

UNITED CHURCH CAMPS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs are expensed when incurred.

Revenue Recognition

Registration fees for camps and retreats are recognized as revenue when the events are held. Amounts received in advance of the events are recorded as deferred revenue. Canteen sales are recognized as revenue at the point in time when the product is sold.

Sales Tax

Revenues are recorded at gross sales price. Sales taxes are expensed as an operating expense when remitted to the appropriate taxing jurisdiction.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Expense Allocation

The financial statements report certain categories of expenses that are attributed to more than one program service or supporting activity. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Payroll expenses are allocated based on estimates of time and effort. Depreciation is allocated on the classification of assets across program and supporting services. All other accounts requiring allocation are based off location or estimates of use.

The following program services and supporting activities are included in the accompanying financial statements:

Cedar Valley—Camps for families and kids in West Bend, Wisconsin.

Moon Beach—Camps for families and kids in St. Germain, Wisconsin.

Pilgrim Center—Camps for families and kids in Ripon, Wisconsin.

Management and General—includes the functions necessary to maintain providing program services; ensure an adequate working environment; provide coordination and articulation of UCCI's program strategy; secure proper administrative functioning of the board of directors; maintain; and manage the financial and budgetary responsibilities of UCCI.

Fundraising—Fundraising activities relate to soliciting contributions from individuals, foundations, governments, and others, and other activities that involve inducing potential donors to contribute assets, services, or time to UCCI.

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

UCCI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Date of Management’s Review

Management has evaluated subsequent events through February 10, 2021, the date which the financial statements were available to be issued.

NOTE 2—COVID-19 CONSIDERATIONS

UCCI’s operations may be affected by the recent and ongoing COVID-19 outbreak that was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption and effect on UCCI is uncertain; however, it may result in a material adverse impact on UCCI’s financial position, activities, and cash flows. Possible effects may include, but are not limited to, disruption to UCCI’s revenues, and cancellation of the 2021 programming.

NOTE 3—AGENCY FUND

UCCI has a long-term contract with Camp AweSum, a separate 501(c)(3) organization to maintain the finances of the organization. The agreement is in effect through 2019 and is being renewed.

The following schedule summarized the activity in the agency fund for the years ended December 31:

	2020	2019
Funds (due from)/due to Camp AweSum	\$ (9,656)	\$ (30,589)
Funds received for Camp AweSum	59,890	83,029
Disbursements made on behalf of Camp AweSum	(20,554)	(62,096)
Funds (due from)/due to Camp AweSum	\$ 29,680	\$ (9,656)

NOTE 4—LINE OF CREDIT

UCCI has a revolving line of credit for \$100,000. The agreement carries an interest rate of 4.875%. This agreement terminated in December 2020 and is in the process of being renewed. The agreement is collateralized by a mortgage on the Green Lake, Wisconsin property. The line of credit was unused at December 31, 2020. The line of credit had an outstanding balance of \$99,381 at December 31, 2019.

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NOTE 5—NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Capital improvements	\$ 113,154	\$ 17,761
Equipment	5,126	6,523
Capital campaign	33,285	83,329
Programming	6,066	160
Moon Beach	8,621	7,025
Scholarships	<u>40,599</u>	<u>21,554</u>
	206,851	136,352
Subject to time restrictions:		
Earnings on endowment	28,179	6,846
Subject to appropriation and spending policies:		
Permanent endowment	<u>166,627</u>	<u>158,353</u>
Net assets with donor restrictions	<u>\$ 401,657</u>	<u>\$ 301,551</u>

UCCI's board of directors has designated net assets without donor restrictions for the following purposes:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 2,877,201	\$ 3,624,064
Board-designated		
Capital reserve	82,922	-
Endowment	26,726	-
Operating reserve	<u>400,000</u>	<u>17,500</u>
Net assets without donor restrictions	<u>\$ 3,386,849</u>	<u>\$ 3,641,564</u>

NOTE 6—ENDOWMENT

UCCI's endowment consists of one donor-restricted fund and one board-designated endowment, both for general purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of UCCI has interpreted the Wisconsin Uniform Prudent Management of Institutional Funds Act (WUPMIFA) 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, UCCI classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in

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NOTE 6—ENDOWMENT (continued)

accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as net assets with donor restrictions to be appropriated for expenditure by UCCI in a manner consistent with the standard of prudence described by WUPMIFA.

