

**CAMP Rehoboth, Inc.
and Subsidiary
Consolidated Financial Statements
December 31, 2018**



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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, 2018, 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of CAMP Rehoboth, Inc. and subsidiary as of December 31, 2018 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.

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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.

KAHN, BERMAN, SOLOMON, TAIBEL & MOGOL, P.A.

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

Timonium, Maryland
May 24, 2019

CAMP REHOBOTH, INC.
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 342,115
Event holdback receivable	<u>7,198</u>

Total current assets 349,313

INVESTMENTS

163,908

PROPERTY AND EQUIPMENT

Buildings	2,590,078
Building improvements	2,165,381
Furniture and fixtures	55,849
Office equipment	51,808
Vehicles	24,907
Less: accumulated depreciation	<u>(1,247,281)</u>

Net property and equipment 3,640,742

TOTAL ASSETS

\$ 4,153,963

See accompanying notes and independent auditor's report.

CAMP REHOBOTH, INC.
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS
DECEMBER 31, 2018

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Security deposits	\$ 3,495
Due to others	584
Current maturities of long-term debt	<u>54,552</u>
Total current liabilities	58,631

LONG-TERM DEBT, net of current maturities

2,482,002

Total liabilities

2,540,633

NET ASSETS

Without donor restrictions	1,601,979
With donor restrictions	<u>11,351</u>
Total net assets	<u>1,613,330</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 4,153,963

See accompanying notes and independent auditor's report.

CAMP REHOBOTH, INC.
CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Donations	\$ 105,640	\$ -	\$ 105,640
Grant revenue	178,547	11,351	189,898
Membership dues	249,699	-	249,699
Special events	569,714	-	569,714
Newsletter revenue	168,524	-	168,524
Rental income	66,396	-	66,396
Interest and dividend income	295	-	295
Miscellaneous	100,112	-	100,112
Net investment return	2,187	-	2,187
Net assets released from restrictions	7,076	(7,076)	-
Total support and revenue	1,448,190	4,275	1,452,465
EXPENSES			
Program services expense			
Community center	229,075	-	229,075
Outreach	483,513	-	483,513
Health and wellness	255,113	-	255,113
Total program services expense	967,701	-	967,701
Rental operations	88,199	-	88,199
Management and general	139,953	-	139,953
Fundraising and development	162,166	-	162,166
Total expenses	1,358,019	-	1,358,019
CHANGE IN NET ASSETS	90,171	4,275	94,446
NET ASSETS			
BEGINNING OF YEAR	1,511,808	7,076	1,518,884
END OF YEAR	\$ 1,601,979	\$ 11,351	\$ 1,613,330

See accompanying notes and independent auditor's report.

CAMP REHOBOTH, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services				Rental Operations	Management & General	Fundraising & Development	Total
	Community Center	Outreach	Health & Wellness	Total				
Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,500	\$ -	\$ 18,500
Advertising	3,478	4,091	307	7,876	-	1,868	762	10,506
Auto expense	-	8,061	-	8,061	-	-	-	8,061
Bank and credit card fees	3,006	3,536	265	6,807	1,177	1,591	2,442	12,017
Conferences and meetings	417	491	36	944	-	221	62	1,227
Contributions	962	1,132	85	2,179	-	509	141	2,829
Depreciation	29,178	34,327	2,575	66,080	19,084	15,447	4,290	104,901
Employee benefits	12,672	30,161	13,200	56,033	-	6,709	1,865	64,607
Events	63,229	74,387	5,579	143,195	-	33,556	125,764	302,515
Health program	-	-	138,774	138,774	-	-	-	138,774
Insurance	6,257	7,362	551	14,170	10,590	3,314	920	28,994
Interest	14,643	17,227	1,292	33,162	43,069	7,752	2,154	86,137
Legal and professional fees	4,788	5,633	422	10,843	-	2,535	705	14,083
Memberships and subscriptions	544	640	48	1,232	-	288	80	1,600
Memberships premiums	235	276	21	532	-	124	35	691
Newsletter production	-	100,398	-	100,398	-	-	-	100,398
Payroll taxes	3,949	4,646	6,250	14,845	-	2,091	580	17,516
Payroll service	1,480	1,741	131	3,352	-	783	217	4,352
Postage	2,795	6,145	247	9,187	-	1,480	4,564	15,231
Printing	3,902	92,037	344	96,283	-	2,066	6,183	104,532
Property taxes	812	956	72	1,840	2,390	430	119	4,779
Repairs and maintenance	7,094	8,345	626	16,065	6,801	3,757	1,042	27,665
Salaries	54,488	64,104	82,952	201,544	-	28,847	8,013	238,404
Storage	1,682	1,979	148	3,809	-	891	248	4,948
Supplies	5,605	6,594	495	12,694	-	3,034	823	16,551
Taxes and licenses	1,408	1,656	124	3,188	387	745	207	4,527
Telephone	2,276	2,677	201	5,154	-	1,205	334	6,693
Utilities	4,175	4,911	368	9,454	4,701	2,210	616	16,981
Total	\$ 229,075	\$ 483,513	\$ 255,113	\$ 967,701	\$ 88,199	\$ 139,953	\$ 162,166	\$ 1,358,019

See accompanying notes and independent auditor's report.

