

DEER RUN RETREAT, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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**DEER RUN RETEAT, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Deer Run Retreat, Inc.
Thompson's Station, Tennessee

We have audited the accompanying financial statements of Deer Run Retreat, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year 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 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.

Auditor's Responsibility

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 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 auditor's 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 financial position of Deer Run Retreat, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Joe Osterfeld, CPA
Columbia, Tennessee
September 19, 2013

DEER RUN RETREAT, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

Current Assets	
Cash and cash equivalents	\$ 9,028
Total Current Assets	9,028
Property and Equipment	
Land	1,537,464
Buildings	1,856,436
Infrastructure	526,296
Furniture, fixtures, and equipment	201,343
Vehicles	29,400
	4,150,939
Less: accumulated depreciation	(652,187)
Net Property and Equipment	3,498,752
Total Assets	\$ 3,507,780

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 19,588
Accrued expenses	14,885
Note payable - Gibson	529,000
Pinnacle - Line of Credit	1,615,445
Total Current Liabilities	2,178,918
Net Assets	
Unrestricted net assets	1,328,861
Total Net Assets	1,328,861
Total Liabilities and Net Assets	\$ 3,507,779

See accompanying notes and accountant's report.

**DEER RUN RETREAT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Unrestricted donations	22,808	-	22,808
Staff support	-	3,750	3,750
Facility improvement support	-	186,519	186,519
Scholarships	-	11,837	11,837
Retreat and facility	1,189,738	-	1,189,738
Interest income	39	-	39
Released from restrictions	202,106	(202,106)	-
Total public support, revenues and reclassifications	<u>1,414,691</u>	<u>-</u>	<u>1,414,691</u>
 Expenses			
Program expenses	1,186,132	-	1,186,132
Management & general	90,253	-	90,253
Total Expenses	<u>1,276,385</u>	<u>-</u>	<u>1,276,385</u>
 Change in net assets	138,306	-	138,306
 Net assets, beginning of year	1,190,555	-	1,190,555
 Net assets, end of year	<u>\$ 1,328,861</u>	<u>\$ -</u>	<u>\$ 1,328,861</u>

See accompanying notes and accountant's report.

DEER RUN RETREAT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Salaries and wages	\$ 394,176	\$ 52,015	\$ 446,191
Payroll taxes	30,092	3,979	34,071
Health insurance	10,378	3,630	14,008
Bank charges	14,495	-	14,495
Advertising	66,962	-	66,962
Depreciation	134,637	-	134,637
Dues and subscriptions	2,100	-	2,100
Telephone	15,100	-	15,100
Interest	71,152	-	71,152
Utilities	54,685	-	54,685
Insurance	8,192	17,048	25,240
Permits, licenses and fees	-	5,232	5,232
Professional fees	32,233	-	32,233
Supplies	102,206	-	102,206
Occupancy	25,663	-	25,663
Food	157,751	-	157,751
Repairs and maintenance	66,310	-	66,310
Travel	-	8,349	8,349
	<u>\$ 1,186,132</u>	<u>\$ 90,253</u>	<u>\$ 1,276,385</u>

See accompanying notes and accountant's report.

DEER RUN RETREAT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 138,306
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities	
Depreciation	134,637
(Increase) decrease in operating assets:	
Accounts receivable	(151)
Increase (decrease) in operating liabilities:	
Accounts payable	18,936
Accrued expenses	(1,789)
Net cash provided (used) by operating activities	<u>289,939</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	<u>(253,893)</u>
Net cash provided (used) by investing activities	(253,893)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of loans	<u>(95,818)</u>
Net cash provided (used) by financing activities	(95,818)
Increase (decrease) in cash	<u>(59,772)</u>
Cash, beginning of year	68,800
Cash, end of year	<u><u>\$ 9,028</u></u>
Supplemental Information:	
Interest expense	\$ 71,152

See accompanying notes and accountant's report.

DEER RUN RETREAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Deer Run Retreat, Inc. (Deer Run) is a 501(c)(3) nonprofit Christian retreat center located 35 miles south of Nashville, easily accessible to churches, schools, universities, community leadership organizations, counseling ministries (including addiction groups), at-risk youth programs, and Boy and Girl Scout troops. Deer Run is strategically located within four hours of none major metropolitan areas. Deer Run is committed to providing a place of natural beauty where families, churches, and organizations can pursue a more passionate relationship with Jesus Christ and experience the transformation that comes with connecting with God and others. Supportive services include management and general expenses not directly identifiable to any program, but indispensable to these activities and to Deer Run's existence. Deer Run is governed by a volunteer board of directors.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and accordingly, reflect all significant accounts receivable, accounts payable and other liabilities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Deer Run considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2012.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions. Deer Run had no permanently or temporarily restricted net assets at December 31, 2011.

