

**CAMP Rehoboth, Inc.
and Subsidiary
Consolidated Financial Statements
December 31, 2020**



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
CAMP Rehoboth, Inc. and Subsidiary
Rehoboth Beach, Delaware

We have audited the accompanying consolidated financial statements of CAMP Rehoboth, Inc. (a nonprofit organization) and subsidiary, which comprise the consolidated statement of assets, liabilities and net assets – modified cash basis as of December 31, 2020, and the related consolidated statements of revenue, expenses and changes in net assets – modified cash basis and functional expenses – modified cash basis for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the modified cash basis of accounting, as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the consolidated financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Basis for Qualified

As discussed in Note 12, because of an ongoing investigation we were unable to obtain sufficient appropriate audit evidence to form an opinion regarding reimbursements to an employee totaling approximately \$77,000 for the year ended December 31, 2020, which are recorded as program expense in the accompanying consolidated statement of functional expenses – modified cash basis. If these costs are deemed counterfeit, it could affect the classification of functional expenses between program services and management & general. Additionally, any revenue, for current and prior periods, related to associated cost reimbursable grants could be due back to the granting agencies.

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Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of CAMP Rehoboth, Inc. and subsidiary as of December 31, 2020 and its revenue, expenses and changes in its net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Handwritten signature in black ink, appearing to read "KBST&M".

Timonium, Maryland
November 30, 2021

CAMP REHOBOTH, INC.
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents \$ 413,756

Total current assets 413,756

INVESTMENTS

240,184

PROPERTY AND EQUIPMENT

Buildings 2,590,078

Building improvements 2,203,464

Furniture and fixtures 58,355

Office equipment 69,735

Vehicles 24,907

Less: accumulated depreciation (1,455,104)

Net property and equipment 3,491,435

TOTAL ASSETS

\$ 4,145,375

See accompanying notes.

CAMP REHOBOTH, INC.
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS
DECEMBER 31, 2020

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Security deposits	\$ 5,414
Loan payable	77,486
Current maturities of long-term debt	<u>58,348</u>

Total current liabilities 141,248

LONG-TERM DEBT, net of current maturities

2,366,968

Total liabilities

2,508,216

NET ASSETS

Without donor restrictions	1,516,017
With donor restrictions	<u>121,142</u>

Total net assets 1,637,159

TOTAL LIABILITIES AND NET ASSETS

\$ 4,145,375

See accompanying notes.

CAMP REHOBOTH, INC.
CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Donations	\$ 96,882	\$ 6,639	\$ 103,521
Grants	257,131	114,503	371,634
Membership dues	247,815	-	247,815
Special events	253,117	-	253,117
Newsletter	122,290	-	122,290
Rental income	49,943	-	49,943
Net investment return	4,284	-	4,284
Net assets released from restrictions	56,941	(56,941)	-
Total support and revenue	1,088,403	64,201	1,152,604
EXPENSES			
Program services			
Community center	248,008	-	248,008
Outreach	304,769	-	304,769
Health and wellness	289,819	-	289,819
Total program services	842,596	-	842,596
Rental operations	82,634	-	82,634
Management and general	115,604	-	115,604
Fundraising and development	81,488	-	81,488
Total expenses	1,122,322	-	1,122,322
CHANGE IN NET ASSETS	(33,919)	64,201	30,282
NET ASSETS			
BEGINNING OF YEAR	1,549,936	56,941	1,606,877
END OF YEAR	\$ 1,516,017	\$ 121,142	\$ 1,637,159

See accompanying notes.

