

DEER RUN RETREAT, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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**DEER RUN RETEAT, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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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, 2017, 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, 2017, 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 4, 2018

DEER RUN RETREAT, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Current Assets	
Cash and cash equivalents	\$ 76,195
Fidelity Investments Money Market Account	10,847
Total Current Assets	<u>87,042</u>
Property and Equipment	
Land	1,464,586
Buildings	3,076,358
Infrastructure	728,717
Furniture, fixtures, and equipment	376,983
Vehicles	121,550
	<u>5,768,194</u>
Less: accumulated depreciation	(1,527,352)
Net Property and Equipment	<u>4,240,842</u>
Other Assets: Building Fund	<u>1,673,003</u>
Total Assets	<u>\$ 6,000,887</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 5,144
Accrued expenses	17,940
Bank overdraft	11,796
Customer deposits	73,407
Note payable - Gibson	383,000
Note payable - Sheffield (current portion)	2,400
Total Current Liabilities	<u>493,687</u>
Long Term Liabilities	
Note payable - Sheffield	4,000
Less: current portion	(2,400)
Total Long Term Liabilities	<u>1,600</u>
Total Liabilities	495,287
Net Assets	
Unrestricted net assets	3,831,875
Temporarily restricted net assets	1,673,725
Total Net Assets	<u>5,505,600</u>
Total Liabilities and Net Assets	<u>\$ 6,000,887</u>

See accompanying notes and accountant's report.

DEER RUN RETREAT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Facility improvement support	-	3,015,559	3,015,559
Scholarships	-	25,828	25,828
Donations	1,051	448	1,499
Retreat and facility	2,082,519	-	2,082,519
Camp store	78,865	-	78,865
Other income	40,692	-	40,692
Interest income	-	7,118	7,118
Released from restrictions	2,357,939	(2,357,939)	-
Total public support, revenues and reclassifications	<u>4,561,066</u>	<u>691,014</u>	<u>5,252,080</u>
 Expenses			
Program expenses	2,185,508	-	2,185,508
Management & general	148,552	-	148,552
Total Expenses	<u>2,334,060</u>	<u>-</u>	<u>2,334,060</u>
 Change in net assets	2,227,006	691,014	2,918,020
 Net assets, beginning of year	1,604,869	982,711	2,587,580
 Net assets, end of year	<u>\$ 3,831,875</u>	<u>\$ 1,673,725</u>	<u>\$ 5,505,600</u>

See accompanying notes and accountant's report.

DEER RUN RETREAT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Salaries and wages	\$ 967,616	\$ 58,941	\$ 1,026,557
Payroll taxes	73,907	4,509	78,416
Employer pension contributions	13,630	1,768	15,398
Health insurance	6,585	2,947	9,532
Bank and merchant fees	33,806	-	33,806
Advertising, Marketing & Strategic Planning	116,844	13,174	130,018
Camp store merchandise	40,384	-	40,384
Depreciation	203,317	-	203,317
Dues and subscriptions	2,659	-	2,659
Telephone	23,995	-	23,995
Interest	54,693	-	54,693
Utilities	69,132	-	69,132
Insurance	48,663	29,679	78,342
Miscellaneous	3,647	-	3,647
Permits, licenses and fees	-	1,859	1,859
Professional fees	17,649	5,071	22,720
Property taxes	3,346	-	3,346
Supplies	151,649	21,792	173,441
Small tools and equipment	12,757	-	12,757
Food	246,330	-	246,330
Repairs and maintenance	92,944	-	92,944
Training	1,955	-	1,955
Travel	-	8,812	8,812
	<u>\$ 2,185,508</u>	<u>\$ 148,552</u>	<u>\$ 2,334,060</u>

See accompanying notes and accountant's report.

