

**KENTUCKY DIABETES CAMP FOR CHILDREN, INC.
d/b/a CAMP HENDON**

FINANCIAL STATEMENTS

Years Ended September 30, 2018 and 2017

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Independent Auditors' Report

To the Board of Directors
Kentucky Diabetes Camp for Children, Inc. d/b/a Camp Hendon
Louisville, Kentucky

We have audited the accompanying financial statements of Kentucky Diabetes Camp for Children, Inc. d/b/a Camp Hendon (a not-for-profit organization), which comprise the statements of assets, liabilities and net assets – modified cash basis as of September 30, 2018 and 2017, and the related statements of revenues, expenses and changes in net assets – modified cash basis and functional expenses – modified cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Kentucky Diabetes Camp for Children, Inc. d/b/a Camp Hendon as of September 30, 2018 and 2017, and its revenues and expenses for the years 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 financial statements, which describes the basis of accounting. The financial statements were prepared on 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 opinion is not modified with respect to that matter.

Deming, Malone, Linsay & Ostroff

Louisville, Kentucky
February 26, 2019

KENTUCKY DIABETES CAMP FOR CHILDREN, INC.
d/b/a CAMP HENDON

**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS**

September 30, 2018 and 2017

Assets	2018	2017
Current Assets		
Cash and cash equivalents	\$ 535,918	\$ 391,605
Investments	31,525	28,014
	567,443	419,619
 Property and equipment, net	 2,915	
 Total assets	 \$ 570,358	 \$ 419,619
 Liabilities and Net Assets		
Current Liabilities		
Credit card payables	\$ 3,589	\$ 5,095
 Net Assets		
Unrestricted	566,569	414,524
Temporarily restricted	200	
	566,769	414,524
 Total liabilities and net assets	 \$ 570,358	 \$ 419,619

See Notes to Financial Statements.

KENTUCKY DIABETES CAMP FOR CHILDREN, INC.
d/b/a CAMP HENDON

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - MODIFIED CASH BASIS**

Years Ended September 30, 2018 and 2017

	2018	2017
Changes in Unrestricted Net Assets		
Revenues		
Contributions and grants	\$ 524,546	\$ 429,290
Camper fees	55,030	46,042
Special events	16,318	16,965
Interest and dividends	1,359	1,274
Unrealized gain on investments	1,100	1,917
Miscellaneous income	300	2,157
Total unrestricted revenue and gains	598,653	497,645
Net assets released from restrictions	91,346	88,842
Total unrestricted revenue	689,999	586,487
Expenses		
Program services	416,882	335,313
General and administrative	56,388	72,447
Fundraising	64,684	56,262
Total expenses	537,954	464,022
Net increase in unrestricted net assets	152,045	122,465
Changes in Temporarily Restricted Net Assets		
Contributions and grants	91,546	84,125
Net assets released from restrictions	(91,346)	(88,842)
Net increase (decrease) in temporarily restricted net assets	200	(4,717)
Net increase in total net assets	152,245	117,748
Net assets at beginning of year	414,524	296,776
Net assets at end of year	\$ 566,769	\$ 414,524

See Notes to Financial Statements.

KENTUCKY DIABETES CAMP FOR CHILDREN, INC.
d/b/a CAMP HENDON

STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
Years Ended September 30, 2018 and 2017

	September 30, 2018			Total
	Program Services	General and Administrative	Fund- raising	
Camp programs	\$ 31,651			\$ 31,651
Camp facility	68,272			68,272
Medical supplies	247,434			247,434
Other program				
Camper outreach	2,250			2,250
Salaries and wages	30,376	\$ 29,680	\$ 35,304	95,360
Payroll taxes	2,324	2,271	2,701	7,296
Employee benefits	1,336	1,061	2,226	4,623
Special events			3,831	3,831
Bank fees		255		255
CampMinder fees	10,869			10,869
Dues and subscriptions	171	184	9,165	9,520
Insurance	1,947	2,096	1,947	5,990
Professional fees		10,223		10,223
Meals and entertainment		699		699
Office expenses	1,590	1,712	1,589	4,891
Payroll processing	205	221	205	631
Professional development	2,161	2,327	2,161	6,649
Fundraising expenses			1,580	1,580
Rent expense	3,088	3,325	3,087	9,500
Website maintenance	888	957	888	2,733
Advertising/promotional expenses	6,579			6,579
Taxes and licenses		35		35
Volunteer expenses	5,356			5,356
Depreciation	385			385
Travel		1,342		1,342
	<u>\$ 416,882</u>	<u>\$ 56,388</u>	<u>\$ 64,684</u>	<u>\$ 537,954</u>

See Notes to Financial Statements.