CAMP REHOBOTH, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services				Rental Operations	Management & General	Fundraising & Development	Total
	Community Center	Outreach	Health & Wellness	Total				
Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,400	\$ -	\$ 11,400
Advertising	2,377	1,081	702	4,160	-	973	1,685	6,818
Auto expense	-	2,541	-	2,541	-	-	-	2,541
Bank and credit card fees	4,640	2,109	1,371	8,120	-	1,898	6,856	16,874
Conferences and meetings	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Depreciation	38,436	17,471	11,356	67,263	17,434	15,724	4,368	104,789
Employee benefits	12,998	16,760	16,459	46,217	-	5,317	1,477	53,011
Events	21,514	9,779	6,356	37,649	-	8,801	24,316	70,766
Health and youth programs	-	-	134,372	134,372	-	-	5,434	139,806
Insurance	7,857	3,572	2,322	13,751	10,723	3,215	893	28,582
Interest	18,235	8,289	5,388	31,912	41,444	7,460	2,072	82,888
Legal and professional fees	6,432	2,924	1,901	11,257	3,000	2,632	731	17,620
Memberships and subscriptions	471	214	139	824	-	193	53	1,070
Memberships premiums	55	25	16	96	-	23	6	125
Newsletter production	-	116,261	-	116,261	-	-	-	116,261
Payroll taxes	7,319	3,327	9,233	19,879	-	2,994	832	23,705
Payroll service	5,246	2,385	1,550	9,181	-	2,146	596	11,923
Postage	2,315	1,950	684	4,949	-	947	2,949	8,845
Printing	1,444	52,392	427	54,263	-	591	2,374	57,228
Property taxes	1,236	562	365	2,163	2,810	506	141	5,620
Repairs and maintenance	9,166	4,166	2,709	16,041	3,406	3,751	1,051	24,249
Salaries	93,438	52,222	90,087	235,747	-	40,967	23,969	300,683
Storage	2,649	1,204	783	4,636	-	1,084	300	6,020
Supplies	5,144	2,338	1,520	9,002	-	2,104	585	11,691
Taxes and licenses	176	80	52	308	-	72	20	400
Telephone	1,919	872	567	3,358	-	785	219	4,362
Utilities	4,941	2,245	1,460	8,646	3,817	2,021	561	15,045
Total	\$ 248,008	\$ 304,769	\$ 289,819	\$ 842,596	\$ 82,634	\$ 115,604	\$ 81,488	\$ 1,122,322

See accompanying notes.

CAMP REHOBOTH, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 **Summary of Significant Accounting Policies**

Nature of organization - CAMP Rehoboth, Inc. is a non-profit organization that was formed as a community service organization on December 6, 1991. On September 13, 2016, CAMP Rehoboth Properties, LLC was formed, as a wholly owned subsidiary of CAMP Rehoboth, Inc. to hold all real property utilized in the operation of the facility and to obtain financing. Collectively the Organizations are known as CAMP. CAMP's mission is to create a positive environment inclusive of all sexual orientations and gender identities in Rehoboth Beach and its related communities, as well as promote cooperation and understanding among all people to build a safer community with room for all.

Principles of consolidation - The accompanying consolidated financial statements include the accounts of Camp Rehoboth, Inc., and CAMP Rehoboth Properties, LLC. All significant inter-organization transactions and balances have been eliminated in consolidation.

Basis of presentation - The accompanying consolidated financial statements have been prepared using the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis, certain revenue is recorded when received rather than when earned and certain expenses are recorded when paid rather than when the obligations are incurred. However, property and equipment (and related debt) is capitalized and depreciated over the estimated useful life of each asset. Additionally, marketable securities are presented at fair value and security deposits received from tenants are recorded as a liability.

CAMP reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of CAMP. These net assets may be used at the discretion of CAMP's management and the board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CAMP or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of estimates - The preparation of consolidated financial statements under the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents - CAMP considers all money market funds and highly liquid investments with an original maturity of three months or less to be cash equivalents, unless held as part of the investment portfolio.

CAMP REHOBOTH, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 **Summary of Significant Accounting Policies (continued)**

Investments - Investments with readily determinable fair values are reported at their fair value in the consolidated statement of assets, liabilities and net assets – modified cash basis. Net investment return is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses, if any.

Certificates of deposit are carried at the original deposited amount, plus accrued interest, which approximates fair value due to the short-term nature of the deposits. Other investments represent funds held by Delaware Community Foundation (DCF) for the benefit of CAMP. The assets are recorded at fair value based on the fair value of CAMP's investments held within the DCF fund. This reciprocal transaction does not meet the definition of an equity transaction, and is therefore, accounted for as CAMP's asset.

Property and equipment - Property and equipment, with an original cost in excess of \$1,000, is capitalized at the date of purchase. Depreciation is calculated over the estimated useful lives of the respective assets on an accelerated basis, ranging from three to seven years for furniture, equipment, and vehicles. Buildings and improvements are depreciated on the straight-line basis over the estimated useful life of thirty-nine years.

