

DEER RUN RETREAT, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015

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**DEER RUN RETEAT, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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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, 2015, and the related statements of activities, functional expenses 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, 2015, 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 19, 2016

DEER RUN RETREAT, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

Current Assets	
Cash and cash equivalents	\$ 468,169
Total Current Assets	468,169
Property and Equipment	
Land	1,464,586
Buildings	2,693,182
Infrastructure	728,717
Furniture, fixtures, and equipment	261,427
Vehicles	71,050
	5,218,962
Less: accumulated depreciation	(1,151,824)
Net Property and Equipment	4,067,138
Total Assets	\$ 4,535,307

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 15,961
Accrued expenses	25,101
Note payable - Gibson	446,000
Note payable - Line of Credit	99,000
Note payable - Pinnacle (current portion)	111,004
Total Current Liabilities	697,066
Long Term Liabilities	
Note payable - Pinnacle	1,872,066
Note payable - Sheffield	8,800
Less: current portion	(111,004)
Total Long Term Liabilities	1,769,862
Net Assets	
Unrestricted net assets	1,655,941
Temporarily restricted net assets	412,438
Total Net Assets	2,068,379
Total Liabilities and Net Assets	\$ 4,535,307

See accompanying notes and accountant's report.

DEER RUN RETREAT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Facility improvement support	-	446,187	446,187
Scholarships	-	14,238	14,238
Donations	1,145	-	1,145
Retreat and facility	1,895,225	-	1,895,225
Camp store	61,868	-	61,868
Other income	6,787	-	6,787
Interest income	140	-	140
Released from restrictions	70,187	(70,187)	-
Total public support, revenues and reclassifications	<u>2,035,352</u>	<u>390,238</u>	<u>2,425,590</u>
Expenses			
Program expenses	1,920,004	-	1,920,004
Management & general	138,293	-	138,293
Total Expenses	<u>2,058,297</u>	<u>-</u>	<u>2,058,297</u>
Change in net assets	(22,945)	390,238	367,293
Net assets, beginning of year	1,678,886	22,200	1,701,086
Net assets, end of year	<u>\$ 1,655,941</u>	<u>\$ 412,438</u>	<u>\$ 2,068,379</u>

See accompanying notes and accountant's report.

DEER RUN RETREAT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>& General</u>	<u>Total</u>
Salaries and wages	\$ 815,886	54,895	\$ 870,781
Payroll taxes	62,075	4,199	66,274
Employee benefits	11,740	1,647	13,387
Health insurance	6,070	2,745	8,815
Bank charges	24,305	-	24,305
Advertising	104,855	-	104,855
Camp store merchandise	40,066	-	40,066
Depreciation	166,693	-	166,693
Dues and subscriptions	2,469	-	2,469
Telephone	21,789	-	21,789
Interest	76,038	-	76,038
Utilities	68,830	-	68,830
Insurance	16,607	23,796	40,403
Miscellaneous	1,500	-	1,500
Permits, licenses and fees	-	1,841	1,841
Professional fees	15,497	20,722	36,219
Property taxes	2,867	-	2,867
Supplies	161,964	19,551	181,515
Small tolls and equipment	6,842	-	6,842
Food	240,748	-	240,748
Repairs and maintenance	71,869	-	71,869
Training	1,294	-	1,294
Travel	-	8,897	8,897
	<u>\$ 1,920,004</u>	<u>138,293</u>	<u>\$ 2,058,297</u>

See accompanying notes and accountant's report.

DEER RUN RETREAT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 367,293
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities	
Depreciation	166,693
(Increase) decrease in operating assets:	
Increase (decrease) in operating liabilities:	
Accounts payable	13,239
Accrued expenses	6,840
Net cash provided (used) by operating activities	<u>554,065</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(92,137)
Net cash provided (used) by investing activities	(92,137)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of loans	(175,049)
Proceeds from loans	158,150
Net cash provided (used) by financing activities	<u>(16,899)</u>
Increase (decrease) in cash	<u>445,029</u>
Cash, beginning of year	23,140
Cash, end of year	<u>\$ 468,169</u>
 Supplemental Information:	
Interest expense	\$ 76,038

See accompanying notes and accountant's report.

