

PRESBYTERIAN CLEARWATER FOREST, INC.
(A not-for-profit corporation)

Deerwood, Minnesota

FINANCIAL STATEMENTS
For the years ended December 31, 2015 and 2014

PRESBYTERIAN CLEARWATER FOREST, INC
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For the years ended December 31, 2015 and 2014

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GUINN, VINOPAL & ZAHRADKA, LLP

ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
 Presbyterian Clearwater Forest, Inc.
 Deerwood, Minnesota

We have reviewed the accompanying financial statements of Presbyterian Clearwater Forest, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

GUINN, VINOPAL & ZAHRADKA, LLP
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STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 and 2014

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 129,315	\$ 89,177
Accounts receivable	4,304	3,467
Inventory	6,159	3,865
Investments	405,671	454,918
Property and equipment, net of depreciation	<u>1,973,997</u>	<u>1,788,565</u>
Total assets	<u>\$ 2,519,446</u>	<u>\$ 2,339,992</u>
<u>LIABILITIES & NET ASSETS</u>		
Liabilities		
Accrued liabilities	\$ 19,163	\$ 18,218
Advance deposits	36,147	36,060
Mortgage payable	<u>19,173</u>	<u>19,173</u>
Total liabilities	<u>\$ 74,483</u>	<u>\$ 73,451</u>
Net assets		
Unrestricted		
Undesignated	\$ (26,756)	\$ (20,009)
Board designated	260,529	234,367
Property and equipment	<u>1,973,997</u>	<u>1,788,565</u>
Total unrestricted	<u>\$ 2,207,770</u>	<u>\$ 2,002,923</u>
Temporarily restricted	\$ 146,027	\$ 172,452
Permanently restricted	<u>91,166</u>	<u>91,166</u>
Total net assets	<u>\$ 2,444,963</u>	<u>\$ 2,266,541</u>
Total liabilities and net assets	<u>\$ 2,519,446</u>	<u>\$ 2,339,992</u>

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	For the Year Ended December 31, 2015			For the Year Ended December 31, 2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue								
Summer youth camps	\$ 254,472	\$ -	\$ -	\$ 254,472	\$ 218,088	\$ -	\$ -	\$ 218,088
Other programs	82,332	-	-	82,332	88,372	-	-	88,372
Retreat and conference services	130,531	-	-	130,531	138,038	-	-	138,038
Contributions								
Supporting organizations								
General	54,750	200,000	-	254,750	54,750	15,000	-	69,750
Store sales (net of cost)	66,524	37,706	-	104,230	64,396	139,205	-	203,601
Timber sale income, net of expense	5,570	-	-	5,570	4,832	-	-	4,832
Investment income, net of fees	44,488	-	-	44,488	-	-	-	-
Gain on sale of investments	4,055	607	-	4,662	3,091	473	541	4,105
Increase (decrease) in fair value of investments	4,909	-	-	4,909	18,008	2,821	-	20,829
Total public support and revenue	\$ (26,335)	\$ (3,291)	\$ -	\$ (29,626)	\$ (11,432)	\$ (1,443)	\$ 307	\$ (12,568)
Net assets released from restrictions	\$ 621,296	\$ 235,022	\$ -	\$ 856,318	\$ 578,143	\$ 156,056	\$ 848	\$ 735,047
Functional expenses								
Program	\$ 261,447	\$ (261,447)	\$ -	\$ -	\$ 37,610	\$ (37,610)	\$ -	\$ -
Support services	\$ 527,629	\$ -	\$ -	\$ 527,629	\$ 494,250	\$ -	\$ -	\$ 494,250
Total functional expenses	\$ 150,267	\$ -	\$ -	\$ 150,267	\$ 155,258	\$ -	\$ -	\$ 155,258
Change in net assets	\$ 677,896	\$ -	\$ -	\$ 677,896	\$ 649,508	\$ -	\$ -	\$ 649,508
Net assets, Beginning of year	\$ 204,847	\$ (26,425)	\$ -	\$ 178,422	\$ (33,755)	\$ 118,446	\$ 848	\$ 85,539
Net assets, end of year	\$ 2,002,923	\$ 172,452	\$ 91,166	\$ 2,266,541	\$ 2,036,678	\$ 54,006	\$ 90,318	\$ 2,181,002
	\$ 2,207,770	\$ 146,027	\$ 91,166	\$ 2,444,963	\$ 2,002,923	\$ 172,452	\$ 91,166	\$ 2,266,541

