

DEER RUN RETREAT CENTER

(A Nonprofit Organization)

Financial Statements

With Independent Auditor's Report Thereon

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018





Independent Auditor's Report

To the Board of Directors of
Deer Run Retreat Center

Report on the Financial Statements

We have audited the accompanying financial statements of Deer Run Retreat Center, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Center as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'Scott Miller CPA, PLLC', is written over a faint, larger version of the same signature.

Miller CPA, PLLC
Murfreesboro, Tennessee
May 8, 2020

DEER RUN RETREAT CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	ASSETS	
	2019	2018
CURRENT ASSETS		
Cash and equivalents	\$ 2,221,358	\$ 1,836,981
Promises to give	23,500	62,500
Prepaid expenses	20,183	-
Total Current Assets	2,265,041	1,899,481
LONG-TERM ASSET		
Deposit	165,000	-
PROPERTY AND EQUIPMENT, NET	4,096,855	4,153,796
TOTAL ASSETS	\$ 6,526,896	\$ 6,053,277
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES		
Line of credit	\$ -	\$ 2,500
Note payable	-	1,600
Accounts payable	13,722	30,385
Accrued expenses	24,766	26,446
Deferred revenue	282,970	295,854
Total current liabilities	321,458	356,785
NET ASSETS		
Net assets with donor restrictions	1,452,872	1,118,846
Net assets without donor restrictions	4,752,566	4,577,646
TOTAL NET ASSETS	6,205,438	5,696,492
TOTAL LIABILITIES AND NET ASSETS	\$ 6,526,896	\$ 6,053,277

See accompanying notes to financial statements and independent auditor's report.

**DEER RUN RETREAT CENTER
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			2018		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals
PUBLIC SUPPORT AND REVENUE						
Public Support						
Contributions	\$ 107,364	\$ 365,633	\$ 472,997	\$ 76,408	\$ 510,218	\$ 586,626
Fundraising events	181,562	-	181,562	4,869	-	4,869
Scholarships donations	-	50,968	50,968	-	61,583	61,583
Total public support	288,926	416,601	705,527	81,277	571,801	653,078
Revenue						
Summer camp	1,088,945	-	1,088,945	609,936	-	609,936
Camp activities	172,774	-	172,774	526,617	-	526,617
Camp store	101,034	-	101,034	84,731	-	84,731
Facility rental	515,776	-	515,776	555,226	-	555,226
Meals	486,434	-	486,434	339,837	-	339,837
Total revenue	2,364,963	-	2,364,963	2,116,347	-	2,116,347
Other revenue						
Loss on disposal of equipment	-	-	-	(10,054)	-	(10,054)
Other income	5,101	-	5,101	26,133	-	26,133
Interest income	-	38,282	38,282	-	30,779	30,779
Total other revenue	5,101	38,282	43,383	16,079	30,779	46,858
NET ASSETS RELEASED FROM RESTRICTIONS	120,857	(120,857)	-	487,969	(487,969)	-
TOTAL PUBLIC SUPPORT AND REVENUE	2,779,847	334,026	3,113,873	2,701,672	114,611	2,816,283
EXPENSES						
Programs	2,301,264	-	2,301,264	2,466,751	-	2,466,751
Management and general	190,515	-	190,515	206,006	-	206,006
Fundraising	113,148	-	113,148	28,269	-	28,269
TOTAL EXPENSES	2,604,927	-	2,604,927	2,701,026	-	2,701,026
INCREASE IN NET ASSETS	174,920	334,026	508,946	646	114,611	115,257
NET ASSETS AT BEGINNING OF YEAR	4,577,646	1,118,846	5,696,492	4,577,000	1,004,235	5,581,235
NET ASSETS AT END OF YEAR	\$ 4,752,566	\$ 1,452,872	\$ 6,205,438	\$ 4,577,646	\$ 1,118,846	\$ 5,696,492

See accompanying notes to financial statements and independent auditor's report.

