

# **DEER RUN RETREAT, INC.**

## **FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

*JOE OSTERFELD, CPA  
CERTIFIED PUBLIC ACCOUNTANT  
710 NORTH MAIN STREET ~ SUITE A  
PO BOX 807  
COLUMBIA, TN 38402-0807*

**DEER RUN RETEAT, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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**Joe Osterfeld, CPA**  
**Certified Public Accountant**  
**710 North Main Street - Suite A - PO Box 807 - Columbia, TN 38402-0807**  
**Telephone: 931-388-7144 - Fax: 931-388-7239**

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, 2013, 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, 2013, 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  
October 24, 2014

**DEER RUN RETREAT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2013**

**ASSETS**

Current Assets	
Cash and cash equivalents	\$ 3,354
Total Current Assets	<u>3,354</u>
Property and Equipment	
Land	1,464,586
Buildings	2,289,615
Infrastructure	726,975
Furniture, fixtures, and equipment	237,426
Vehicles	29,400
	<u>4,748,002</u>
Less: accumulated depreciation	(817,114)
Net Property and Equipment	<u>3,930,888</u>
Total Assets	<u>\$ 3,934,242</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities	
Accounts payable	\$ 6,674
Accrued expenses	18,315
Note payable - Gibson	479,000
Note payable - Pinnacle (current portion)	95,003
Total Current Liabilities	<u>598,992</u>
Long Term Liabilities	
Note payable - Pinnacle	1,788,173
Less: current portion	(95,003)
Total Long Term Liabilities	<u>1,693,170</u>
Net Assets	
Unrestricted net assets	1,642,080
Total Net Assets	<u>1,642,080</u>
Total Liabilities and Net Assets	<u>\$ 3,934,242</u>

See accompanying notes and accountant's report.

**DEER RUN RETREAT, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Unrestricted donations	-	-	-
Staff support	-	500	500
Facility improvement support	-	332,155	332,155
Scholarships	-	10,200	10,200
Retreat and facility	1,591,752	-	1,591,752
Gain on sale of assets	19,972	-	19,972
Interest income	28	-	28
Released from restrictions	342,855	(342,855)	-
Total public support, revenues and reclassifications	<u>1,954,607</u>	<u>-</u>	<u>1,954,607</u>
 Expenses			
Program expenses	1,509,812	-	1,509,812
Management & general	131,576	-	131,576
Total Expenses	<u>1,641,388</u>	<u>-</u>	<u>1,641,388</u>
 Change in net assets	313,219	-	313,219
 Net assets, beginning of year	1,328,861	-	1,328,861
 Net assets, end of year	<u>\$ 1,642,080</u>	<u>\$ -</u>	<u>\$ 1,642,080</u>

See accompanying notes and accountant's report.

**DEER RUN RETREAT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Total</u>
Salaries and wages	\$ 487,834	\$ 59,370	\$ 547,204
Payroll taxes	37,319	4,542	41,861
Employee benefits	7,595	2,020	9,615
Health insurance	11,403	3,565	14,968
Bank charges	17,867	-	17,867
Advertising	106,960	-	106,960
Depreciation	164,926	-	164,926
Dues and subscriptions	2,663	-	2,663
Telephone	15,085	-	15,085
Interest	69,486	-	69,486
Utilities	59,122	-	59,122
Insurance	14,227	42,987	57,214
Permits, licenses and fees	-	10,342	10,342
Professional fees	46,514	-	46,514
Supplies	156,493	-	156,493
Occupancy	26,250	-	26,250
Food	181,065	-	181,065
Repairs and maintenance	104,420	-	104,420
Training	583	-	583
Travel	-	8,750	8,750
	<u>\$ 1,509,812</u>	<u>\$ 131,576</u>	<u>\$ 1,641,388</u>

See accompanying notes and accountant's report.

**DEER RUN RETREAT, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase in net assets	\$ 313,219
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities	
Depreciation	164,926
Gain on sale of asset	(19,972)
In kind Web site services	23,000
(Increase) decrease in operating assets:	
Accounts receivable	-
Increase (decrease) in operating liabilities:	
Accounts payable	(12,913)
Accrued expenses	3,430
Net cash provided (used) by operating activities	<u>471,690</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of fixed assets	(669,941)
Sale of fixed assets	72,879
Net cash provided (used) by investing activities	<u>(597,062)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Repayment of loans	(161,018)
Proceeds from loans	280,716
Net cash provided (used) by financing activities	<u>119,698</u>
Increase (decrease) in cash	<u>(5,674)</u>
Cash, beginning of year	9,028
Cash, end of year	<u><u>\$ 3,354</u></u>
<b>Supplemental Information:</b>	
Interest expense	\$ 69,486

See accompanying notes and accountant's report.

**DEER RUN RETREAT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**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, 2013.

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, 2013.

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**  
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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.

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by action of the Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**DEER RUN RETREAT, INC.**  
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- Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Center. Generally, the donor of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes. Currently, there are no assets that meet this description.

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.

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. Deer Run's Form 990, Return of Organization Exempt from Income Tax, for the years ending December 31, 2011, 2012, and 2013 are subject to examination by the IRS, generally for 3 years after they are filed. There are no tax examinations currently in process. Management has concluded that the Deer Run has taken no uncertain tax positions as of December 31, 2013. Therefore, no provision for income taxes has been included in the Plan's financial statements.

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, 2013, Deer Run did not have any deposits in excess of FDIC deposit insurance coverage.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**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, 2013 was \$23,900 for two staff facilities on a month to month basis. One for \$1,700/month for seven months (\$11,900) was with Deer Run’s founders, David and Elizabeth Gibson. The other rental for \$1,000/month (\$12,000) was with an unrelated party.

**NOTE 5 – NOTES PAYABLE**

As of December 31, 2013, Deer Run was indebted for the following:

**Pinnacle National Bank – Commercial Loan**

Credit limit \$1,850,000, 4% interest, matures April 12, 2020, \$1,788,173 outstanding, secured by property and equipment

**Future Minimum Payments:**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	95,003	68,169	163,172
2015	98,781	64,391	163,172
2016	102,535	60,637	163,172
2017	106,787	56,385	163,172
2018	111,034	52,138	163,172
2019-2020	1,274,033	62,663	1,336,696
	<u>1,788,173</u>	<u>364,383</u>	<u>2,152,556</u>

**David and Liz Gibson – Mortgage**

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

**DEER RUN RETREAT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2013 consist of:

	<b>Useful</b>	
	<b><u>Life</u></b>	
Land	NA	\$ 1,464,586
Building	40	2,289,615
Infrastructure	5-7	726,975
Furniture and fixtures	5-7	237,426
Vehicles	5	29,400
		<hr/>
		4,748,002
Less: accumulated depreciation		817,114
		<hr/>
		<u><u>\$ 3,930,888</u></u>

Depreciation expense for the years ended December 31, 2013 was \$164,926. 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, 2013.

**NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October XX, 2014 which is the date the statements were available to be issued. No material subsequent events have occurred that need to be disclosed.