CAMP REHOBOTH, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 as we work 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; event holdback revenue (and the related receivable) are recorded when the event has occurred; 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 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, where by 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.

Event holdback receivable - Event holdback receivables relate to amounts collected by a third-party vendor for events held by CAMP during the year. All receivables are considered fully collectible by management.

CAMP REHOBOTH, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 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.

Support and revenue – 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 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 statements 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, conferences and meetings, contributions, depreciation, employee benefits, events, insurance, interest, legal and professional fees, memberships and subscriptions, membership premiums, payroll taxes, payroll service fees, 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 credit card fees, insurance, interest, property taxes, taxes and licenses and utilities, which are allocated on the basis of estimates of square footage.

CAMP REHOBOTH, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018. Accordingly, no provision for income taxes is reflected in these consolidated statements.

New accounting pronouncement – On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return. CAMP has adjusted the presentation of these consolidated statements accordingly.

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, 2018:

Cash and cash equivalents	\$ 342,115
Event holdback receivable	7,198
Investments	<u>163,908</u>
 Financial Assets, as of December 31, 2018	 <u>513,221</u>
 Less those unavailable for general expenditures within one year, due to:	
Restricted Reserve	(22,078)
Other investments - held by DCF	(25,007)
Current obligation of long-term debt	(139,440)
Restricted by donor with purpose restrictions	<u>(11,351)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 315,345</u>

As part of the liquidity management plan, CAMP invests cash, in excess of daily requirements, in money market funds, certificates of deposit and common stocks. 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 6), CAMP maintains a separate cash 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 in the reserve account at December 31, 2018 was \$22,078.

CAMP REHOBOTH, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

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	\$ 5,979	\$ -	\$ -	\$ 5,979
Certificates of deposit	-	100,275	-	100,275
Common stocks	32,647	-	-	32,647
Other	-	-	25,007	25,007
	<u>\$ 38,626</u>	<u>\$ 100,275</u>	<u>\$ 25,007</u>	<u>\$ 163,908</u>
Total Investments	<u>\$ 38,626</u>	<u>\$ 100,275</u>	<u>\$ 25,007</u>	<u>\$ 163,908</u>

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, 2018	\$ 24,770
Purchases	100
Investment income	389
Withdrawals	(252)
Balance - December 31, 2018	<u>\$ 25,007</u>

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

NOTE 5 **Investments**

For the year ended December 31, 2018, gross unrealized gains on investments were \$1,194. CAMP did not incur realized gains or losses for the year ended December 31, 2018. Investment interest and dividends were \$1,278 as of December 31, 2018, with fees of \$285 for the year.

CAMP REHOBOTH, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 **Long-Term Debt**

On May 12, 2017, CAMP Rehoboth Properties, LLC executed a mortgage note payable to Rural Housing Service, USDA in the aggregate principle 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:

2019	\$	54,552
2020		56,187
2021		58,348
2022		60,348
2023		62,417
Thereafter		<u>2,244,702</u>
	\$	<u>2,536,554</u>

Interest expense for the year ended December 31, 2018 totaled \$86,137.

NOTE 7 **Net Assets with Donor Restrictions**

For the year ended December 31, 2018, CAMP had \$1,806 of net assets restricted for tobacco prevention and cessation programs, and \$9,545 restricted for aging LGBT community forums and discussion groups.

NOTE 8 **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 2018 was \$57,706. CAMP's security deposits from current tenants as of December 31, 2018 totaled \$3,495. The cost of property held by CAMP for lease was \$972,721, less accumulated depreciation of \$249,586, at December 31, 2018. At December 31, 2018, remaining minimum annual lease revenue is as follows:

2019	\$	31,701
2020		21,831
2021		11,961
2022		11,961
2023		<u>12,559</u>
	\$	<u>90,013</u>

CAMP REHOBOTH, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 9 **Retirement Plan**

CAMP contributes 3% of qualified compensation for the benefit of eligible employees into a SEP IRA. For the year ended December 31, 2018, employer contributions to the SEP IRA plan were \$4,706.

NOTE 10 **Related Party Transactions**

CAMP leases residential property to a related party, renewable monthly. The total rental revenue on this operating lease was \$12,900 for 2018.

NOTE 11 **Recent Accounting Pronouncements Not Yet Adopted**

In January 2016, FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities*, to address certain aspects of recognition, measurement, presentation, and disclosure of financial statements. The ASU is effective for CAMP's consolidated financial statements for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of this ASU on its consolidated financial statements. available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements of Fair Value Measurement*, to modify the disclosure requirements on fair value measurements in Topic 820. The ASU is effective for CAMP's consolidated financial statements for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

NOTE 12 **Subsequent Events**

Management has evaluated its December 31, 2018 consolidated financial statements for subsequent events through May 24, 2019, 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.