DEER RUN RETREAT CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	Program Services	Supporting Services		Totals	Program Services	Supporting Services		Totals
		Management and General	Fund- raising			Management and General	Fund- raising	
Salaries and wages	\$ 1,220,666	\$ 73,784	\$ 81,156	\$ 1,375,606	\$ 1,180,255	\$ 71,894	\$ -	\$ 1,252,149
Payroll taxes	85,962	5,234	6,208	97,404	88,264	5,362	-	93,626
Retirement	12,845	1,587	614	15,046	12,497	1,621	-	14,118
Health insurance	12,276	5,515	1,115	18,906	17,415	7,794	-	25,209
Bank and merchant fees	37,704	-	-	37,704	45,757	-	-	45,757
Advertising	64,809	7,307	-	72,116	85,717	9,665	-	95,382
Camp store merchandise	67,928	-	-	67,928	42,447	-	-	42,447
Depreciation	196,323	11,948	-	208,271	183,268	11,153	-	194,421
Dues and subscriptions	29,847	-	-	29,847	15,247	-	-	15,247
Telephone	13,464	820	-	14,284	19,611	1,195	-	20,806
Utilities	74,918	4,564	-	79,482	69,948	4,261	-	74,209
Insurance	25,637	15,408	-	41,045	41,557	24,976	-	66,533
Rent	-	-	-	-	4,363	-	-	4,363
Miscellaneous	10,996	670	-	11,666	24,432	1,488	-	25,920
Permits, licenses and fees	-	1,695	-	1,695	-	1,926	-	1,926
Professional fees	61,021	17,533	-	78,554	48,389	13,903	-	62,292
Property taxes	3,340	-	-	3,340	3,388	-	-	3,388
Supplies	61,779	8,878	-	70,657	124,181	17,845	-	142,026
Small tools and equipment	42,223	-	-	42,223	62,756	-	-	62,756
Food	199,941	-	-	199,941	238,721	-	-	238,721
Repairs and maintenance	54,317	-	-	54,317	140,850	-	-	140,850
Training	25,267	-	-	25,267	17,688	-	-	17,688
Travel	-	35,573	-	35,573	-	32,923	-	32,923
Totals	2,301,263	190,516	89,093	2,580,872	2,466,751	206,006	-	2,672,757
Direct benefit costs of fundraising events	-	-	24,055	24,055	-	-	28,269	28,269
Total expenses	<u>\$ 2,301,263</u>	<u>\$ 190,516</u>	<u>\$ 113,148</u>	<u>\$ 2,604,927</u>	<u>\$ 2,466,751</u>	<u>\$ 206,006</u>	<u>\$ 28,269</u>	<u>\$ 2,701,026</u>

See accompanying notes to financial statements and independent auditor's report.

**DEER RUN RETREAT CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 508,946	\$ 115,257
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	208,271	194,421
Loss on disposal of equipment	-	10,054
Increase (decrease) in operating assets:		
Accounts receivable	39,000	13,135
Prepaid expenses	(20,183)	-
Increase (decrease) in operating liabilities:		
Accounts payable	(16,663)	25,241
Accrued expenses	(1,680)	(3,290)
Deferred revenue	(12,884)	222,447
NET CASH PROVIDED BY OPERATING ACTIVITIES	704,807	577,265
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(151,330)	(117,429)
Payment of deposit	(165,000)	-
NET CASH USED IN INVESTING ACTIVITIES	(316,330)	(117,429)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in line of credit	(2,500)	2,500
Principal payments of note payable	(1,600)	(385,400)
NET CASH USED IN FINANCING ACTIVITIES	(4,100)	(382,900)
NET INCREASE IN CASH AND EQUIVALENTS	384,377	76,936
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	1,836,981	1,760,045
CASH AND EQUIVALENTS AT END OF YEAR	\$ 2,221,358	\$ 1,836,981

See accompanying notes to financial statements and independent auditor's report.