In accordance with WUPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund,
- The purposes of the organization and the donor-restricted endowment fund,
- The possible effect of inflation and deflation,
- Other resources of the organization
- The investment policies of the organization
- The expected total return from income and the appreciation of investments, and
- General economic conditions.

Return Objectives and Risk Parameters

UCCI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that UCCI must hold in perpetuity or for a donor-specified period(s).

Under this policy, as approved by the Board of Directors, the endowment assets are invested in accounts with the Wisconsin Foundation of the United Church of Christ, Inc. while assuming a low level of investment risk. UCCI expects its endowment funds, over time, to provide an average rate of return consistent with a broadly diversified portfolio of long-term high-quality bonds and common stocks with varying equity allocations to obtain the desired degree of risk/return tradeoff.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, UCCI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). UCCI targets a diversified asset allocation to equities that a typical balanced fund would have.

Spending Policy and How the Investment Objectives Relate to Spending Policy

UCCI has a policy of appropriating for distribution each year five percent of its endowment fund's average fair value over the prior twelve quarters. In establishing this policy, UCCI considered the long-term expected return on its endowment. Accordingly, over the long term, UCCI expects the current spending policy to allow its endowment to grow comparable to published value weighted indexes. This is consistent with UCCI's objective to maintain the historical dollar value of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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NOTE 6—ENDOWMENT (continued)

Endowment net asset composition by type of fund is as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds:			
Subject to right of withdrawal	\$ 26,726	\$ -	\$ 26,726
Donor-restricted endowment funds:			
Original donor-restricted gift amount	-	166,627	166,627
Accumulated investment gains	-	28,179	28,179
Total funds	<u>\$ 26,726</u>	<u>\$ 194,806</u>	<u>\$ 221,532</u>
			2019
			With Donor Restrictions
Donor-restricted endowment funds:			
Original donor-restricted gift amount			\$ 158,353
Accumulated investment gains			6,846
Total funds			<u>\$ 165,199</u>

Changes in endowment net assets for the years ended December 31:

	2020			Total
	Without Donor Restrictions	With Donor Restrictions		
		Subject to Time Restrictions	Subject to Appropriation and Spending Policies	
Endowment net assets at beginning of year	\$ -	\$ 6,846	\$ 158,353	\$ 165,199
Contributions	26,726	-	8,274	35,000
Investment return, net	-	21,333	-	21,333
Endowment net assets at end of year	<u>\$ 26,726</u>	<u>\$ 28,179</u>	<u>\$ 166,627</u>	<u>\$ 221,532</u>

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NOTE 6—ENDOWMENT (continued)

	2019		
	With Donor Restrictions		
	Subject to Time Restrictions	Subject to Appropriation and Spending Policies	Total
Endowment net assets at beginning of year	\$ (10,720)	\$ 157,753	\$ 147,033
Contributions	-	600	600
Investment return, net	25,531	-	25,531
Amounts appropriated for expenditure	(7,965)	-	(7,965)
Endowment net assets at end of year	\$ 6,846	\$ 158,353	\$ 165,199

NOTE 7—FAIR VALUE MEASUREMENTS

All investments are considered Level 1 for fair value measurement and are included in balanced funds that allocate investments between all investment categories. Management of funds can seek to provide investors with total returns consistent with broadly diversified portfolio of high-quality fixed income securities and common stocks, with varying equity allocations in accordance with the desired risk/return tradeoff.

NOTE 8—LONG TERM DEBT

Long term debt consists of the following:

	2020	2019
Note payable to bank requiring 60 monthly payments of \$481 including interest at 4.64%. Collateralized by vehicle. Note was paid in full in November 2020.	\$ -	\$ 16,126
Note payable to Cornerstone Fund with monthly payments of \$5,253 including interest at 5.125%. Collateralized by property. Final balloon payment due in January 2022.	910,650	921,323
	910,650	937,449
Less current portion	17,002	21,200
	\$ 893,648	\$ 916,249

Future minimum principal payments are as follows:

2021	\$ 17,002
2022	893,648
	\$ 910,650

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NOTE 9—OPERATING LEASE

In May 2017, UCCI entered into an office equipment lease for five years. The lease requires a monthly payment of \$149 until the expiration. Rent expense for the years ended December 31, 2020 and 2019 was \$1,792 and \$1,792. Future minimum payments for the years ending December 31, 2021 and 2022 are \$1,792 and \$597.

