

# **DEER RUN RETREAT, INC.**

## **FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

***JOE OSTERFELD, CPA  
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**DEER RUN RETEAT, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Deer Run Retreat, Inc.  
Thompsons Station, Tennessee

We have audited the accompanying statement of financial position of Deer Run Retreat, Inc. (a nonprofit organization) as of December 31, 2011, and the related statements of activities 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 Deer Run Retreat, Inc. as of December 31, 2011, 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.

Joe Osterfeld, CPA  
Columbia, Tennessee  
September 11., 2012

**DEER RUN RETREAT, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2011**

**ASSETS**

Current Assets	
Cash and cash equivalents	\$ 68,800
Accounts receivable	70
Total Current Assets	<u>68,870</u>
Property and Equipment	
Land	1,541,426
Buildings	1,629,714
Infrastructure	526,296
Furniture, fixtures, and equipment	172,710
Vehicles	26,900
	<u>3,897,046</u>
Less: accumulated depreciation	(517,550)
Net Property and Equipment	<u>3,379,496</u>
Total Assets	<u>\$ 3,448,366</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities	
Accounts payable	\$ 3,355
Accrued expenses	14,193
Note payable - Gibson	529,000
Pinnacle - Line of Credit	1,711,263
Total Current Liabilities	<u>2,257,811</u>
Net Assets	
Unrestricted net assets	<u>1,190,555</u>
Total Net Assets	<u>1,190,555</u>
Total Liabilities and Net Assets	<u>\$ 3,448,366</u>

The accompanying notes are an integral part of the financial statements.

**DEER RUN RETREAT, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Unrestricted donations	52,715		52,715
Staff support	-		-
Facility improvement support	-	38,631	38,631
Retreat and facility	1,000,185		1,000,185
Interest income	85		85
Other miscellaneous	4,942		4,942
Gain/(Loss) on sale of asset			-
Released from restrictions	38,631	(38,631)	-
Total public support, revenues and reclassifications	<u>1,096,558</u>	<u>-</u>	<u>1,096,558</u>
 Expenses			
Program expenses	951,409		951,409
Management & general	77,063		77,063
Total Expenses	<u>1,028,472</u>	<u>-</u>	<u>1,028,472</u>
 Change in net assets	68,086	-	68,086
 Net assets, beginning of year	1,122,469	-	1,122,469
 Net assets, end of year	<u>\$ 1,190,555</u>	<u>\$ -</u>	<u>\$ 1,190,555</u>

The accompanying notes are an integral part of the financial statements.

**DEER RUN RETREAT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Total</u>
Salaries and wages	\$ 291,678	\$ 47,663	\$ 339,341
Payroll taxes	22,172	3,646	25,818
Health insurance	14,567		14,567
Bank charges	11,063		11,063
Advertising	24,251		24,251
Depreciation	126,225		126,225
Dues and subscriptions	3,223		3,223
Telephone	11,127		11,127
Interest	74,651		74,651
Utilities	45,411		45,411
Insurance	4,966	18,738	23,704
Permits, licenses and fees	-	1,736	1,736
Grants	25		25
Professional fees	20,613		20,613
Supplies	89,015		89,015
Occupancy	39,205		39,205
Food	113,029		113,029
Repairs and maintenance	60,073		60,073
Training/ seminars	115		115
Travel	-	5,280	5,280
	<u>\$ 951,409</u>	<u>\$ 77,063</u>	<u>\$ 1,028,472</u>

The accompanying notes are an integral part of the financial statements.

**DEER RUN RETREAT, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase in net assets	\$ 68,086
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities	
Depreciation	126,225
(Increase) decrease in operating assets:	
Accounts receivable	1,095
Increase (decrease) in operating liabilities:	
Accounts payable	(12,151)
Accrued expenses	3,176
Net cash provided (used) by operating activities	<u>186,431</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of fixed assets	<u>(45,292)</u>
Net cash provided (used) by investing activities	(45,292)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Repayment of loans	<u>(96,014)</u>
Net cash provided (used) by financing activities	(96,014)
Increase (decrease) in cash	<u>45,125</u>
Cash, beginning of year	23,675
Cash, end of year	<u><u>\$ 68,800</u></u>
<b>Supplemental Information:</b>	
Interest expense	\$ 79,918

The accompanying notes are an integral part of the financial statements.

**DEER RUN RETREAT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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 US generally accepted accounting principles.

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, 2011.

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.



**DEER RUN RETREAT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**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 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

Deer Run 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. Deer Run does not use fund accounting.

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, 2011**

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, 2009, 2010 and 2011 are subject to examination by the IRS, generally for 3 years after they were 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, 2011, Deer Run did not have any deposits in excess of FDIC deposit insurance coverage.

**NOTE 3 – ACCOUNTS RECEIVABLE**

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

**NOTE 4 – OPERATING LEASES – RELATED PARTY TRANSACTIONS**

Rent expense for the year ended December 31, 2011 was \$22,900 for two staff facilities on a month to month basis. One for \$1,200/month totaling \$14,400 was with Deer Run's founders David and Elizabeth Gibson. The other rental for \$1,000 for eight and one half months (\$8,500) was with an unrelated party.

**DEER RUN RETREAT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 11, 2012 which is the financial statement issuance date. No material subsequent events have occurred that need to be disclosed.

NOTE 6 –RELATED PARTY TRANSACTIONS

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

In May 2008, the Gibson's 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 and 2011.

In November 2010, the Gibson's made a loan to Deer Run of \$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, 2011 was \$50,000.

See Note 4 regarding Deer Run's rental payments to David and Elizabeth Gibson.

NOTE 7 – NOTES PAYABLE

As of December 31, 2011, Deer Run was indebted for the following:

- Pinnacle National Bank – Line of credit with a credit limit \$1,900,000, 4% interest, matures April 15, 2013, \$1,711,263 outstanding, secured by property and equipment
- David and Elizabeth Gibson – Mortgage note for \$504,000, 0% interest, no payment schedule, \$479,000 outstanding, secured by property (see Note 5).
- David and Elizabeth Gibson note for \$50,000, 6% interest, due October 2011, unsecured (see Note 5).

**DEER RUN RETREAT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2011 consist of:

	<b>Useful Life</b>	
Land	NA	\$ 1,541,427
Building	40	1,629,713
Infrastructure	5-7	526,296
Furniture and fixtures	5-7	172,710
Vehicles	5	26,900
		<hr/>
		3,897,046
Less: accumulated depreciation		517,550
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		\$ 3,379,496

Depreciation expense for the years ended December 31, 2011 was \$126,225. Deer Run has no planned major maintenance activities planned.