DEER RUN RETREAT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Deer Run Retreat Center (referred to as the “Center”) is a not-for-profit Tennessee corporation located 35 miles south of Nashville, easily accessible to churches, schools, universities, community leadership organizations, counseling ministries, addiction groups, at-risk youth programs, and Boy and Girl Scout troops. The Center is strategically located within four hours of nine major metropolitan areas. The Center 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 the Center’s existence. The Center is governed by a volunteer board of directors.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of unrestricted revenues and support and expenses during the period. Actual results could differ from those estimates.

Financial Statement Presentation

The Organization presents its financial statements in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Financial Statements for Not-for-Profit Organizations*. Accordingly, the Organization reports information regarding its financial position and activities according to the two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as revenue within net assets with donor restrictions when received, and such unexpended amounts are reported as net assets with donor restrictions at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as “net assets released from restrictions”.

Net assets with donor restrictions also consist of donor restricted contributions, which are required to be held in perpetuity. As of December 31, 2019 and 2018, there were no net assets with donor restrictions required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

DEER RUN RETREAT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Equivalents

Cash and equivalents include cash on hand and short-term investments with original maturities of three months or less.

Promises to Give

Promises to give consist of contributions received in the subsequent year which were dated in the prior year. As of December 31, 2019 and 2018 promises to give totaled \$23,500 and \$62,500, respectively.

Property and Equipment, Net

The Center capitalizes all property and equipment expenditures with a cost of \$1,000 or more and having estimated useful lives of more than one year. Property and equipment are recorded at cost or for donated items, at fair value as of the date received. Such donations are reported as an increase in net assets without donor restrictions 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 an increase in net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method. The buildings are being depreciated over 39 years and equipment over 5 to 20 years. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense when incurred.

Contributions

Contributions are recognized as revenue when received or unconditionally pledged. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions depending on the nature of the restriction.

Functional Expenses

Expenses are summarized and categorized based upon their functional classification as either program, management and general or fundraising. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, the expenses require allocation on a reasonable basis that is consistently applied. The Organization has determined the allocation based on estimates of time and effort within the salaries and compensation expense; which in turn created a percent allocation that was used to determine the allocation of certain expenses.

Advertising Expenses

Advertising costs include costs to promote the Center and are expensed as incurred on the statements of activities. Advertising expense for the years ended December 31, 2019 and 2018 totaled \$72,116 and \$95,382, respectively.

Income Taxes

The Center is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Therefore, the Center has made no provision for federal income taxes in the accompanying financial statements.

**DEER RUN RETREAT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued)

The Center has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2018, 2017 and 2016.

Based on the evaluation of the Center’s tax positions, management believes all tax positions taken would be upheld under an examination by the tax authorities. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2019 and 2018.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the presentation used in 2019.

NOTE B – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of December 31, 2019 and 2018:

	2019	2018
Building	\$ 3,117,863	\$ 3,125,254
Furniture and equipment	424,216	390,140
Vehicles	142,320	129,020
Infrastructure	728,717	728,717
Construction in process	111,345	-
Land	1,464,586	1,464,586
	5,989,047	5,837,717
Less: Accumulated Depreciation	(1,892,192)	(1,683,921)
Totals	\$ 4,096,855	\$ 4,153,796

Depreciation expense for the years ending December 31, 2019 and 2018 totaled \$208,271 and \$194,421, respectively.

The Center is in the process of constructing a facility as well as the renovation of another building. The construction in process consists of costs associated with these construction projects. Depreciation for the construction projects will begin when the Center begins using the new facility.

NOTE C – DEPOSIT

During the year ended December 31, 2019, the Center entered into a contract to purchase certain property, which required an initial deposit of \$165,000 and subsequent monthly deposits of \$2,500 beginning January 2020 through April 2021. In May 2021 the Center is scheduled to make a payment for \$1,445,000. The deposit payments are non-refundable. Upon the final payment received in May 2021 the property will be formally purchased and titled to the Center.

NOTE D – LINE OF CREDIT

The Center has a line of credit with a bank with availability of \$125,000, subject to certain borrowing base requirements, bearing an interest rate of the bank rate plus 1% and requiring monthly interest payments. As of December 31, 2019 and 2018, the interest rate was 5.75% and 6.50%, respectively.

