

# **DEER RUN RETREAT CENTER**

## **FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

***JOE OSTERFELD, CPA  
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FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Deer Run Retreat Center  
Thompson Station, Tennessee

We have audited the accompanying statement of financial position of Deer Run Retreat Center (a nonprofit organization) as of December 31, 2009, 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, 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.

A handwritten signature in black ink that reads "Joe Osterfeld, CPA". The signature is written in a cursive, flowing style.

Joe Osterfeld, CPA  
Columbia, Tennessee  
September 29, 2010

**DEER RUN RETREAT CENTER**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2009**

**ASSETS**

Current Assets	
Cash and cash equivalents	\$ 12,430
Accounts receivable	3,116
Total Current Assets	<u>15,546</u>
Property and Equipment	
Land	1,487,464
Buildings	1,611,463
Infrastructure	525,218
Furniture, fixtures, and equipment	142,187
Vehicles	29,157
	<u>3,795,489</u>
Less: accumulated depreciation	(282,304)
Net Property and Equipment	<u>3,513,185</u>
Total Assets	<u><u>\$ 3,528,731</u></u>

**LIABILITIES AND NET ASSETS**

Current Liabilities	
Accounts payable	\$ 17,809
Accrued expenses	34,128
Note payable - Gibson	479,000
Pinnacle - Line of Credit	1,886,426
Total Current Liabilities	<u>2,417,363</u>
Net Assets	
Unrestricted net assets	1,100,872
Temporarily restricted net assets	10,496
Total Net Assets	<u>1,111,368</u>
Total Liabilities and Net Assets	<u><u>\$ 3,528,731</u></u>

See accompanying notes and accountant's report.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Unrestricted donations	67,429		67,429
Staff support	-	29,901	29,901
Facility improvement support	-	72,050	72,050
Retreat and facility	582,479		582,479
Interest income	38		38
Other miscellaneous	7,289		7,289
Released from restrictions	100,728	(100,728)	-
Total public support, revenues and reclassifications	<u>757,963</u>	<u>1,223</u>	<u>759,186</u>
Expenses			
Program expenses	771,514		771,514
Management & general	135,211		135,211
Total Expenses	<u>906,725</u>	<u>-</u>	<u>906,725</u>
Change in net assets	(148,762)	1,223	(147,539)
Net assets, beginning of year	1,249,634	9,273	1,258,907
Net assets, end of year	<u>\$ 1,100,872</u>	<u>\$ 10,496</u>	<u>\$ 1,111,368</u>

See accompanying notes and accountant's report.

**DEER RUN RETREAT CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Total</u>
Salaries and wages	\$ 257,919	\$ 101,500	\$ 359,419
Payroll taxes	19,007	7,765	26,772
Health insurance	13,046		13,046
Bad debt	18		18
Bank charges	8,871		8,871
Advertising	20,633		20,633
Depreciation	120,046		120,046
Dues and subscriptions	1,344		1,344
Telephone	9,123		9,123
Interest	75,473		75,473
Utilities	45,222		45,222
Insurance	-	22,819	22,819
Permits, licenses and fees	-	1,306	1,306
Grants	100		100
Professional fees	22,637		22,637
Supplies	36,736		36,736
Occupancy	27,337		27,337
Food	89,955		89,955
Repairs and maintenance	23,376		23,376
Training/ seminars	671		671
Travel	-	1,821	1,821
	<u>\$ 771,514</u>	<u>\$ 135,211</u>	<u>\$ 906,725</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	\$ (147,539)
Adjustments to reconcile increase in net assets	
to net cash provided (used) by operating activities	
Depreciation	120,046
(Increase) decrease in operating assets:	
Accounts receivable	27,641
Increase (decrease) in operating liabilities:	
Accounts payable	(7,750)
Accrued expenses	17,362
Net cash provided (used) by operating activities	<u>9,760</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	<u>(178,911)</u>
Net cash provided (used) by investing activities	<u>(178,911)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from borrowings	159,400
Repayment of loans	<u>(13,527)</u>
Net cash provided (used) by financing activities	<u>145,873</u>
Increase (decrease) in cash	<u>(23,278)</u>
Cash, beginning of year	35,708
Cash, end of year	<u><u>\$ 12,430</u></u>
Supplemental Information:	
Interest expense paid in 2009	\$ 75,473

See accompanying notes and accountant's report.



**DEER RUN RETREAT CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Deer Run Retreat Centers (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 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, 2009.

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, 2009.

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



**DEER RUN RETREAT CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

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 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. Deer Run does not use fund accounting.

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.

**DEER RUN RETREAT CENTER  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

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, 2009, 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 6 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2009 consist of:

	<b>Useful Life</b>	
Land	NA	\$ 1,487,464
Building	40	1,611,463
Infrastructure	5-7	525,218
Furniture and fixtures	5-7	142,187
Vehicles	5	29157
		<hr/> 3,795,489
Less: accumulated depreciation		282,304
		<hr/> <hr/> \$ 3,513,185

Depreciation expense for the years ended December 31, 2009 was \$120,046. Deer Run has no planned major maintenance activities planned.

**DEER RUN RETREAT CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

**NOTE 7 – NOTES PAYABLE**

As of December 31, 2009, Deer Run was indebted for the following:

Pinnacle National Bank – Line of Credit

Credit limit \$1,900,000, 4% interest, matures April 15, 2013, \$1,886,426  
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)

**NOTE 8 – OPERATING LEASES**

Rent expense for the year ended December 31, 2009 was \$14,400 for staff facilities on a month to month basis for \$1,200. Deer Run also leased a facility at Blackberry Ridge for 3 months for \$1,818 per month.

**NOTE 9 –RELATED PARTY TRANSACTIONS (See Note 7)**

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. No payments were made during the year ended December 31, 2009.

**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 29, 2010 which is the financial statement issuance date. No material subsequent events have occurred that need to be disclosed.