Contributions and grants – Contributions received are recorded as without donor restrictions, or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions, if the restriction expires in the reporting period in which support is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Under its modified cash basis method of accounting, CAMP has not recognized as revenues contributions of assets or services which might otherwise meet the recognition criteria of accounting principles generally accepted in the United States of America.

Functional allocation of expenses - The costs of providing the various programs and other activities have been reported on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include advertising, bank and credit card fees, depreciation, employee benefits, events, insurance, interest, legal and professional fees, memberships and subscriptions, membership premiums, payroll taxes, payroll service, postage, printing, property taxes, repairs and maintenance, salaries, storage, supplies, taxes and licenses, telephone and utilities, which are allocated on the basis of estimates of time and effort. Certain costs have been allocated to rental operations. The expenses that are allocated include depreciation, insurance, interest, legal and professional fees, property taxes, repairs and maintenance, and utilities, which are allocated on the basis of estimates of square footage.

CAMP REHOBOTH, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 **Summary of Significant Accounting Policies (continued)**

Income taxes - CAMP Rehoboth, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as an organization that is not a private foundation as defined in Code Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1). CAMP Rehoboth Properties, LLC is a single-member limited liability company, wholly-owned by CAMP Rehoboth, Inc., which is disregarded for income tax purposes. CAMP has no taxable unrelated business income for the year ended December 31, 2020. Accordingly, no provision for income taxes is reflected in these consolidated financial statements.

NOTE 2 **Availability and Liquidity**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statement of assets, liabilities and net assets – modified cash basis, comprise the following as of December 31, 2020:

Cash and cash equivalents	\$ 413,756
Investments	<u>240,184</u>
Financial assets, as of December 31, 2020	653,940
Less those unavailable for general expenditures within one year, due to:	
Restricted reserve	(49,966)
Other investments - held by DCF	(25,085)
Restricted by donor with purpose restrictions	<u>(121,142)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 457,747</u>

As part of the liquidity management plan, CAMP invests cash, in excess of daily requirements, in money market funds, certificates of deposit and equities. Funds held in a managed investment portfolio could be made available if the need arises.

NOTE 3 **Restricted Reserve Account**

Pursuant to the requirements of the USDA mortgage (See Note 7), CAMP maintains a separate reserve account for the purpose of accumulating an amount equivalent to a full year of debt service payments of \$139,440. The requirements stipulate that \$1,162, which represents an amount equal to one tenth of the monthly debt service payment, be deposited into a restricted reserve account each month until the full year of debt service payments has accumulated. The restricted balance required in the reserve account at December 31, 2020 was \$49,966, which is included in investments in the consolidated statement of assets, liabilities and net assets.

CAMP REHOBOTH, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 **Fair Value Measurements**

CAMP measures its investments at fair value with an established framework that prioritizes the inputs to valuation techniques used to measure fair value, as follows:

- Level 1: Quoted market prices in active markets for identical assets and liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation hierarchy.

	Level 1	Level 2	Level 3	Total
Investments				
Money market fund	\$ 101,515	\$ -	\$ -	\$ 101,515
Certificates of deposit	-	104,341	-	104,341
Equities	9,243	-	-	9,243
Other	-	-	25,085	25,085
	<u>\$ 110,758</u>	<u>\$ 104,341</u>	<u>\$ 25,085</u>	<u>\$ 240,184</u>
Total Investments				

The valuation methods, described in Note 1, may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while CAMP believes DCF's valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The changes in investments measured at fair value for which CAMP used Level 3 inputs to determine fair value are as follows:

Balance - January 1,	\$ 25,113
Purchases	-
Investment income	224
Withdrawals	(252)
Balance - December 31,	<u>\$ 25,085</u>

CAMP recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer.

CAMP REHOBOTH, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 **Investments**

The following schedule summarizes CAMP's net investment return for the year ended December 31, 2020:

Interest & dividends	\$	2,335
Unrealized gain on investments		2,200
		4,535
Less investment fees		(251)
		\$ 4,284

NOTE 6 **Loan Payable**

On May 7, 2020, CAMP received loan funds in the amount of \$77,486 pursuant to the Paycheck Protection Program (PPP), which was established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted March 27, 2020. The terms of the loan stipulated that the loan matures on May 7, 2022 and bears interest at a rate of 1% per year; however, on March 20, 2021, CAMP received forgiveness of the loan by the Small Business Administration (SBA).