In March 2019, UCCI entered into a 10-year lease agreement for a third location of program services commencing on January 1, 2020 with a base rent of \$1. The estimated fair market value of the location is \$225,000 per year, which equates to a conditional contribution receivable of \$6,750,000 over the course of the lease. The lease is conditioned on usage and contractual obligations; therefore, in-kind facilities revenue is not recorded until the conditions are satisfied each year.

NOTE 10—PENSION PLANS

UCCI has a tax-sheltered pension plan. The plan was established to provide retirement income security to ministers and employees eligible to participate. The plan covers all full-time employees. UCCI contributes between 7 and 14 percent of the employee's salary and additional housing value to a defined contribution plan. The employees are 100% vested in all contributions made on their behalf. Employees may also contribute to the plan. Retirement expense for the years ended December 31, 2020 and 2019 was \$71,094 and \$71,132.

NOTE 11—TRANSACTIONS WITH AFFILIATE ORGANIZATIONS

The Wisconsin Conference of the United Church of Christ Conference is an affiliated party with UCCI, as they overlap in their services and mission. UCCI received \$135,000 for the years ended December 31, 2020 and 2019. The support from the conference accounted for approximately 6% and 8% of total revenue for the years ended December 31, 2020 and 2019.

NOTE 12—PAYCHECK PROTECTION PROGRAM

On May 14th, 2020, UCCI received a \$214,387 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loan accrues interest at 1% but payments are deferred for borrowers who apply for forgiveness until SBA remits the borrower's forgiveness amount to the lender. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by DCHS during the covered period. Eligible expenses may include payroll costs, interest on mortgages, rent, and utilities. Any unforgiven portion is payable over two years. On December 8th, 2020, the SBA preliminarily approved forgiveness of the loan and accrued interest and UCCI recorded the forgiveness as a contribution. UCCI must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review UCCI's good-faith certification concerning the necessity of its loan request, whether UCCI calculated the loan amount correctly, whether UCCI used loan proceeds for the allowable uses specified in the CARES Act, and whether UCCI is entitled to loan forgiveness in the amount claimed on its application. If SBA determines UCCI was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

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NOTE 13—LIQUIDITY AND AVAILABILITY

The table below reflects UCCI's financial assets as of the dates of the statements of financial position reduced by amounts that are not available to meet general expenditures within one year of the dates of the statements of financial position because of board designations or donor-imposed restrictions:

Financial assets, at year-end	\$ 516,778	\$ 617,157
Less those unavailable for general expenditures within one year, due to:		
Board designations or donor-imposed restrictions:		
Board reserves	482,922	17,500
Board-designated endowment	26,726	-
Restricted by donor with purpose or period restrictions	201,745	53,023
Subject to appropriation for specified periods	<u>166,627</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ (361,242)</u>	<u>\$ 546,634</u>

UCCI regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. UCCI has various sources of liquidity at its disposal, including cash and investments. For the purposes of analyzing resources available to meet general expenditures over a twelve-month period, UCCI considers all expenditures related to its mission. In the event the need arises to utilize the board designated funds for liquidity purposes, the reserves could be drawn upon through a majority vote of the board of directors.

NOTE 14—CAMPS AND RETREATS

For the years ended December 31, 2020 and 2019, revenue from camps and retreats consisted of the following:

	<u>2020</u>	<u>2019</u>
Camps and retreats	\$ 148,803	1,083,042
Less scholarships	<u>810</u>	<u>20,813</u>
Camps and retreats, net	<u>\$ 147,993</u>	<u>\$ 1,062,229</u>

NOTE 15—SUBSEQUENT EVENTS

On January 1, 2021, UCCI was approved for a \$500,000, 3.5% loan with the Wisconsin Foundation United Church of Christ, Inc. The loan matures on January 1, 2026 and requires quarterly interest-only payments of \$4,375 and a final payment of \$500,000 upon maturity. The loan is secured by the property and equipment.

On February 9, 2021, UCCI applied for and was approved a second \$214,387 loan under the second draw Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%. UCCI is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.