

**MT. GRETNA CAMPMEETING
ASSOCIATION, INC.**

Financial Statements

Year Ended December 31, 2010

MT. GREYNA CAMPMEETING ASSOCIATION, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010

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BUSINESS AND FINANCIAL CONSULTANTS

April
June 30
2011

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors

Mt. Gretna Campmeeting Association, Inc.

Mt. Gretna, Pennsylvania

We have reviewed the accompanying statement of assets, liabilities and net assets – modified cash basis of Mt. Gretna Campmeeting Association, Inc. (a nonprofit Association) as of December 31, 2010, and the related statements of public support and revenues, expenses and other changes in net assets - modified cash basis, functional expenses - modified cash basis, and cash flows – modified cash basis, for the year then ended. The 2009 financial statements of Mt. Gretna Campmeeting Association, Inc. were audited by Hess & Hess, LLC, certain partners of which became partners of Bertz, Hess & Co., LLP, effective January 1, 2011. Hess & Hess, LLC's report, dated July 30, 2010, expressed an unqualified opinion on those statements. They have not performed any auditing procedures since that date.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization 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.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 conformity with the modified cash basis of accounting.

Bertz, Hess & Co., LLP

BERTZ, HESS & CO., LLP
June 30, 2011

MT. GRETNA CAMPMEETING ASSOCIATION, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2010 WITH COMPARATIVE TOTALS FOR 2009 (AUDITED)

| ASSETS | Unrestricted | | Temporarily Restricted | |
|---|------------------|------------------|------------------------|------------------|
| | General | Designated | Festival | Playground |
| CURRENT ASSETS | | | | |
| Cash | \$ 54,898 | \$ 40,110 | \$ 5,278 | \$ 16,271 |
| Certificates of deposit | - | - | - | - |
| TOTAL ASSETS | \$ 54,898 | \$ 40,110 | \$ 5,278 | \$ 16,271 |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Note payable | \$ 24,674 | \$ - | \$ - | \$ - |
| Payroll taxes payable | 138 | - | - | - |
| Total Current Liabilities | 24,812 | - | - | - |
| LONG-TERM LIABILITIES | | | | |
| Note payable | 1,853 | - | - | - |
| TOTAL LIABILITIES | 26,665 | - | - | - |
| NET ASSETS | | | | |
| Unrestricted | | | | |
| Undesignated | 28,233 | - | - | - |
| Designated | - | 40,110 | - | - |
| Total Unrestricted | 28,233 | 40,110 | - | - |
| Temporarily restricted | - | - | 5,278 | 16,271 |
| TOTAL NET ASSETS | 28,233 | 40,110 | 5,278 | 16,271 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 54,898 | \$ 40,110 | \$ 5,278 | \$ 16,271 |

See independent accountants' review report and notes to financial statements.

| <u>2010</u> | | <u>2009</u> | |
|---------------|----------------|---------------|----------------|
| <u>Totals</u> | | <u>Totals</u> | |
| \$ | 116,557 | \$ | 19,408 |
| | <u>-</u> | | <u>118,509</u> |
| | | | |
| \$ | <u>116,557</u> | \$ | <u>137,917</u> |
| | | | |
| <hr/> | | | |
| <hr/> | | | |
| \$ | 24,674 | \$ | 22,647 |
| | <u>138</u> | | <u>122</u> |
| | | | |
| | <u>24,812</u> | | <u>22,769</u> |
| | | | |
| | <u>1,853</u> | | <u>37,148</u> |
| | | | |
| | <u>26,665</u> | | <u>59,917</u> |
| | | | |
| | <u>28,233</u> | | <u>12,167</u> |
| | <u>40,110</u> | | <u>40,017</u> |
| | | | |
| | <u>68,343</u> | | <u>52,184</u> |
| | | | |
| | <u>21,549</u> | | <u>25,816</u> |
| | | | |
| | <u>89,892</u> | | <u>78,000</u> |
| | | | |
| \$ | <u>116,557</u> | \$ | <u>137,917</u> |