See Independent Accountant's Review Report
See accompanying notes to financial statements

PRESBYTERIAN CLEARWATER FOREST, INC.
DEERWOOD, MINNESOTA

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	For the Year Ended December 31, 2015					For the Year Ended December 31, 2014				
	Support Services					Support Services				
	Program Camp/Retreat Center	General and Administrative	Fund Raising	Total	Total Expense	Program Camp/Retreat Center	General and Administrative	Fund Raising	Total	Total Expense
Wages	\$ 184,826	\$ 66,009	\$ 13,202	\$ 79,211	\$ 264,037	\$ 166,770	\$ 59,561	\$ 11,912	\$ 71,473	\$ 238,243
Payroll taxes	13,986	4,995	999	5,994	19,980	12,347	4,410	882	5,292	17,639
Foreign exchange staff	14,446	-	-	-	14,446	4,340	-	-	-	4,340
Employee benefits	42,188	15,067	3,013	18,080	60,269	35,111	12,540	2,508	15,048	50,159
Continuing education	905	323	65	388	1,293	569	204	41	245	814
Travel expenses	4,191	1,497	299	1,796	5,987	4,328	1,546	309	1,855	6,183
General staff expenses	1,195	427	85	512	1,707	1,404	501	100	601	2,005
Search/new hire expense	-	-	-	-	-	-	19,812	-	19,812	19,812
Food services	39,306	-	-	-	39,306	47,239	-	-	-	47,239
Program expenses	41,190	-	-	-	41,190	39,554	-	-	-	39,554
Energy costs	34,383	3,820	-	3,820	38,203	44,228	4,914	-	4,914	49,142
Repairs and maintenance	22,084	5,521	-	5,521	27,605	17,730	4,433	-	4,433	22,163
Custodial supplies	3,017	754	-	754	3,771	2,654	663	-	663	3,317
Linens	1,225	-	-	-	1,225	2,075	-	-	-	2,075
Trash removal	3,373	843	-	843	4,216	3,279	820	-	820	4,099
Equipment purchases	12,238	-	-	-	12,238	1,201	-	-	-	1,201
Depreciation expense	50,926	12,731	-	12,731	63,657	47,891	11,973	-	11,973	59,864
Office supplies and postage	3,291	823	-	823	4,113	7,638	1,909	-	1,909	9,547
Telephone	3,326	832	-	832	4,158	2,917	729	-	729	3,646
Insurance	44,125	11,031	-	11,031	55,156	43,574	10,893	-	10,893	54,467
Professional fees	-	3,000	-	3,000	3,000	-	-	-	-	-
Association dues and fees	2,552	851	-	851	3,403	2,777	926	-	926	3,703
Fundraising	-	-	2,866	2,866	2,866	-	-	2,685	2,685	2,685
Bank fees	3,695	924	-	924	4,619	3,326	832	-	832	4,158
Bad debts	-	-	-	-	-	2,680	-	-	-	2,680
Miscellaneous expense	1,161	290	-	290	1,451	618	155	-	155	773
Total functional expenses	\$ 527,629	\$ 129,738	\$ 20,529	\$ 150,267	\$ 677,896	\$ 494,250	\$ 136,821	\$ 18,437	\$ 155,258	\$ 649,508

See Independent Accountant's Review Report
See accompanying notes to financial statements

