

NARROW GATE

NARROW GATE FOUNDATION
Audited Financial Statements
December 31, 2008

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Independent Auditor's Report

To the Board of Directors
Narrow Gate Foundation

We have audited the accompanying statement of financial position of Narrow Gate Foundation (a nonprofit organization) as of December 31, 2008, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Narrow Gate Foundation as of December 31, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


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September 25, 2009

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NARROW GATE FOUNDATION
Statement of Financial Position
December 31, 2008

ASSETS

CURRENT ASSETS

| | |
|--------------------|----------------|
| Cash | \$ 135,906 |
| Tuition receivable | 31,203 |
| | <u>167,109</u> |

PROPERTY AND EQUIPMENT

| | |
|--------------------------|----------------|
| Vehicles | 21,590 |
| Furniture and fixtures | 61,825 |
| Equipment | 32,464 |
| Leasehold improvements | 213,940 |
| Accumulated depreciation | (56,657) |
| | <u>273,162</u> |

TOTAL ASSETS

\$ 440,271

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|---|---------------|
| Accounts payable | \$ 38,766 |
| Deferred revenue | 4,347 |
| Installment note payable, due within one year | 2,604 |
| | <u>45,717</u> |

NET ASSETS

| | |
|--------------|----------------|
| Unrestricted | <u>394,554</u> |
|--------------|----------------|

TOTAL LIABILITIES AND NET ASSETS

\$ 440,271

See Independent Auditor's Report and Notes to the Financial Statements

NARROW GATE FOUNDATION
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2008

CHANGES IN UNRESTRICTED NET ASSETS

REVENUE

| | |
|------------------------------------|----------------|
| Contributions | \$ 655,812 |
| Tuition | 98,734 |
| Missions | 39,027 |
| Enrollment fee | 20,100 |
| Application fee | 1,300 |
| Total Unrestricted Revenues | 814,973 |

EXPENSES

Program Services

| | |
|-------------------------------|----------------|
| Salaries and related expenses | 160,883 |
| Supplies | 83,956 |
| Missions | 52,567 |
| Gas | 48,096 |
| Property supplies | 34,447 |
| Rent | 30,899 |
| Insurance | 30,312 |
| Utilities | 17,747 |
| Telephone | 11,731 |
| Repair and maintenance | 8,646 |
| Miscellaneous | 6,287 |
| Books and publications | 6,723 |
| Computer | 4,146 |
| Office supplies | 3,773 |
| School of ministry | 2,043 |
| Donations | 2,000 |
| Professional fees | 21,560 |
| Postage | 1,512 |
| Staff development | 1,179 |
| Printing | 1,030 |
| Adventure | 902 |
| Depreciation | 35,445 |
| Total Program Services | 565,884 |

See Independent Auditor's Report and Notes to the Financial Statements

NARROW GATE FOUNDATION
Statement of Activities and Changes in Net Assets (Continued)
For the Year Ended December 31, 2008

| | |
|--|----------------|
| Support Services | |
| Legal fees | 30,613 |
| Travel | 14,408 |
| Bank fees | 2,684 |
| PayPal fees | 2,035 |
| Credit card fees | 1,469 |
| Conference and meetings | 1,075 |
| Interest expense | 391 |
| Marketing | 204 |
| | 52,879 |
| Fundraising Expenses | 2,325 |
| Total Support Services | 55,204 |
| Total Expenses | 621,088 |
| OTHER INCOME | |
| Interest income | 393 |
| Other income | 327 |
| | 720 |
| Increase in Net Assets | 194,605 |
| NET ASSETS AT BEGINNING OF YEAR | 199,949 |
| NET ASSETS AT END OF YEAR | \$ 394,554 |

See Independent Auditor's Report and Notes to the Financial Statements

NARROW GATE FOUNDATION
Statement of Cash Flows
For the Year Ended December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|----------------|
| Increase in Net Assets | \$ 194,605 |
| Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities | |
| Depreciation | 35,445 |
| Contribution of property and equipment received | (4,425) |
| <i>Change in Assets and Liabilities:</i> | |
| Tuition receivable | (31,203) |
| Accounts payable | 34,150 |
| Deferred revenue | 4,347 |
| Net Cash Provided by Operating Activities | 232,919 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|------------------|
| Purchase of property and equipment | (220,063) |
| Net Cash Used by Investing Activities | (220,063) |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|--|----------------|
| Principal payments on installment note payable | (2,869) |
| Net Cash Used by Financing Activities | (2,869) |

| | |
|-----------------------------|-------------------|
| Net Increase in Cash | 9,987 |
| Cash at Beginning of Year | 125,919 |
| Cash at End of Year | \$ 135,906 |

SUPPLEMENTAL INFORMATION

| | |
|--|--------|
| Cash Paid During the Year for Interest | \$ 391 |
|--|--------|

Non-Cash Investing and Financing Activities

| | |
|---|----------|
| Contribution of property and equipment received | \$ 4,425 |
|---|----------|

See Independent Auditor's Report and Notes to the Financial Statements

NARROW GATE FOUNDATION
Notes to the Financial Statements
December 31, 2008

Note 1 – Nature of Entity

Narrow Gate Foundation (the “Organization”) is an organization that seeks to provide a Christian wilderness opportunity for young men aged 18-25 desiring to take a ‘pause’ from the distractions of life to discover who they are and what their purpose here on earth is all about. This includes living in a wilderness environment, participating in daily chores and community work projects to build teamwork and develop good work disciplines, going on challenging adventures, and most importantly, studying the Bible and other Christian curriculum to help shape them into godly young men.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation and Net Assets

The financial statements of Narrow Gate Foundation are prepared in conformity with the standards promulgated by the Financial Accounting Standards Board in SFAS No. 116 “Accounting for Contributions Received and Contributions Made” and SFAS No. 117 “Financial Statements of Not-for-Profit Organizations.”