MT. GRETNA CAMPMEETING ASSOCIATION, INC.
STATEMENT OF PUBLIC SUPPORT AND REVENUES, EXPENSES AND
OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2010 WITH COMPARATIVE TOTALS FOR 2009 (AUDITED)

| | Unrestricted | | Temporarily Restricted | |
|---|------------------|------------------|------------------------|-------------------|
| | General | Designated | Festival | Playground |
| REVENUES AND PUBLIC SUPPORT | | | | |
| Assessments | \$ 309,376 | \$ - | \$ - | \$ - |
| Rentals | 13,146 | - | - | - |
| Interest | 1,422 | 93 | 5 | 414 |
| Community Activities | 83 | - | - | - |
| Library Rent | 2,000 | - | - | - |
| Contributions | 2,138 | - | 4,754 | 27,922 |
| Net Assets Released from Restrictions | 41,131 | - | (3,250) | (37,881) |
| Total Revenues and Support | 369,296 | 93 | 1,509 | (9,545) |
| EXPENSES | | | | |
| Program | 269,309 | - | - | - |
| Management and General | 22,049 | - | - | - |
| Fundraising | 150 | - | - | - |
| Total Operating Expenses | 291,508 | - | - | - |
| EXCESS (DEFICIENCY) OF REVENUES AND PUBLIC SUPPORT OVER EXPENSES | 77,788 | 93 | 1,509 | (9,545) |
| OTHER CHANGES IN NET ASSETS | | | | |
| Capital improvements | 57,953 | - | - | - |
| CHANGE IN NET ASSETS | \$ 19,835 | \$ 93 | \$ 1,509 | \$ (9,545) |
| NET ASSETS, BEGINNING | \$ 8,398 | \$ 40,017 | \$ 3,769 | \$ 25,816 |
| Change in Net Assets | 19,835 | 93 | 1,509 | (9,545) |
| NET ASSETS, ENDING | \$ 28,233 | \$ 40,110 | \$ 5,278 | \$ 16,271 |

See independent accountants' review report and notes to financial statements.

| <u>2010</u> | | <u>2009</u> | |
|---------------|----------------|---------------|----------------|
| <u>Totals</u> | | <u>Totals</u> | |
| \$ | 309,376 | \$ | 300,145 |
| | 13,146 | | 13,316 |
| | 1,934 | | 3,428 |
| | 83 | | 3,432 |
| | 2,000 | | - |
| | 34,814 | | 61,000 |
| | - | | - |
| | <u>361,353</u> | | <u>381,321</u> |
| | 269,309 | | 258,160 |
| | 22,049 | | 7,264 |
| | <u>150</u> | | <u>2,142</u> |
| | <u>291,508</u> | | <u>267,566</u> |
| | 69,845 | | 113,755 |
| | 57,953 | | 32,765 |
| \$ | <u>11,892</u> | \$ | <u>80,990</u> |
| \$ | 78,000 | \$ | (2,990) |
| | <u>11,892</u> | | <u>80,990</u> |
| \$ | <u>89,892</u> | \$ | <u>78,000</u> |

MT. GRENA CAMPMEETING ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2010 WITH COMPARATIVE TOTALS FOR 2009 (AUDITED)