**DEER RUN RETREAT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE D – LINE OF CREDIT (CONTINUED)

The line of credit is collateralized by substantially all the assets of the Center. The line of credit matures in February 2020. The Center is in the process of renewing the line of credit with an updated maturity date of February 2021. As of December 31, 2019 and 2018, the line of credit had a balance of \$-0- and \$2,500, respectively.

NOTE E – NOTE PAYABLE

The Center had a note payable with a finance company bearing interest rate of 0% requiring monthly principal payments of \$200. The note payable was collateralized by certain equipment. The loan matured in August 2019. As of December 31, 2019 and 2018, the balance of the note payable was \$-0- and \$1,600, respectively.

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the purpose of building the Refuge, providing scholarships for campers and families and other restricted purposes. As of December 31, 2019 and 2018, net asset with donor restriction contributions totaled \$461,601 and \$571,861, respectively. The Center also receives interest income which is classified as net assets with donor restrictions. During the years ended December 31, 2019 and 2018 interest income totaled \$38,282 and \$30,779, respectively.

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specifically made by donors.

As of December 31, 2019 and 2018, net assets with donor restrictions consisted of the following:

	December 31, 2019			
	December 31, 2018	Net Asset With Donor Restriction Contributions	Net Assets Released From Restricted	December 31, 2019
Refuge construction project	\$ 1,092,454	\$ 365,633	\$ (5,215)	\$ 1,452,872
Scholarship	26,392	50,968	(77,360)	-
Restricted other	-	38,282	(38,282)	-
Totals	<u>\$ 1,118,846</u>	<u>\$ 454,883</u>	<u>\$ (120,857)</u>	<u>\$ 1,452,872</u>
	December 31, 2018			
	December 31, 2017	Net Asset With Donor Restriction Contributions	Net Assets Released From Restricted	December 31, 2018
Building maintenance	\$ 1,003,512	\$ 510,218	\$ (421,276)	\$ 1,092,454
Scholarship	723	61,583	(35,914)	26,392
Restricted other	-	30,779	(30,779)	-
Totals	<u>\$ 1,004,235</u>	<u>\$ 602,580</u>	<u>\$ (487,969)</u>	<u>\$ 1,118,846</u>

**DEER RUN RETREAT CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE G – NET ASSETS WITHOUT DONOR RESTRICTIONS

As of December 31, 2019 and 2018 the Board of Directors has designated certain net assets without donor restrictions totaling \$968,581 and \$745,898, respectively, to the refuge construction project and capital improvements.

NOTE H – AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Center’s financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use because of donor imposed restrictions within one year of December 31, 2019 and 2018:

	2019	2018
Financial assets, at year-end	\$ 2,221,358	\$ 1,836,981
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(1,452,872)	(1,118,846)
Financial assets available to meet cash needs for general expenditures within one year	\$ 768,486	\$ 718,135

The Center is substantially supported by restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Center must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Center’s liquidity management, it sends out cash as the restricted grants come in and maintains a level of cash related to contributions without donor restrictions.

NOTE I – RETIREMENT

The Center offers a retirement plan in which full-time employees of the Center are eligible to participate. The Center contributes up to 3% of employee deferrals into the plan. During the year ended December 31, 2019 and 2018 the Center contributed \$15,046 and \$14,118, respectively, into the retirement plan. The employees are fully vested in the match contributions received.

NOTE J – CONCENTRATION OF RISK

The Center may be subject in the future to credit risk to its cash and equivalents accounts, which are placed with high credit-quality financial institutions. The Federal Deposit Insurance Corporation (“FDIC”) offers coverage up to \$250,000 for substantially all depository accounts. As of December 31, 2019 and 2018, the Center had funds in excess of the FDIC limits totaling \$1,742,095 and \$1,438,966, respectively.

NOTE K – SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through May 8, 2020, which is the date the financial statements were available to be issued. There have been no adjustments to the financial statements to include any subsequent transactions or events.