629,000)
(Increase) Decrease in:		
Accounts receivable	(34)	654
Pledges receivable	33,300	(33,300)
Prepaid expenses	(521)	20,867
Increase (Decrease) in:		
Accounts payable and other liabilities	(2,309)	(19,758)
Accrued interest	(14,663)	6,539
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,371,409	417,261
INVESTING ACTIVITIES		
Purchase of investments	(1,252,697)	(1,013,851)
Sales and maturities of investments	433,163	997,075
Proceeds from the sale of other assets	20,250	6,093
Proceeds from the sale of fixed assets	262,951	312,214
Capital expenditures for building improvements and equipment	(85,052)	(835,192)
NET CASH USED BY INVESTING ACTIVITIES	(621,385)	(533,661)
FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	381,700	629,000
Net payments on line of credit		(100,000)
Payments on long-term debt	(1,784,101)	(119,010)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(1,402,401)	409,990
NET INCREASE IN CASH	347,623	293,590
Cash and cash equivalents at beginning of year	985,906	692,316
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,333,529	\$ 985,906
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 65,006	\$ 111,131
Fixed asset additions in accounts payable	\$ 162,900	\$ 0

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, 2021 and 2020, 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.

Subsequent Events: Subsequent events were evaluated through May 17, 2022, 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:

	<u>2021</u>	<u>2020</u>
Operating	\$ 1,127,066	\$ 868,448
Restricted for donor-specific purposes	<u>206,463</u>	<u>117,458</u>
TOTAL	<u>\$ 1,333,529</u>	<u>\$ 985,906</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 \$985,000 and \$695,000 at December 31, 2021 and 2020, respectively. The deposits in excess of federally-insured limits are based on the Corporation's bank balances as of December 31, 2021 and 2020.

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,333,529	\$ 985,906
Accounts receivable	250	216
Pledges receivable, current portion		33,300
Investments	<u>3,819,646</u>	<u>2,747,718</u>
TOTAL FINANCIAL ASSETS	5,153,425	3,767,140
Less amounts restricted for purposes other than operations:		
Donor purpose restricted	(237,922)	(169,214)
Endowments	(1,722,578)	(1,486,209)
Less amounts designated by the Board:		
USDA reserve requirement		(190,225)
Other	<u>(2,065,609)</u>	<u>(1,039,828)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR EXPENDITURES WITHIN ONE YEAR	<u>\$ 1,127,316</u>	<u>\$ 881,664</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, 2021, 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:

	<u>2021</u>	<u>2020</u>
Board designated	\$ 2,065,609	\$ 1,039,828
Donor purpose restricted	31,459	31,456
USDA reserve requirement		190,225
Endowments	<u>1,722,578</u>	<u>1,486,209</u>
TOTAL	<u>\$ 3,819,646</u>	<u>\$ 2,747,718</u>

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

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Short-term investments	\$ 123,074	\$ 123,074	\$ 0
Mutual funds:			
Equity funds	1,923,560	2,470,160	546,600
Fixed income funds	1,238,020	1,226,412	(11,608)
TOTAL MUTUAL FUNDS	<u>3,161,580</u>	<u>3,696,572</u>	<u>534,992</u>
TOTAL INVESTMENTS	<u>\$ 3,284,654</u>	<u>\$ 3,819,646</u>	<u>\$ 534,992</u>
	<u>December 31, 2020</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
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>

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.

	Fair Value	Level 1
	<u> </u>	<u> </u>
<u>December 31, 2021:</u>		
Short-term investments	\$ 123,074	\$ 123,074
Mutual funds:		
Equity funds	2,470,160	2,470,160
Fixed income funds	<u>1,226,412</u>	<u>1,226,412</u>
TOTAL INVESTMENTS	<u>\$ 3,819,646</u>	<u>\$ 3,819,646</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>

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	
	2021	2020
Land and land improvements	\$ 200,131	\$ 204,656
Buildings and improvements	10,786,838	10,760,641
Equipment, furniture, and fixtures	344,349	328,749
Construction in progress	<u>277,654</u>	<u>76,294</u>
	11,608,972	11,370,340
Less accumulated depreciation	<u>(4,141,701)</u>	<u>(3,875,929)</u>
LAND, BUILDINGS, AND EQUIPMENT, NET	<u>\$ 7,467,271</u>	<u>\$ 7,494,411</u>

NOTE F--LINES OF CREDIT

At December 31, 2021, 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 January 28, 2023. 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, 2023. There were no draws outstanding on either line as of December 31, 2021.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE G--NOTES PAYABLE

The following is a summary of the notes payable:

	December 31	
	2021	2020
	<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, and had a scheduled maturity of 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. The note was paid off in 2021.		\$ 2,579,017
Note payable to Nicolet National Bank, bearing a fixed interest rate of 2.5%. The note is payable in monthly installments of \$7,915, including interest, for the remainder of the note, maturing in May 2031. The note is secured by all deposits, accounts, instruments, letters of credit, negotiable documents, chattel paper, or any other property to which Bay Cliff has rights, along with all investment property owned by Bay Cliff and held by Raymond James securities account #49933896, for an amount equal to \$838,142.	\$ 794,916	
TOTAL	<u>\$ 794,916</u>	<u>\$ 2,579,017</u>

Future maturities of the mortgage note payable are as follows:

Year Ending December 31	Amount
	<hr/>
2022	\$ 75,985
2023	77,906
2024	79,876
2025	81,896
2026	83,967
Thereafter	<u>395,286</u>
TOTAL	<u>\$ 794,916</u>

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

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. During the year ended December 31, 2021, the Corporation transferred these funds into the Development Fund for Program and Facilities.

Development Fund

The Board has established the 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. This reserve requirement ended when the Corporation paid off the USDA loan during 2021.

