

NARROW GATE FOUNDATION
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2009

NARROW GATE FOUNDATION
Financial Statements
DECEMBER 31, 2009

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INDEPENDENT AUDITOR'S REPORT

To Board of Directors
of Narrow Gate Foundation
Nashville, Tennessee

We have audited the accompanying statement of financial position of Narrow Gate Foundation as of December 31, 2009, and the related statements of activities, cash flows and functional expenses 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 audits.

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 Narrow Gate Foundation as of December 31, 2009, 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.

Thomason Financial Resources

February 24, 2010

**NARROW GATE FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009**

ASSETS

Current Assets

Cash	\$ 217,180
Tuition receivable	124,641
Total Current Assets	<u>\$ 341,821</u>

Property and Equipment

Leasehold Improvements	213,940
Furniture and fixtures	61,825
Equipment	32,464
Vehicles	21,590
	<u>329,819</u>
Less: accumulated depreciation	<u>(89,378)</u>
Total property and equipment	<u>240,441</u>

Total Assets	<u><u>\$ 582,262</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Deferred Revenue	<u>40,300</u>
Total Current Liabilities	40,300

Net Assets

Unrestricted	<u>541,962</u>
Total Liabilities and Net Assets	<u><u>\$ 582,262</u></u>

The accompanying notes are an integral part of these financial statements

**NARROW GATE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Unrestricted
Public Support and Revenue	
Public Support:	
Contributions	\$ 476,486
Grant income	73,500
In-kind contribution	30,600
Total public support	580,586
Revenue:	
Tuition income	243,814
Less: scholarship expense	(63,500)
Net tuition income	180,314
Enrollment fees	35,000
Application fees	2,325
Interest income	52
Total revenue	217,691
Total Public Support and Revenue	798,277
Expenses	
Program services	399,245
Management and general	218,838
Fundraising	32,787
Total Expenses	650,870
Increase in net assets	147,407
Net assets at beginning of year	394,554
Net assets at end of year	\$ 541,961

The accompanying notes are an integral part of these financial statements

**NARROW GATE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Payroll	\$ 155,800	\$ 31,067	\$ 22,200	\$ 209,067
Payroll taxes	10,706	2,091	1,477	14,274
Health insurance	8,672	1,734	1,157	11,563
Total compensation	<u>175,178</u>	<u>34,892</u>	<u>24,834</u>	<u>234,904</u>
Gas	20,524	-	-	20,524
Property supplies	10,156	10,157	-	20,313
Depreciation	-	32,721	-	32,721
Occupancy	38,609	19,304	-	57,913
Missions	14,732	-	-	14,732
School of Ministry	2,810	-	-	2,810
Vehicle expenses	5,242	-	-	5,242
Computer services	2,205	2,204	-	4,409
Food	56,275	2,961	-	59,236
Legal fees	-	59,656	-	59,656
Insurance	26,912	8,108	-	35,020
Office supplies	1,113	3,652	2,565	7,330
Telephone	14,641	1,996	-	16,637
Lodge and gear supplie	12,330	-	-	12,330
Travel and meetings	9,539	7,930	-	17,469
Bank and merchant fees	-	8,381	-	8,381
Marketing	-	2,442	2,442	4,884
Anniversary expenses	-	14,591	-	14,591
Postage	190	250	193	633
Fundraising	-	-	2,753	2,753
Other expenses	8,790	9,593	-	18,383
Total expenses	<u>\$ 399,245</u>	<u>\$ 218,838</u>	<u>\$ 32,787</u>	<u>\$ 650,870</u>
Current year's percentages	61%	34%	5%	100%

The accompanying notes are an integral part of these financial statements

**NARROW GATE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Cash Flows From Operating Activities:

Increase in net assets	\$ 147,407
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	32,721
Changes in operating assets and liabilities:	
Tuition receivable	(93,438)
Accounts payable	(38,766)
Deferred revenue	35,953
Net cash provided by operating activities	<u>83,877</u>