| | Program | Management and General | Fundraising | 2010 Totals | 2009 Totals |
|-----------------------------|-------------------|---------------------------|---------------|-------------------|-------------------|
| Accounting fees | \$ - | \$ 2,500 | \$ - | \$ 2,500 | \$ 2,000 |
| Administrative costs | - | 3,991 | - | 3,991 | 3,719 |
| Communications | - | - | - | - | 283 |
| Community activities | 3,443 | - | - | 3,443 | 3,163 |
| Contributions | 2,150 | - | - | 2,150 | 2,100 |
| Employee health insurance | 5,816 | 1,780 | 20 | 7,616 | 7,616 |
| Fundraising | - | - | - | - | 1,964 |
| Garage expenses | 312 | - | - | 312 | 2,494 |
| Grounds and maintenance | 27,975 | - | - | 27,975 | 20,957 |
| Insurance | 12,438 | 500 | - | 12,938 | 12,247 |
| Interest expense | 2,733 | - | - | 2,733 | 5,657 |
| Legal fees | - | 1,625 | - | 1,625 | 393 |
| Library | - | - | - | - | 544 |
| Newsletter | 819 | - | - | 819 | - |
| Payroll taxes | 2,061 | 1,023 | 11 | 3,095 | 3,981 |
| Property taxes | 572 | - | - | 572 | 554 |
| Tabernacle building expense | 6,961 | - | - | 6,961 | 543 |
| Truck and tractor costs | 5,341 | - | - | 5,341 | 5,512 |
| Utilities | 161,390 | - | - | 161,390 | 151,141 |
| Wages | 37,298 | 10,630 | 119 | 48,047 | 42,698 |
| Total Expenses | \$ 269,309 | \$ 22,049 | \$ 150 | \$ 291,508 | \$ 267,566 |

See independent accountants' review report and notes to financial statements.

MT. GRETN CAMPMEETING ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2010 AND 2009 (AUDITED)

| | 2010 | 2009 |
|---|-------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 11,892 | \$ 80,990 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Interest earned on certificates of deposit | (879) | (2,169) |
| Increase (decrease) in: | | |
| Payroll taxes payable | <u>16</u> | <u>(1,211)</u> |
| Cash Provided by Operating Activities | 11,029 | 77,610 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Redemption of certificates of deposit | 119,388 | - |
| Purchase of certificates of deposit | <u>-</u> | <u>(24,746)</u> |
| Cash Provided (Used) by Investing Activities | 119,388 | (24,746) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on long-term debt | <u>(33,268)</u> | <u>(44,342)</u> |
| NET INCREASE IN CASH | 97,149 | 8,522 |
| Cash at Beginning of Year | <u>19,408</u> | <u>10,886</u> |
| Cash at End of Year | \$ 116,557 | \$ 19,408 |
| SCHEDULE OF SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Cash paid during the year for: | | |
| Interest | <u>\$ 2,733</u> | <u>\$ 5,657</u> |

See independent accountants' review report and notes to financial statements.

MT. GREтна CAMPMEETING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009 (AUDITED)

NOTE 1: ORGANIZATION DATA

Mt. Gretna Campmeeting Association, Inc., (the "Association"), was established in 1892 in Mt. Gretna, Pennsylvania. It provides and maintains a proper, convenient, desirable and permanent residential community in Mount Gretna, Pennsylvania. The Association's revenue is comprised mainly of assessments on homeowners in the camp. The Association also rents out garages, storage sheds and parking spots. Additional sources of revenue are rental of space to a library as well to the public in the Tabernacle building and revenue from community activities.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Association have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). Modifications to the cash basis of accounting include deferral of revenue, recording of interest accrued on certificates of deposit and accrual for payroll taxes.

Comparative Financial Information

The financial statements include prior-year summarized comparative information. Accordingly, such information should be read in conjunction with financial statements as of December 31, 2009, from which the summarized information was derived.

Basis of Presentation

The Association reports information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted Net Assets

Net assets whose use by the Association is subject to donor imposed stipulations that can be fulfilled by actions of the Association pursuant to those stipulations or that expire by the passage of time.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the investment return on these assets.

MT. GRETNA CAMPMEETING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009 (AUDITED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues are reported as increases in unrestricted net assets unless they are restricted by donor-imposed stipulations. Satisfaction of donor-imposed stipulations that simultaneously increase unrestricted net assets and decrease temporarily restricted assets are reported as reclassifications. Temporarily restricted revenue received and expended during the same fiscal year is recorded as unrestricted revenue and expense in the statement of public support and revenues, expenses and other changes in net assets. Restricted investment income is treated in a similar fashion. Expenses are generally reported as decreases in unrestricted net assets.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Services

Various members of the Association have contributed their time and services to the Association's programs. In accordance with the modified cash basis of accounting described above, the Association has not recorded the value of the contributed services in the accompanying financial statements. These contributions are immaterial in the aggregate.