DEER RUN RETREAT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 2,918,020
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities	
Depreciation	203,317
(Increase) decrease in operating assets:	
Increase (decrease) in operating liabilities:	
Accounts payable	59
Accrued expenses	(3,540)
Customer deposits	73,407
Net cash provided (used) by operating activities	3,191,263
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(494,849)
Proceeds from sale of fixed assets	3,500
Net cash provided (used) by investing activities	(491,349)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of loans	(1,990,904)
Proceeds from loans	62,000
Net cash provided (used) by financing activities	(1,928,904)
Increase (decrease) in cash	771,010
Cash, beginning of year	977,239
Cash, end of year	\$ 1,748,249

Supplemental Information:

Interest expense	\$ 54,693
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<u>Financial Position Components of Cash and Cash Equivalents:</u>	<u>Beginning</u>	<u>Ending</u>
	<u>12/31/2017</u>	<u>12/31/2017</u>
Cash and cash equivalents	\$ 4,679	\$ 76,195
Building Fund	981,297	1,673,003
Bank Overdraft	(8,737)	(11,796)
Fidelity Investments Money Market Account	-	10,847
	\$ 977,239	\$ 1,748,249

See accompanying notes and accountant's report.

DEER RUN RETREAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 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 Deer Run Retreat 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 the organization 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 the organization. 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, 2017

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. Deer Run had \$10,847 in a money market account that is a cash equivalent.

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 \$1,673,725 at December 31, 2017.

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, 2017

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.

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, 2015, 2016, and 2017 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, 2017. 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.

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, 2017, Deer Run had deposits in excess of FDIC deposit insurance coverage in the amount of \$1,423,002.

DEER RUN RETREAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable are stated at their net realizable value. All receivables are considered collectable by management. There were no receivables at December 31, 2017.

NOTE 4 – NOTES PAYABLE

As of December 31, 2017, Deer Run was indebted for the following:

Sheffield Financial – Commercial Equipment Loan

Credit limit \$9,600, 0% interest, monthly payments of \$200, matures August 25, 2019, \$4,000 outstanding, secured by Gravely ATV located at Perkins Road, Thompsons Station, Tennessee.

David and Liz Gibson – Mortgage

Note for \$504,000, 0% interest, no payment schedule, \$383,000 outstanding, secured by property. See Note 5.

During 2017, a \$2,000,000 donation was made. With Board approval, all of the outstanding loans with Pinnacle Bank were paid in full. See note 8.

NOTE 5 –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. The following payments have been made:

<u>Year End</u>	<u>Amount</u>	<u>Balance Due</u>
2007		504,000
2008	25,000	479,000
2014	24,000	455,000
2015	9,000	446,000
2016	6,000	440,000
2017	57,000	383,000

NOTE 6 – PLANNED REPAIRS AND MAINTENANCE

Deer Run has no major plans to re-model and up-date facilities and venues during 2018.

DEER RUN RETREAT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 consist of:

	Useful Life	
Land	NA	\$ 1,464,586
Building	40	3,076,358
Infrastructure	5-7	728,717
Furniture and fixtures	5-7	376,983
Vehicles	5	121,550
		<u>5,768,194</u>
Less: accumulated depreciation		<u>1,527,352</u>
		<u><u>\$ 4,240,842</u></u>

Depreciation expense for the years ended December 31, 2017 was \$203,317.

NOTE 8 – CAPITAL CAMPAIGN & TEMPORARILY RESTRICTED ASSETS

In an ongoing effort to secure funding for various projects, Deer Run continues to campaign for donations. During 2017, the capital campaign donations were \$3,015,559. This is reported in the statement of activities as temporarily restricted. With Board approval, Deer Run used \$1,990,904 of these donations to pay-off two lines of credit and a mortgage at Pinnacle Bank. As of December 31, 2017, \$1,673,002 is reported in the statement of financial position as temporarily restricted.

NOTE 9 – EMPLOYEE PENSION PLAN

Deer Run offers a simple IRA retirement plan to which it contributes 3% of the salaries and wages of covered employees. Deer Run’s pension plan expense was \$15,398 for this plan during the current fiscal year.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 4, 2018 which is the date the statements were available to be issued. In the spring of 2018, Deer Run Retreat entered into discussions with Solomon Builder to build a new facility for approximately \$3.5 million. Management is evaluating the design, cost, and start date of the new building. Funding would come from the Capital Campaign funds plus future Capital Campaign donations.