Cash flows From Financing Activities

Payments on note payable	<u>(2,604)</u>
Net cash used in investing activities	<u>(2,604)</u>
Net increase in cash and cash equivalents	81,273
Cash at beginning of year	135,906
Cash at end of year	<u>\$ 217,179</u>

Supplemental schedule of noncash operating activities:

In-kind contributions of facilities	<u>\$ 30,600</u>
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The accompanying notes are an integral part of these financial statements

NARROW GATE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Narrow Gate Foundation (the “Organization”) is a nonprofit organization chartered in the State of Tennessee in 2004 to provide a Christian discipleship experience for young men ages 18-25 desiring to take a pause from the distractions of life to discover who they are and what their purpose here on earth is all about. This includes living in a wilderness environment, participating in daily chores and community work projects to build teamwork and develop good work disciplines, going on challenging adventures, and most importantly, studying the Bible and other Christian curriculum to help share them into godly young men. The Organization is supported primarily through individual and business contributions.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets 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 restrictions that may or will be met, either by actions of the Organization and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as unrestricted. When a restriction expires in a period after the contributions are received, 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 they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

The amount for each of these classes of net assets is displayed in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities. There were no temporarily or permanently restricted net assets as of December 31, 2009.

NARROW GATE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments, with an original maturity when purchased of three months or less, to be cash and cash equivalents. At December 31, 2009, the Organization had no cash equivalents.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Tuition Receivable

The Organization does not accept or deny any student based on their ability to financially support the ministry. However, students and their families are expected to do all they can to off-set the cost of their stay while at Narrow Gate. The Organization receives conditional promises from students and their families to make tuition payments on behalf of the student in monthly installments or a lump sum. The present value of these estimated future cash flows is recorded as tuition receivable.

The Organization periodically evaluates the balances on a student-by-student basis based on payment history to determine if any balances are uncollectible. When the Organization determines that a receivable is uncollectible, the balance is removed from the receivables balance and charged directly against revenue. The Organization believes that all tuition receivables are fully collectible. Accordingly, no allowance for doubtful accounts is required as of December 31, 2009.

Property and Equipment

Property and equipment are recorded at cost to the Organization, or if donated, at the estimated fair market value at the date of donation. All depreciation is computed using the straight-line method based on the estimated useful lives of the assets, which range from 5 to 15 years. Expenditures for repairs and maintenance are charged to operations when incurred.

NARROW GATE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred Revenue

Tuition and fees collected in advance of being earned have been included in the statement of financial position as deferred revenue. Such deferred revenue is recognizable within at least one year.

Expense Allocation

The costs of providing program services and supporting services 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 programs and supporting services based on actual or estimated time employees spend on each function.

Use of 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. The most significant area is the recovery period for capital improvements and equipment. Management believes that such estimates have been based on reasonable assumptions and that such estimates are adequate. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code, and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

NARROW GATE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments

Effective July 1, 2008, the Organization adopted SFAS No. 157, *Fair Value Measurements*, which established a framework for measuring the fair value in accordance with GAAP, and expands disclosures about the use of fair value measures. The adoption of SFAS No. 157 did not have an impact on the Organization's financial position or operating results.

Assets recorded at fair value in the statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by SFAS No. 157, are as follows:

Level 1 – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Organization's financial instruments consist of tuition receivable and deferred revenue. The recorded values of all the Organization's financial instruments approximate their fair values based on their short-term nature.

NARROW GATE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 2 – LEASE COMMITMENT

The Organization is obligated under an operating lease agreement for residential property, which is owned by a related party via common board of directors' member. Beginning January 1, 2009, the Organization shall not pay any rent for its use and occupancy of the property except for a reasonably allocated share of the cost of use of the property. Rent expense totaled \$30,600 for the year ended December 31, 2009, which is an in-kind contribution in the accompanying statement of activities. The lease expires September 30, 2011.

NOTE 3 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through February 24, 2010, the issuance of the Organization's financial statements.