Net assets at December 31 consist of the following:

	<u>2021</u>	<u>2020</u>
Net Assets Without Donor Restrictions		
Designated:		
Evelyn T. Cohodas Memorial Center		\$ 152,732
Development Fund	\$ 2,065,609	887,096
USDA required reserve account		190,225
TOTAL DESIGNATED	<u>2,065,609</u>	<u>1,230,053</u>
Undesignated	<u>7,932,529</u>	<u>5,788,573</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>9,998,138</u>	<u>7,018,626</u>
Net Assets With Donor Restrictions		
Subject to expenditure for specified purpose:		
Program support and equipment	82,284	123,672
Capital projects	155,638	45,542
TOTAL SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSE	<u>237,922</u>	<u>169,214</u>
Endowment funds subject to spending policy	<u>1,722,578</u>	<u>1,486,209</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>1,960,500</u>	<u>1,655,423</u>
TOTAL NET ASSETS	<u>\$ 11,958,638</u>	<u>\$ 8,674,049</u>

NOTES TO FINANCIAL STATEMENTS--Continued

BAY CLIFF HEALTH CAMP, INC.

NOTE I--ENDOWMENT FUNDS

The Corporation's endowment funds consist of three individual funds (Brule, Other, and H & R Aldrich). 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). The 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 I--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) has included a specific purpose restriction for the physical therapy program and funds for which the donor(s) has not included any purpose restriction.

H & R Aldrich Endowment

The Corporation received funds from a donor to establish an endowment fund for which distributions are not restricted for any specific purpose.

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

	December 31, 2021		
	Original Gift	Accumulated Earnings	Total
Brule Endowment	\$ 1,000,000	\$ 574,021	\$ 1,574,021
Other Endowment	71,451	27,101	98,552
H & R Aldrich Endowment	50,000	5	50,005
	<u>\$ 1,121,451</u>	<u>\$ 601,127</u>	<u>\$ 1,722,578</u>
	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
	<u>\$ 1,071,451</u>	<u>\$ 414,758</u>	<u>\$ 1,486,209</u>

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, 2021 and 2020:

	Brule Endowment	Other Endowment	H & R Aldrich Endowment	Total
Endowment net assets as of December 31, 2019	\$ 1,306,814	\$ 79,612		\$ 1,386,426
Contributions				0
Net investment return	91,889	7,894		99,783
Appropriation of endowment assets for expenditure				0
Endowment net assets as of December 31, 2020	1,398,703	87,506	\$ 0	1,486,209
Contributions			50,000	50,000
Net investment return	175,317	11,047	5	186,369
Appropriation of endowment assets for expenditure				0
Endowment net assets as of December 31, 2021	<u>\$ 1,574,020</u>	<u>\$ 98,553</u>	<u>\$ 50,005</u>	<u>\$ 1,722,578</u>

NOTE J--RETIREMENT PLAN

The Corporation has a 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 Corporation contributes eight percent of employees' gross salaries for qualifying participants. Contributions to the plan were \$40,626 and \$39,383 for the years ended December 31, 2021 and 2020, 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, 2022. Rental expense totaled \$5,706 and \$6,145 for the years ended December 31, 2021 and 2020, respectively. Future minimum payments due under this lease for the year ending December 31, 2022, total \$1,907.

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			
	2021		2020	
Program Services:				
Education and therapy	\$ 1,335,598	81.5%	\$ 1,196,603	79.5%
Supporting Services:				
Management and general	195,431	12.0%	182,945	12.2%
Fundraising	107,310	6.5%	124,618	8.3%
TOTAL SUPPORTING SERVICES	<u>302,741</u>	<u>18.5%</u>	<u>307,563</u>	<u>20.5%</u>
 TOTAL EXPENSES	<u>\$ 1,638,339</u>	<u>100.0%</u>	<u>\$ 1,504,166</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 active capital projects and were valued at \$4,375 and \$58,000 for the years ended December 31, 2021 and 2020, respectively.

During the years ended December 31, 2021 and 2020, the Corporation recorded donated legal services valued at approximately \$32,900 and \$25,000, 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, 2021 and 2020, the Corporation paid \$726 and \$378 to a law firm for which this same Board member is an employee. The amounts paid by the Corporation represent reimbursement of expenses incurred by the law firm related to the issue described above.

The Corporation paid for electrical contracting services to a company that is owned by a member of the Corporation's Board. The amounts paid totaled \$14,816 and \$77,656 during the years ended December 31, 2021 and 2020, respectively.

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 \$10,682 and \$1,729 for the years ended December 31, 2021 and 2020, 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 had a scheduled maturity of April 2022 and bore an interest rate of 1 percent.

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 recognized \$203,500 as federal grant income in the statement of activities for the year ended December 31, 2020.

In February 2021, the Corporation received a second PPP loan in the amount of \$203,500. The note had a scheduled maturity of February 2026 and bore an interest rate of 1 percent.

In August 2021, the Corporation was notified by their lender that the Small Business Administration had forgiven the full amount of this second 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, 2021.

NOTE P--RISKS AND UNCERTAINTIES

The Corporation may be subject to social and natural catastrophic events that are beyond the control of the Corporation, such as health epidemics, natural disasters, and other catastrophes, which could materially and adversely affect the Corporation's results of operations and financial condition.

As a result of the pandemic, Corporation management made the decision to conduct the 2021 Summer Camp virtually. During 2020, Corporation management made the decision to suspend programming through September 30, 2020, including cancellation of the 2020 Summer Camp.

Should the COVID-19 pandemic continue, or the local and national economies be materially impacted, the Corporation could see a negative impact to its operations. Management continues to monitor the situation. Any potential impact to the Corporation's future operations and financial condition is unknown at this time.