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 178,422	\$ 85,539
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	63,657	59,864
Net loss (income) from investments	20,331	(12,318)
Changes in assets and liabilities		
(Increase) decrease in		
Accounts receivable	(837)	9,279
Inventory	(2,294)	687
Increase (decrease) in		
Accrued liabilities	945	4,659
Advance deposits	87	5,384
Net cash provided by operating activities	<u>\$ 260,311</u>	<u>\$ 153,094</u>
Cash flows from investing activities		
Purchase of property and equipment	\$ (249,089)	\$ (46,166)
Withdrawal of investments	28,916	29,699
Purchase of investments	-	(103,000)
Net cash used for investing activities	<u>\$ (220,173)</u>	<u>\$ (119,467)</u>
Net increase in cash and cash equivalents	\$ 40,138	\$ 33,627
Cash and cash equivalents, beginning	<u>89,177</u>	<u>55,550</u>
Cash and cash equivalents, ending	<u><u>\$ 129,315</u></u>	<u><u>\$ 89,177</u></u>

See Independent Accountant's Review Report
See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND OTHER MATTERS

Organization - Presbyterian Clearwater Forest, Inc. (PCF) is a Minnesota nonprofit corporation formed in 1981 upon the transfer of certain assets and liabilities from The Synod of Lakes and Prairies of the Presbyterian Church (U.S.A.) (The Synod). The following entities each have an equal voting membership interest in Presbyterian Clearwater Forest, Inc.: The Synod; Presbytery of the Twin Cities Area, Inc.; Presbytery of Northern Plains, Inc.; Presbytery of Northern Waters, Inc.; and Presbytery of Minnesota Valleys, Inc. Presbyterian Clearwater Forest, Inc. operates the Clearwater Forest Camp.

Basis of Accounting - The financial statements of PCF are presented on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation - Presbyterian Clearwater Forest, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, PCF considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Fair Value Measurements - Presbyterian Clearwater Forest, Inc. applies the guidance in the fair value measurement standard to measure fair values. The fair value standard applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that PCF has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Inputs that are unobservable for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. PCF adopted the policy to value certain financial instruments at fair value. PCF has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

Inventory - Inventories are valued at the lower of cost (first-in, first-out) or market.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND OTHER MATTERS (Continued)

Property, Equipment and Depreciation: - Land, buildings and improvements, and equipment and furnishings that were transferred from The Synod are stated at appraised values at the date of transfer with additions since then stated at cost. Donated property is stated at fair market value at the date of donation. Maintenance and repair costs are charged to expense as incurred. Costs of renewals and betterments which materially extend the useful lives of the assets or increase their productivity are capitalized. Gains and losses on dispositions of assets are reflected as income. Depreciation is computed using the straight-line method over estimated useful lives of the assets, from 5 to 40 years, depending on the type of asset. Depreciation expense for 2015 and 2014 was \$ 63,657 and \$59,864, respectively.

Income Taxes - PCF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and under similar provisions of the Minnesota Income Tax Act.

Collection of Sales Tax - PCF records taxes collected from customers and remitted to governmental authorities on a net basis, which means they are excluded from both net sales and cost of sales.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses - Expenses incurred for a specific program or supporting service is assigned directly to that program or supporting service. Expenses that affect more than one program or supporting service are allocated among the programs or supporting services by management in a manner to reflect a fair breakdown of expense by function.

Unrestricted Net Assets - Used to account for resources over which the Governing Board has discretionary control for use in carrying on operations.

Temporarily Restricted Net Assets - Used to account for resources whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Permanently Restricted Net Assets - Used to account for resources required by donor to be maintained in perpetuity.

Contributions - Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. If a restriction is fulfilled in the same time period in which the contribution is received, the PCF reports the support as unrestricted.

Subsequent Events - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November xx, 2016, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

NOTE 2 TRANSFER FROM THE SYNOD

On January 31, 1981, the Synod of Lakes and Prairies of the Presbyterian Church (U.S.A.) transferred the assets and liabilities of Clearwater Forest Camp Fund and Camp Reserve Fund to Presbyterian Clearwater Forest, Inc. As consideration for the transfers, Presbyterian Clearwater Forest, Inc. entered into a mortgage grant agreement with The Synod for \$19,173, collateralized by land with an appraised value of \$594,734. The mortgage grant becomes due and payable in full in the event Presbyterian Clearwater Forest, Inc. sells all or part of the land or ceases to use it for Mission purposes of the Presbyterian Church (U.S.A.)

Presbyterian Clearwater Forest, Inc. recorded the land, buildings, improvements, equipment, and furnishings at their appraised values as of the transfer date.