September 30, 2017

<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund- raising</u>	<u>Total</u>
\$ 21,888			\$ 21,888
44,078			44,078
226,024			226,024
3,226			3,226
20,683	\$ 38,323	\$ 37,039	96,045
1,422	2,635	2,546	6,603
	1,098		1,098
		3,962	3,962
	67		67
7,684			7,684
100	170	130	400
1,187	2,018	1,543	4,748
	16,358		16,358
	113		113
1,755	2,983	2,281	7,019
157	267	204	628
2,291	3,894	2,978	9,163
		2,394	2,394
2,150	3,654	2,794	8,598
301	512	391	1,204
2,367			2,367
	35		35
	320		320
<u>\$ 335,313</u>	<u>\$ 72,447</u>	<u>\$ 56,262</u>	<u>\$ 464,022</u>

KENTUCKY DIABETES CAMP FOR CHILDREN, INC.
d/b/a CAMP HENDON

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of activities:

Kentucky Diabetes Camp for Children, Inc. d/b/a Camp Hendon (Camp Hendon) is a two-week, medically supervised camping experience for children ages 8 to 17 with diabetes. The children that attend Camp Hendon are given the tools they need to manage their diabetes with more independence so they can grow into thriving, healthy adults.

Summary of significant accounting policies:

This summary of significant accounting policies of Camp Hendon is presented to assist in understanding Camp Hendon's financial statements. The financial statements are representations of Camp Hendon's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to the modified cash basis of accounting and have been consistently applied in the preparation of the financial statements.

Accounting policies:

Camp Hendon prepares its financial statements on the cash basis, modified for the valuation of investments at fair value and the capitalization of fixed assets. Under this basis, revenue is recorded when collected rather than when earned, and expenditures are recorded when paid rather than when incurred. Consequently, these financial statements are not intended to present the financial position or the results of operations in conformity with the accounting principles generally accepted in the United States of America.

The modified cash basis of accounting used to prepare Camp Hendon's financial statements differs from accounting principles generally accepted in the United States of America in that:

Grant revenues are recorded when received. Under accounting principles generally accepted in the United States of America, grant revenues would be recorded as revenues at the time the grants are awarded to Camp Hendon.

Camp Hendon has elected to omit the statement of cash flows which is required under accounting principles generally accepted in the United States of America.

NOTES TO FINANCIAL STATEMENTS

Use of estimates:

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments:

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for discussion of fair value measurements. Changes in fair values are recorded as unrealized gains (losses). Realized gains (losses) are recorded upon the sale of the investments. Interest income is recognized when received and dividend income is recognized on the ex-dividend date.

Investment securities, in general, are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy used is prudent for the long-term welfare of Camp Hendon.

Contributions and grants:

Contributions and grants received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and changes in net assets – modified cash basis as net assets released from restrictions.

Property, equipment and depreciation:

Property and equipment is recorded at cost and is being depreciated on the straight-line method over the estimated useful life of the asset.

NOTES TO FINANCIAL STATEMENTS

Donations other than cash:

Donations other than cash are recorded at their fair value at the date of donation. Donations other than cash included in the statements of revenues, expenses and changes in net assets – modified cash basis for the years ended September 30, 2018 and 2017 are approximately \$254,500 and \$231,800, respectively, for medical supplies and camper backpacks, and approximately \$2,400 and \$2,600, respectively, in donated stock.

Functional allocation of expenses:

The costs of providing program services and other activities have been summarized on a functional basis in the statements of functional expenses – modified cash basis. Accordingly, certain costs have been allocated among the program services and supporting services benefited.

Income taxes:

Camp Hendon is exempt from federal, state and local income taxes as a not-for-profit organization as described under Internal Revenue Code Section 501(c)(3). Camp Hendon files an informational tax return in the U.S. federal jurisdiction and with the Kentucky Office of the Attorney General. However, income from certain activities not directly related to Camp Hendon's tax-exempt purpose may be subject to taxation as unrelated business income. Management does not believe that Camp Hendon has unrelated business income for the years ended September 30, 2018 and 2017.

As of September 30, 2018 and 2017, Camp Hendon did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

Newly issued standard not yet effective:

The Financial Accounting Standards Board has issued accounting standard No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* effective for years beginning after December 15, 2017. Camp Hendon is evaluating the impact that adoption of this standard will have on future financial position and results of operations.

NOTES TO FINANCIAL STATEMENTS

Subsequent events:

Subsequent events have been evaluated through February 26, 2019, which is the date the financial statements were available to be issued.

Note 2. Investments and Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Camp Hendon has the ability to access.
- Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active or inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of an input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

All assets have been valued using a market approach. All assets are Level 1 investments. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at September 30, 2018 or 2017.

Common stocks and mutual funds – Valued at the closing price reported on the active market on which the individual securities are traded.

NOTES TO FINANCIAL STATEMENTS

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Camp Hendon believes its 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.