Cash and Cash Equivalents

The Association records all unrestricted highly liquid financial instruments with original maturities of three months as cash. For presentation purposes, management has elected to classify certificates of deposit separately regardless of term of maturity.

Certificates of Deposit

The Association records certificates of deposit at cost, which approximate fair value. Management has ascertained that there is no impairment in the value of its certificates.

Property and Equipment

The Association owns land, buildings, garages, a playground, water and sewer lines, a water tower and maintenance equipment. The Association also owns and operates certain nonresidential, noncommercial properties of the type normally owned and maintained by municipal governments. These include roadways, parklands, sidewalks, and street lights, access to, or use and enjoyment of, which is extended to the general public and is not restricted to members only. Due to the age and type of assets it is not practical to assign values to include as fixed assets on the financial statements.

Compensated Absences

Employees of the Association are entitled to paid vacation and payment of unused sick days. The Association records the expenses of such accrued paid time off when paid.

Deferred Revenue

Occasionally the Association receives dues prior to invoicing. In such cases, the Association records the funds as deferred revenue until such time as invoices are issued. There was no deferred revenue as of December 31, 2010 and 2009.

See independent accountants' review report.

MT. GRETNA CAMPMEETING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009 (AUDITED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenues are recorded when received. Homeowner assessments are billed either annually (due by April 1st) or in three installments (due on February 15th, May 15th and August 15th) during the year. If the second payment in a three installment arrangement is missed, the entire balance becomes due immediately. In a few cases, the Association invoices homeowners on a monthly basis. Monthly homeowner assessments were \$1,300 and \$1,250 for 2010 and 2009, respectively.

Garage, shed and library space are rented and invoiced on an annual basis. No security deposits are required on rentals. The monthly garage rent was \$720 for both 2010 and 2009.

Assessments are recorded net of discounts and inclusive of penalties. The Association grants a 2% discount on assessments if they are paid by April 1st. Discounts on homeowner assessments were \$3,973 and \$4,040 in 2010 and 2009, respectively. The Association adds a 10% penalty to any assessment balances outstanding as of July 1st under the single installment option or as of August 16th, under the three installment option. An additional 20% penalty is added to all account balances outstanding as of October 1st. In such cases the homeowner is responsible for all costs incurred in the collection of any delinquent amounts owed to the Association. The Association reserves the right to first apply any monies received to the longest standing delinquency. Penalties assessed on homeowners were \$1,773 and \$1,324 in 2010 and 2009, respectively.

The discount and penalty on garage and shed storage rents follow the same schedule as that for assessments, with the difference that the rents are due in one installment. Discounts on garage rents were \$130 and \$82 in 2010 and 2009, respectively. Penalties were \$96 and \$168 in 2010 and 2009, respectively. There were no penalties or discounts with respect to storage shed rentals in 2010 or 2009.

Rental revenue from the use of the Tabernacle for special events as well as from the library are recorded when received. The Association does not issue leases for any of its rental activities.

Functional Allocation of Expenses

Direct expenses are assigned to the functional reporting classifications to which they apply. Overhead and general and administrative costs which are not identifiable with a single activity, but are indispensable to the conduct of those activities and to the Association's existence, are allocated to all program and supporting services which benefit from the expenses. Management reviews the allocation percentages annually for reasonableness.

Income Tax Status

In 1991 the Association was determined to be tax exempt under IRS Code Section 501(c)(4) as a civic league. Furthermore, it has qualified as a "Community" because it meets the following criteria:

1. Serves a community which bears a reasonable relationship to an area ordinarily identified as governmental.
2. Does not conduct activities directed to the exterior maintenance of private residences.
3. It has common areas or facilities for use by the general public. (Rev. Rul 72-102)

Management has evaluated its tax filings for uncertain tax positions. Tax returns are open for examination by authorities for three years from the due date of the returns.