DEER RUN RETREAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with US generally accepted accounting principles and accordingly, reflect all significant accounts receivable, accounts payable and other liabilities. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of United Way and changes therein are classified and reported as follows:

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 United Way 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.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by United Way. 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.

DEER RUN RETREAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015.

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 temporarily restricted net assets of \$22,200 at December 31, 2015.

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.

DEER RUN RETREAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Fair Values of Financial Instruments

Financial instruments of Deer Run include cash 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.

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, 2013, 2014, and 2015 are subject to examination by the IRS, generally for 3 years after they are filed. There are no tax examinations currently in process. Deer Run's management has concluded that Deer Run has taken no uncertain tax positions as of December 31, 2015. Accordingly, no provision for income taxes has been made.

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.

DEER RUN RETREAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Support and Revenues

Deer Run receives charitable donations from various individuals and organizations. The organization 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, 2015, Deer Run had deposits in excess of FDIC deposit insurance coverage in the amount of \$162,101.

NOTE 3 – ACCOUNTS RECEIVABLE

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

NOTE 4 – NOTES PAYABLE

As of December 31, 2015, Deer Run was indebted for the following:

Pinnacle National Bank – Commercial Loan

Credit limit \$1,850,000, 4% interest, matures April 12, 2020, \$1,693,165 outstanding, secured by property at 3845 Perkins Road, Thompsons Station, Tennessee

Pinnacle National Bank - Commercial Real Estate Loan

\$285,000, 3.85% interest, matures April 12, 2020, \$283,600 outstanding, secured by property at 3910 Perkins Road, Thompsons Station, Tennessee.

Pinnacle National Bank – Commercial Line of Credit

Credit limit \$50,000, 5% interest, matures April 28, 2015, \$11,000 outstanding, secured by properties located on Perkins Road, Thompsons Station, Tennessee

Sheffield Financial – Commercial Equipment Loan

Credit limit \$9,600, 0% interest, mature August 25, 2019, \$8,800 outstanding, secured by Gravely ATV located at Perkins Road, Thompsons Station, Tennessee.

DEER RUN RETREAT, INC.
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Future Minimum Payments:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	111,004	71,368	182,372
2017	115,525	66,847	182,372
2018	120,020	62,352	182,372
2019	123,095	57,677	180,772
2020	1,410,472	18,209	1,428,681
	<u>1,880,116</u>	<u>276,453</u>	<u>2,156,569</u>

David and Liz Gibson – Mortgage

Note for \$504,000, 0% interest, no payment schedule, \$446,000 outstanding, secured by property (see Note 5)

NOTE 5 –RELATED PARTY TRANSACTIONS

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. In 2014, Deer Run began making payments of \$2,000 per month for a total of \$24,000 for the year. In 2015, Deer Run made payments of \$9,000.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2015 consist of:

	Useful Life	
Land	NA	\$ 1,464,586
Building	40	2,693,182
Infrastructure	5-7	728,717
Furniture and fixtures	5-7	261,427
Vehicles	5	<u>71,050</u>
		<u>5,218,962</u>
Less: accumulated depreciation		<u>1,151,824</u>
		<u><u>\$ 4,067,138</u></u>

DEER RUN RETREAT, INC.
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Depreciation expense for the years ended December 31, 2015 was \$166,693.

NOTE 7 – PLANNED REPAIRS AND MAINTENANCE

Deer Run has no plans to re-model and update facilities and venues during 2016.

NOTE 8 – CAPITAL CAMPAIGN & TEMPORARILY RESTRICTED ASSETS

In December 2014, Deer Run began a capital campaign to raise \$2.3 million over the next three years for new building needs. As of December 31, 2015, \$412,101 had been received and is reported in the statement of financial position and statement of activities as temporarily restricted.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 19, 2106 which is the date the statements were available to be issued. No material subsequent events have occurred that need to be disclosed.