	September 30, 2018		
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation</u>
Coca-Cola common stock	\$29,700	\$25,675	\$4,025
Equity funds:			
Vanguard 500 Index	<u>1,825</u>	<u>925</u>	<u>900</u>
Total	<u>\$31,525</u>	<u>\$26,600</u>	<u>\$4,925</u>
	September 30, 2017		
	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation</u>
Coca-Cola common stock	\$26,466	\$23,296	\$3,170
Equity funds:			
Vanguard 500 Index	<u>1,548</u>	<u>893</u>	<u>655</u>
Total	<u>\$28,014</u>	<u>\$24,189</u>	<u>\$3,825</u>

Note 3. Changes in Temporarily Restricted Net Assets

Changes in temporarily restricted net assets are as follows:

	<u>Balance 9/30/17</u>	<u>Contributions and Grants</u>	<u>Released From Restrictions</u>	<u>Balance 9/30/18</u>
New Venture Fund – Camperships	\$	\$20,000	\$(20,000)	\$
New Venture Fund – Professional development		5,000	(5,000)	
Kosair Charities - Camperships		1,500	(1,500)	
New Venture Fund – Camper outreach		8,950	(8,950)	
IPA – Trailer		3,500	(3,300)	200
Lift A Life – Payroll		50,000	(50,000)	
Miscellaneous donors – Camperships		<u>2,596</u>	<u>(2,596)</u>	
	<u>\$</u>	<u>\$91,546</u>	<u>\$(91,346)</u>	<u>\$ 200</u>

NOTES TO FINANCIAL STATEMENTS

	<u>Balance</u> <u>9/30/16</u>	<u>Contributions</u> <u>and Grants</u>	<u>Released From</u> <u>Restrictions</u>	<u>Balance</u> <u>9/30/17</u>
New Venture Fund – Camperships	\$ 800	\$20,000	\$(20,800)	\$
New Venture Fund – Professional development		5,000	(5,000)	
Crusade for Children – Campminder		1,500	(1,500)	
Miscellaneous donors – Camp expenses		5,000	(5,000)	
Lift A Life – Payroll	1,464	50,000	(51,464)	
Miscellaneous donors – Camperships	<u>2,453</u>	<u>2,625</u>	<u>(5,078)</u>	<u> </u>
	<u>\$4,717</u>	<u>\$84,125</u>	<u>\$(88,842)</u>	<u>\$ </u>

Note 4. Concentration of Credit Risk

Camp Hendon maintains its operating cash balance with one financial institution covered under the Federal Deposit Insurance Corporation (FDIC). The account is insured by the FDIC up to \$250,000. At September 30, 2018, Camp Hendon had an uninsured cash balance of approximately \$282,000.

Note 5. Grant Commitments

During the year ended September 30, 2016, Camp Hendon received two grants totaling \$550,000 from the Lift a Life Foundation. The first grant was a commitment of \$150,000 over three years to be used for payroll and related expenses and was to be paid in the amount of \$50,000 per year from 2016 through 2018. The second grant was a commitment of \$400,000 over three years to be used for general operations and was to be paid in the amount of \$175,000 in 2016, \$125,000 in 2017 and \$100,000 in 2018. Payments of \$150,000 received during 2018 and \$175,000 received during 2017 on these two grants are included in contribution and grant revenues on the statements of revenues, expenses and changes in net assets – modified cash basis for the years ended September 30, 2018 and 2017, respectively.

In addition to these grants, Camp Hendon was also awarded a challenge grant from the Lift a Life Foundation of \$100,000 per year for three years, for a total challenge of \$300,000. Under the terms of the agreement, Camp Hendon will receive \$1 for every \$1 it raises in contributions from August 2016 through August 2017 and calendar years 2018 and 2019, with payment to be received in the following year. Camp Hendon met the challenge requirements for the first year of this challenge grant for the period of August 2016 through August 2017 and received payment of \$100,000 during the year ended September 30, 2018, which is included in contributions and grant revenues on the statements of revenues, expenses and changes in net assets – modified cash basis for the year ended September 30, 2018. During the 2018 calendar year, Camp Hendon raised \$45,735 in match eligible funding, with payment received in January 2019 for this amount.

NOTES TO FINANCIAL STATEMENTS

During the year ended September 30, 2016, Camp Hendon also received a three-year grant totaling \$70,500 from the New Venture Fund. This grant is to be paid in the amount of \$23,500 per year from 2016 through 2018 and is to be used for camperships and professional development expenses. The grant was amended during the year ended September 30, 2017 to add an additional \$3,000 for professional development expenses. During the year ended September 30, 2018, the grant was further amended to add an additional \$8,950 for camper outreach. Payments of \$33,950 received during 2018 and \$25,000 received during 2017 for this grant are included in contribution and grant revenues on the statements of revenues, expenses and changes in net assets - modified cash basis for the years ended September 30, 2018 and 2017.

Note 6. Litigation

In August 2017, a claim was filed against the Organization by a former employee. As of September 30, 2018, the Organization's legal counsel has indicated that litigation is at an early stage and the ultimate resolution of the claim is not determinable. The Organization does not believe the claim has merit and intends to vigorously defend against the claim. The Organization believes that adequate liability insurance protection is available.