Donation of Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Deer Run reports these donations as unrestricted support unless

DEER RUN RETREAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to

acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how these long-lived assets must be maintained, Deer Run reports expirations of donor restrictions when the donated assets are placed in service as instructed by the donor. Deer Run transfers temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

Deer Run records donated services when they create or enhance a non-financial asset or for specialized skills provided by entities or persons possessing those skills that would be purchased if they were not donated.

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.

Fair Values of Financial Instruments

Financial instruments of Deer Run include cash, short-term trade accounts receivable, and trade accounts payable. Management estimates that the fair value of all financial instruments at fiscal year end does not differ materially from the carrying values of the financial instruments recorded in the accompanying statement of financial position.

Financial Statement Presentation

Financial statement presentation follows US generally accepted accounting principles which require Deer Run 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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

DEER RUN RETREAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Income Taxes

Deer Run is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made. Deer Run's Form 990, Return of Organization Exempt from Income Tax, for the years ending December 31, 2010, 2011, and 2012 are subject to examination by the IRS, generally for 3 years after they are filed.

Property and Equipment

It is Deer Run's policy to capitalize property and equipment over \$1,000 or expected life of more than one year. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Depreciation is calculated using the straight-line method over the useful life of the asset and is reflected as an expense in the Statement of Functional Expenses.

Support and Revenues

Deer Run receives charitable donations from various individuals and organizations. Deer Run also charges a fee for camps and retreats, which includes room, board, and activities.

NOTE 2 – CASH AND CREDIT RISK

All cash of Deer Run is deposited in FDIC insured banks. At December 31, 2012, Deer Run did not have any deposits in excess of FDIC deposit insurance coverage.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable, if any, are stated at their net realizable value. All receivables are considered collectable by management.

NOTE 4 – OPERATING LEASES

Rent expense for the year ended December 31, 2012 was \$32,400 for two staff facilities on a month to month basis. One for \$1,700/month (\$20,400) was with Deer Run's founders, David and Elizabeth Gibson. The other rental for \$1,000/month (\$12,000) was with an unrelated party.

DEER RUN RETREAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 5 – NOTES PAYABLE

As of December 31, 2012, Deer Run was indebted for the following:

Pinnacle National Bank – Line of Credit

Credit limit \$1,900,000, 4% interest, matures April 15, 2013, \$1,615,445 outstanding, secured by property and equipment

David and Liz Gibson – Mortgage

Note for \$504,000, 0% interest, no payment schedule, \$479,000 outstanding, secured by property (see Note 9)

Note for \$50,000, 6% interest, due October 2011, unsecured (see Note 9)

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2012 consist of:

	Useful Life	
Land	NA	\$ 1,537,464
Building	40	1,856,436
Infrastructure	5-7	526,296
Furniture and fixtures	5-7	201,343
Vehicles	5	29,400
		<hr/>
		4,150,939
Less: accumulated depreciation		652,187
		<hr/>
		<u>\$ 3,498,752</u>

Depreciation expense for the years ended December 31, 2012 was \$134,637. Deer Run has no planned major maintenance activities planned.

NOTE 7 –RELATED PARTY TRANSACTIONS (See Note 4)

In November 2007, David and Liz Gibson donated land valued at \$909,450 to Deer Run.

In May 2008, they sold another parcel of land to Deer Run for \$502,560. Mr. and Mrs. Gibson owner financed this sale for \$504,000, zero interest and no set payment schedule. A \$25,000 payment was made during the year ended December 31, 2008 leaving a balance due of \$479,000. No payments were made during the year ended December 31, 2009, 2010, 2011, and 2012.

DEER RUN RETREAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 7 – RELATED PARTY TRANSACTIONS (continued)

In November 2010, the Gibson's loan Deer Run \$50,000 for the purchase of property owned by Mrs. Margaret McCoy. This is a one year, 6% loan with no set payment schedule. Balance outstanding at December 31, 2012 was \$50,000.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 19, 2013 which is the date the statements were available to be issued. No material subsequent events have occurred that need to be disclosed.