

DEER RUN RETREAT CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2008

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DECEMBER 31, 2008**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Deer Run Retreat Center
3845 Perkins Road
Thompson Station, TN 37179

We have audited the accompanying statement of financial position of Deer Run Retreat Center (a nonprofit organization) as of December 31, 2008, and the related statements of activities, functional expenses and cash flows 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 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 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 Deer Run Retreat Center as of December 31, 2008, 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.



Joe Osterfeld, CPA
Columbia, Tennessee
October 20, 2009

DEER RUN RETREAT CENTER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

ASSETS

Current Assets	
Cash and cash equivalents	\$ 35,708
Accounts receivable	30,758
Total Current Assets	<u>66,466</u>
Property and Equipment	
Land	1,464,586
Buildings	1,494,827
Infrastructure	520,993
Furniture and fixtures	107,015
Vehicles	29,157
	<u>3,616,578</u>
Less: accumulated depreciation	<u>(162,258)</u>
Net Property and Equipment	<u>3,454,320</u>
Total Assets	<u><u>\$ 3,520,786</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 25,559
Accrued expenses	16,766
Note payable - Gibson	479,000
Pinnacle - Line of Credit	1,740,554
Total Current Liabilities	<u>2,261,879</u>
Net Assets	
Unrestricted net assets	1,249,634
Temporarily restricted net assets	9,273
Total Net Assets	<u>1,258,907</u>
Total Liabilities and Net Assets	<u><u>\$ 3,520,786</u></u>

See accompanying notes and accountant's report.

DEER RUN RETREAT CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Unrestricted donations	66,414		66,414
Staff support	-	30,048	30,048
Retreat and facility	476,149		476,149
Interest income	38		38
Other miscellaneous	3,298		3,298
Released from restrictions	20,775	(20,775)	-
Total public support, revenues and reclassifications	<u>566,674</u>	<u>9,273</u>	<u>575,947</u>
Expenses			
Program expenses	618,762		618,762
Management & general	138,363		138,363
Total Expenses	<u>757,125</u>	<u>-</u>	<u>757,125</u>
Change in net assets	(190,451)	9,273	(181,178)
Net assets, beginning of year	1,440,085	-	1,440,085
Net assets, end of year	<u>\$ 1,249,634</u>	<u>\$ 9,273</u>	<u>\$ 1,258,907</u>

See accompanying notes and accountant's report.

DEER RUN RETREAT CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Program Services</u>	<u>Management & General</u>	<u>Total</u>
Salaries and wages	\$ 181,533	\$ 103,592	\$ 285,125
Payroll taxes	13,692	7,814	21,506
Health insurance	11,118		11,118
Bad debt	300		300
Bank charges	5,338		5,338
Advertising	28,297		28,297
Depreciation	110,478		110,478
Dues and subscriptions	2,220		2,220
Telephone	10,484		10,484
Interest	67,354		67,354
Utilities	41,586		41,586
Insurance	-	17,674	17,674
Permits, licenses and fees	-	1,960	1,960
Grants	500		500
Professional fees	8,136		8,136
Supplies	21,385		21,385
Occupancy	25,606		25,606
Food	72,891		72,891
Repairs and maintenance	17,149		17,149
Training/ seminars	695		695
Travel	-	7,323	7,323
	<u>\$ 618,762</u>	<u>\$ 138,363</u>	<u>\$ 757,125</u>

See accompanying notes and accountant's report.

**DEER RUN RETREAT CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ (181,178)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities	
Depreciation	110,478
(Increase) decrease in operating assets:	
Accounts receivable	(24,700)
Increase (decrease) in operating liabilities:	
Accounts payable	24,570
Accrued expenses	13,130
Net cash provided (used) by operating activities	<u>(57,700)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	<u>(1,265,614)</u>
Net cash provided (used) by investing activities	<u>(1,265,614)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from borrowings	2,231,653
Repayment of loans	<u>(895,468)</u>
Net cash provided (used) by financing activities	<u>1,336,185</u>
Increase (decrease) in cash	<u>12,871</u>
Cash, beginning of year	22,837
Cash, end of year	<u><u>\$ 35,708</u></u>
Supplemental Information:	
Interest expense	\$ 67,354

See accompanying notes and accountant's report.

DEER RUN RETREAT CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Deer Run Retreat Center (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.

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, 2008.

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 restricted net assets at December 31, 2008.

DEER RUN RETREAT CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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.

Financial Statement Presentation

Deer Run has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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. As permitted by the statement, Deer Run does not use fund accounting.

DEER RUN RETREAT CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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. 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. 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, 2008, Deer Run did not have any deposits 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

Rent expense for the year ended December 31, 2008 was \$14,400. Deer Run leases a facilities for staff on a month to month basis for \$1,200 per month respectively.

DEER RUN RETREAT CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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. See Note 7 for information on the note payable.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2008 consist of:

	Useful Life	
Land	NA	\$ 1,464,586
Building	40	1,494,827
Infrastructure	5-7	520,993
Furniture and fixtures	5-7	107,015
Vehicles	5	291,57
		<hr/> 3,616,578
Less: accumulated depreciation		162,258
		<hr/> \$ 3,454,320

Depreciation expense for the years ended December 31, 2008 was \$110,478. Deer Run has no planned major maintenance activities planned.

NOTE 7 – NOTES PAYABLE

As of December 31, 2008, Deer Run was indebted for the following:

Pinnacle National Bank – Line of Credit

Credit limit \$1,900,000, 4% interest, matures April 15, 2013, \$1,740,554
outstanding, secured by property and equipment

David and Liz Gibson – Mortgage

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