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (INVESTMENTS)

The following table summarizes the organization's investments that have been accounted for at fair value at December 31, 2015:

	<u>Cost</u>	<u>Fair Value</u>
Money Market	\$ 2,389	\$ 2,389
Mutual Funds		
Equity Funds	269,890	251,352
Fixed Income Funds	<u>161,323</u>	<u>151,930</u>
Total	<u>\$433,602</u>	<u>\$ 405,671</u>

The following table summarizes the organization's investments that have been accounted for at fair value at December 31, 2014:

	<u>Cost</u>	<u>Fair Value</u>
Money Market	\$ 6,943	\$ 6,943
Mutual Funds		
Equity Funds	283,237	290,286
Fixed Income Funds	<u>162,056</u>	<u>157,689</u>
Total	<u>\$452,236</u>	<u>\$ 454,918</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2015</u>	<u>2014</u>
Land	\$ 688,107	\$688,107
Land improvements	65,856	37,809
Buildings	1,693,565	1,556,103
Equipment and furnishings	<u>368,883</u>	<u>285,303</u>
Total	\$2,816,411	\$2,567,322
Accumulated depreciation	<u>(842,414)</u>	<u>(778,757)</u>
Net book value	<u>\$1,973,997</u>	<u>\$1,778,565</u>

See Independent Accountant's Review Report.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

NOTE 5 RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of funds received from donors that are designated for various purposes, such as building maintenance/renovation, equipment maintenance/replacement, and scholarships.

Permanently restricted net assets consist of funds received from donors that are to be held in perpetuity. The earnings are temporarily restricted to be used in accordance with donor specifications.

NOTE 6 MORTGAGE PAYABLE

PCF is liable on a mortgage payable to the Synod of \$19,173 as disclosed in Note 2.

NOTE 7 RETIREMENT PLAN

PCF provides a defined contribution retirement plan sponsored by the Presbyterian Church (U.S.A) covering eligible full time employees. In addition, for permanent employees who are not full time employees but who average over 20 hours of work per week, a tax deferred retirement savings plan is available. PCF provides 11 percent of permanent employee's total salary package designated to retirement savings. Contributions for 2015 and 2014 were \$17,530 and \$ 15,103, respectively.

NOTE 8 RELATED PARTY TRANSACTIONS

PCF received support from the five members totaling \$54,750, each year, in 2015 and 2014. PCF has borrowed funds from Presbyterian Synods as discussed in Note 6, Mortgage Payable. In addition to the retirement plan as discussed in Note 7, Retirement Plan, PCF also participates in the medical benefit plan sponsored by the Presbyterian Church (U.S.A). Contributions to the medical plan for 2015 and 2014 were \$42,739 and \$35,056, respectively.

NOTE 9 ENDOWMENT FUND

The State of Minnesota adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective August 1, 2008. PCF 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, PCF classifies as permanently restricted net assets the original value of the gifts donated to the endowment plus appreciation/depreciation. The earnings of the donor-restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by PCF. In accordance with UPMIFA, in the absence of specific donor stipulations, PCF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: 1) the duration and preservation of the fund, 2) the purposes of the Presbyterian Clearwater Forest, Inc. and the donor-restricted endowment fund, 3) general economic conditions, 4) the possible effect of inflation and deflation, 5) the expected total return from income and the appreciation of investments, 6) other resources of PCF, and 7) the investment policies of the PCF.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

NOTE 9 **ENDOWMENT FUND(continued)**

Investment Return Objectives, Risk Parameters and Strategies. PCF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets consist of debt and equity securities and mutual funds, which are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to protect the original gift, while growing the funds if possible. Therefore, PCF expects its endowment assets, over time, to produce a reasonable rate of return. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Disbursement/Spending Policy will be one which balances the immediate needs of PCF's ministry with the need to grow the Endowment for the future benefit of PCF's ministry.

Each year a portion on the Endowment Fund will be made available for the disbursement by the PCF Board. The intention of this Disbursement Policy is to provide a relatively consistent amount to be disbursed while allowing the principal of Endowment to grow at least equal to inflation over the long term.