The financial statements are prepared in accordance with generally accepted accounting principals promulgated in the United States of America for not-for-profit organizations. The Organization therefore reports information about its financial position and activities using three classes of net assets that recognize the existence and nature of restrictions on its net assets.

Unrestricted net assets represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the organization in accordance with the Articles of Incorporation and By-laws. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by the passage of time. The Organization currently has no temporarily restricted net assets.

Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently. The Organization currently has no permanently restricted net assets.

Basis for Recognizing Revenue and Expenses

Revenue and expenses are recognized on the accrual basis. Revenue consists primarily of contributions from various sources, tuition and enrollment fees. Tuition consists of the average cost of hosting a student for a six-month stay at the Organization. The current cost for a student to attend is \$13,000. Tuition is recognized on a pro-rata basis over the term of the program/course. The unearned portion is recorded as deferred revenue on the statement of financial position. Enrollment fees consist of a required non-refundable \$1,000 fee which will hold the student’s spot in the class. Expenses consist of the cost of providing the various programs of the Organization and administrative expenses.

NARROW GATE FOUNDATION
Notes to the Financial Statements
December 31, 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of monies in banks and short-term highly liquid investments that are readily convertible into cash within ninety days of purchase. The Organization maintains its cash in bank deposit accounts at regional financial institutions, which at times, may exceed the FDIC limit. The Organization has not experienced any losses in such accounts, therefore management believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Tuition Receivable

The Organization does not accept or deny any student based on their ability to financially support the ministry. However, students and their families are expected to do all they can to off-set the cost of their stay while at Narrow Gate. The Organization receives conditional promises from students and their families to make tuition payments on behalf of the student in monthly installments or a lump sum. The present value of these estimated future cash flows is recorded as tuition receivable.

The Organization periodically evaluates the balances on a student-by-student basis based on payment history to determine if any balances are uncollectible.

When the Organization determines that a receivable is uncollectible, the balance is removed from the receivables balance and charged directly against revenue. The Organization believes that all tuition receivables are fully collectible. Accordingly, no allowance for doubtful accounts is required as of December 31, 2008.

Property and Equipment

Property and equipment are carried at cost, or if donated, at the approximate fair value at the date of donation. Expenditures for routine repairs and maintenance are expensed in the period incurred. Depreciation is calculated on the straight-line and accelerated methods over the estimated useful lives of the assets as follows:

| <u>Description</u> | <u>Estimated Useful Lives</u> |
|------------------------|-----------------------------------|
| Vehicles | 5 years |
| Equipment | 7 years |
| Furniture and fixtures | 7 years |
| Leasehold improvements | 3 years |

Depreciation expense for the year ended December 31, 2008 was \$35,445.

Donated Materials and Services

Donated Services are reflected in the accompanying financial statements at their estimated fair values at the date of receipt to the extent that they require specialized skills which, if not provided by donations, would have to be purchased by the Organization.

NARROW GATE FOUNDATION
Notes to the Financial Statements
December 31, 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

Donated Materials and Services (Continued)

The Organization received donated professional services valued at \$3,500 during 2008. This amount is reflected in contributions in the accompanying financial statements. Donated services consist of accounting and auditing fees. The Organization receives a substantial amount of services in carrying out the Organization's mission. No amounts have been reflected on the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116 "Accounting for Contributions Received and Contributions Made."

Donated equipment or materials, if significant, are included in contributions at their estimated fair value. Donated property and equipment of \$4,425 has been reflected in contributions at fair value in the financial statements.

Income Taxes

The Organization is a Tennessee non-profit corporation and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in these financial statements. Because the Organization is a public charity, contributions may qualify for tax deductions by the contributors.

Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments approximate the carrying values of such amounts.

Expense Allocation

Expenses by function have been allocated among program and supporting services classifications on the basis of time records and analysis made by the Organization's management.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reportable amounts of assets and liabilities, the disclosure 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 the estimates.

Note 3 – Major Donor

The Organization had one major donor, a related party through their membership on the Organization's board of directors, for the year ended December 31, 2008, which comprised approximately 14% of total revenue.

NARROW GATE FOUNDATION
Notes to the Financial Statements
December 31, 2008

Note 4 – Lease

The Organization is obligated under an operating lease agreement for residential property, which is owned by a related party via common board of directors' member. Rent expense totaled \$30,899 for the year ended December 31, 2008, which included \$30,600 as an in-kind contribution. The lease expires September 30, 2011.

Future minimum lease payments under the lease are as follows:

| For the Year Ending <u>December 31,</u> | <u>Amount</u> |
|--|------------------|
| 2009 | \$ 30,600 |
| 2010 | 30,600 |
| 2011 | <u>22,950</u> |
| | <u>\$ 84,150</u> |

Note 5 – Installment Note Payable

The Organization has a secured term note for equipment with a principal balance of \$2,604 as of December 31, 2008. The Organization makes monthly payments of principal and interest of \$272, accruing interest at a rate of 9.36%. The term note matures on August 31, 2009.