NOTE 7 **Long-Term Debt**

On May 12, 2017, CAMP Rehoboth Properties, LLC executed a mortgage note payable to Rural Housing Service, USDA in the aggregate principal amount of \$2,623,000. The note bears interest at a rate of 3.375%, and requires monthly principal and interest payments of \$11,620 over a term of 30 years, with the balance payable at maturity, May 12, 2047. The note is secured by all real and personal property located at 37 & 39 Baltimore Avenue.

Future maturities of long-term debt for the years ended December 31, are as follows:

2021	\$	58,348
2022		60,348
2023		62,417
2024		64,344
2025		66,762
Thereafter		2,113,097
		\$ 2,425,316

Interest paid for the year ended December 31, 2020 totaled \$82,888 .

CAMP REHOBOTH, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 **Net Assets with Donor Restrictions**

Net assets with restrictions consisted of the following as of December 31, 2020:

Tobacco prevention and cessation	\$ 6,181
Aging LGBTQ community forums	3,608
LGBTQ youth programs	5,032
Scholarships	6,639
Equipment/website upgrades	99,682
	\$ 121,142

NOTE 9 **Rental Income**

CAMP leases a portion of its facilities to various parties for occasional one-time events and for commercial use, under long-term operating leases with various renewal dates. The total rental revenue for the long-term operating leases for 2020 was \$49,558. CAMP's security deposits from current tenants as of December 31, 2020 totaled \$5,414. The cost of property held by CAMP for lease was \$977,721, less accumulated depreciation of \$285,098, at December 31, 2020. At December 31, 2020, remaining minimum annual lease revenue is as follows:

2021	\$ 40,175
2022	11,961
2023	12,559
2024	12,559
2025	12,559
Thereafter	25,118
	\$ 114,931

NOTE 10 **Retirement Plan**

CAMP contributes 3% of qualified compensation for the benefit of eligible employees into a SEP IRA. For the year ended December 31, 2020, employer contributions to the SEP IRA plan were \$3,551.

NOTE 11 **Concentration of Credit Risk**

At various times during the year, CAMP may maintain cash balances with one financial institution in excess of the federally insured limit of \$250,000. Uninsured deposits exceeded federally insured limits by \$32,428 as of December 31, 2020.

CAMP REHOBOTH, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 12 **Loss Contingency**

CAMP management and authorities are investigating possible counterfeit reimbursements to an employee that could go back several years. Payments to the employee totaled approximately \$77,000 for the year ended December 31, 2020, which are recorded as program expense in the accompanying consolidated statement of functional expenses – modified cash basis. If these reimbursements are deemed counterfeit, it could affect the classification of functional expenses between program services and management & general. In addition, these funds may have been reimbursed by granting agencies under cost reimbursable grants, and recorded as revenue when paid to CAMP by the agencies. Any costs determined to be counterfeit could be due back to the granting agency for 2020 and any prior years affected. Due to the ongoing investigation and seizure of relates files by authorities, an estimate of the full extent of the counterfeit reimbursements cannot be made at this time.

NOTE 13 **Subsequent Events**

Subsequent to the date of the consolidated statement of assets, liabilities and net assets, CAMP applied for forgiveness of the PPP loan granted in May 2020 (see Note 6) and received forgiveness of the loan by the Small Business Administration (SBA) in March 2021.

On February 8, 2021, CAMP was granted a loan in the amount of \$73,548 pursuant to the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was enacted March 27, 2020. The terms of the loan stipulated that the loan matures on February 8, 2026 and bears interest at a rate of 1% per year; however, on June 15, 2021, CAMP received forgiveness of the loan by the SBA.

As discussed in Note 12 above, in September 2021 CAMP was made aware of potential counterfeit reimbursements made to an employee.

Management has evaluated its December 31, 2020 consolidated financial statements for subsequent events through November 30, 2021, the date the consolidated financial statements were available to be issued. Management is not aware of any additional subsequent events which would require recognition or disclosure in the consolidated financial statements.