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 nine 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.

Basis of 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.

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.

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, 2010.

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.

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 is not classified as a private foundation. 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 charges fees 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, 2010, 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, 2010 was $14,400 for staff facilities on a month to month basis for $1,200 from Deer Run's founders David and Elizabeth Gibson. See Note 7 for additional information on other related party transactions.

NOTE 5 – NOTES PAYABLE

As of December 31, 2010, Deer Run was indebted for the following:

- Pinnacle National Bank – a Line of Credit with a credit limit of $1,900,000 at 4% interest that matures April 15, 2013. $1,807,278 is outstanding. The loan is secured by property and equipment

- David and Elizabeth Gibson – a mortgage note for $504,000 at 0% interest with no payment schedule. $479,000 is outstanding. The loan is secured by property (related party - see Note 7).

- David and Elizabeth Gibson – an unsecured note for $50,000 at 6% interest that is due October 2011 (related party - see Note 9).

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2010 consist of:

	Useful Life	
Land	NA	$ 1,537,464
Building	40	1,611,463
Infrastructure	5-7	525,218
Furniture and fixtures	5-7	153,609
Vehicles	5	24000
		3,851,754
Less: accumulated depreciation		391,325
		$ 3,460,429

Depreciation expense for the years ended December 31, 2010 was $121,884. Deer Run has no planned major maintenance activities planned.

NOTE 7 –RELATED PARTY TRANSACTIONS

In November 2007, David and Elizabeth Gibson, Deer Run's founders, 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, 2010.

In November 2010, the David and Elizabeth Gibson loaned Deer Run $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, 2010 was $50,000.

NOTE 8 – SUBSEQUENT EVENTS AND DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through August 15, 2011 which is the financial statement issuance date. No material subsequent events have occurred that need to be disclosed.