See independent accountants' review report.

MT. GRETNA CAMPMEETING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009 (AUDITED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management's Evaluation of Subsequent Events

Events that occurred subsequent to December 31, 2010, have been evaluated by the Association's management through the date of the independent accountants' review report, which is the date the financial statements were available to be issued.

NOTE 3: CERTIFICATES OF DEPOSIT

At December 31, 2009, the Association held three certificates of deposit totaling \$118,509. During 2010 the certificates were redeemed and the proceeds deposited into the Association's money market account.

NOTE 4: CONCENTRATIONS

Financial instruments that potentially subject the Association to concentration of credit risk consist of cash deposits and temporary investments with a financial institution. These balances may at times exceed the FDIC insured limits. At December 31, 2010 and 2009, the cash and temporary investment balances deposited in the bank did not exceed the FDIC insured limit.

NOTE 5: CAPITAL IMPROVEMENTS AND EQUIPMENT

It is the policy of the Association to record all capital improvements and equipment purchases as current expenses at the time of purchase. During the years ended December 31, 2010 and 2009, the Association spent \$57,953 and \$32,765, respectively, on improving the playground on its premises.

NOTE 6: NOTE PAYABLE

| | 2010 | | 2009 | |
|----------------------|-----------------|--------------------|------------------|--------------------|
| | Balance | Current Portion | Balance | Current Portion |
| Note Payable | \$ 26,527 | \$ 24,674 | \$ 59,795 | \$ 22,647 |
| Total Debt | 26,527 | <u>\$ 24,674</u> | 59,795 | <u>\$ 22,647</u> |
| Less Current Portion | <u>24,674</u> | | <u>22,647</u> | |
| Total Long-Term Debt | <u>\$ 1,853</u> | | <u>\$ 37,148</u> | |

In September 2008, the Association borrowed \$110,000 from Jonestown Bank & Trust Company for the 1st Street water line replacement and repaving project. The loan was collateralized by 3 rental garages on the Association's property. The term of the loan was 60 months. Scheduled monthly payments and the applicable fixed interest rates were \$2,131 and 6.00%. Each year the Association has been making extra principal payments in order to reduce the term of the loan and the interest paid.

See independent accountants' review report.

MT. GRETNA CAMPMEETING ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009 (AUDITED)

NOTE 6: NOTE PAYABLE (Continued)

Maturities of long-term debt over the next two years are as follows:

| | | |
|------------|----|--------|
| 2011 | \$ | 24,674 |
| 2012 | | 1,853 |
| Total Debt | \$ | 26,527 |

NOTE 7: DESIGNATED NET ASSETS

During 2007 the Association received a total of \$74,623 from the estate of Rev. Marlin Seiders. Half of the proceeds were contributed to the Mt. Gretna Tabernacle Association for the maintenance of the Tabernacle. The Board designated the remaining funds and any interest earned on them for long term improvements and enhancements to the Campmeeting in memory of the Seiders. As of December 31, 2010, none of the designated balance was spent. The balances of \$40,110 and \$40,017 as of December 31, 2010 and 2009 include earned interest.

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$21,549 at December 31, 2010 represent unspent contributions of \$5,278 for the Heritage Festival and \$16,271 for the playground. The total balance of \$29,585 at December 31, 2009 was comprised of \$3,769 for the Festival and \$25,816 for the playground.

NOTE 9: RECLASSIFICATIONS

Certain 2009 balances were reclassified in order to conform to the 2010 financial statement presentations.

NOTE 10: CONTINGENCIES

In June 2011 the Association filed a suit against a homeowner for encroachment. The homeowner entered a countersuit, claiming damages of \$78,000. Neither suit has yet been settled.