

The Gathering Place, Inc.

Financial Statements and Auditors' Report

For the Year Ended
August 31, 2012

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COASTAL CPAs, LLC

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Gathering Place, Inc.
Brunswick, Georgia

We have audited the accompanying statement of financial position of The Gathering Place, Inc. (a nonprofit organization) as of August 31, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of The Gathering Place'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 The Gathering Place, Inc. as of August 31, 2012, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Coastal CPAs, LLC

Coastal CPAs, LLC

March 1, 2013
St. Simons Island, Georgia

FINANCIAL STATEMENTS

The Gathering Place, Inc.
Statement of Financial Position
For the Year Ended August 31, 2012

| | <u>Unrestricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 191,515 | \$ - | \$ 191,515 |
| Pledges Receivable - Net | 48,943 | - | 48,943 |
| Total Current Assets | <u>240,458</u> | <u>-</u> | <u>240,458</u> |
| Endowment Investments | <u>-</u> | <u>463,189</u> | <u>463,189</u> |
| Property and Equipment | | | |
| Furniture & Equipment | 26,386 | - | 26,386 |
| Less: Accumulated Depreciation | <u>(22,322)</u> | <u>-</u> | <u>(22,322)</u> |
| Total Property and Equipment - Net | <u>4,064</u> | <u>-</u> | <u>4,064</u> |
| Notes Receivable | <u>150,000</u> | <u>-</u> | <u>150,000</u> |
| Total Assets | <u>\$ 394,522</u> | <u>\$ 463,189</u> | <u>\$ 857,711</u> |

The accompanying notes are an integral part of these financial statements

The Gathering Place, Inc.
Statement of Financial Position
For the Year Ended August 31, 2012

| | <u>Unrestricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-------------------|
| LIABILITIES AND NET ASSETS | | | |
| Current Liabilities | | | |
| Accounts Payable | \$ 2,888 | \$ - | \$ 2,888 |
| Accrued Expenses | 1,399 | - | 1,399 |
| Total Current Liabilities | <u>4,287</u> | <u>-</u> | <u>4,287</u> |
| Net Assets | | | |
| Unrestricted: | | | |
| Undesignated | 386,171 | - | 386,171 |
| Investment in Property and Equipment | 4,064 | - | 4,064 |
| Total Unrestricted | <u>390,235</u> | <u>-</u> | <u>390,235</u> |
| Permanently Restricted by Donors | <u>-</u> | <u>463,189</u> | <u>463,189</u> |
| Total Net Assets | <u>390,235</u> | <u>463,189</u> | <u>853,424</u> |
| Total Liabilities and Net Assets | <u>\$ 394,522</u> | <u>\$ 463,189</u> | <u>\$ 857,711</u> |

The accompanying notes are an integral part of these financial statements

The Gathering Place, Inc.
Statement of Activities
For the Year Ended August 31, 2012

| | <u>Unrestricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-------------------|
| Revenues and Support | | | |
| Contributions | \$ 405,344 | \$ - | \$ 405,344 |
| Grant Income | 61,105 | - | 61,105 |
| Leadership Development | 33,158 | - | 33,158 |
| Special Events | 60,555 | - | 60,555 |
| Sponsors | 56,450 | - | 56,450 |
| Other Income | 7,664 | - | 7,664 |
| Net Gains (Losses) on Investments | - | 24,929 | 24,929 |
| Dividends and Interest | 6,328 | 11,109 | 17,437 |
| Total Revenues and Support | <u>630,604</u> | <u>36,038</u> | <u>666,642</u> |
| Expenses | | | |
| Program Expenses | 154,273 | - | 154,273 |
| General & Administrative | 353,512 | 163 | 353,675 |
| Fundraising | 62,784 | - | 62,784 |
| Total Expenses | <u>570,569</u> | <u>163</u> | <u>570,732</u> |
| Change in Net Assets | <u>60,035</u> | <u>35,875</u> | <u>95,910</u> |
| Net Assets at Beginning of Year, as Previously Reported | 180,200 | 427,314 | 607,514 |
| Prior Period Adjustment | 150,000 | - | 150,000 |
| Net Assets at Beginning of Year, as Restated | <u>330,200</u> | <u>427,314</u> | <u>757,514</u> |
| Net Assets at End of Year | <u>\$ 390,235</u> | <u>\$ 463,189</u> | <u>\$ 853,424</u> |

The accompanying notes are an integral part of these financial statements

The Gathering Place, Inc.
Statement of Cash Flows
For the Year Ended August 31, 2012

| | |
|---|-------------------|
| Operating Activities | |
| Increase (Decrease) in Net Assets | \$ 95,910 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities: | |
| Depreciation | 548 |
| Unrealized (Gain) Loss on Investments | (24,929) |
| Interest and Dividends Reinvested | (10,946) |
| (Increase) Decrease in Pledges Receivable | (48,943) |
| Increase (Decrease) in Accounts Payable | 2,889 |
| Increase (Decrease) in Accrued Expenses | (11,356) |
| Net Cash Provided (Used) by Operating Activities | <u>3,173</u> |
| Net Increase in Cash and Cash Equivalents | <u>3,173</u> |
| Cash and Cash Equivalents at Beginning of Year | <u>188,342</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 191,515</u> |

The accompanying notes are an integral part of these financial statements

The Gathering Place, Inc.
Notes to Financial Statements
Year Ended August 31, 2012

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

The Gathering Place, Inc. (the organization) is a non-profit corporation organized to unite churches, para-church ministries, schools and other community groups. The focus of The Gathering Place is youth and raising up strong Christian leaders who will have an impact on their communities and the world.

The Gathering Place's main sources of revenue are from contributions and special events.

Income Taxes

The Gathering Place, Inc. is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as other than private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code.

In 2009, the organization adopted the new accounting and disclosure guidance for income taxes issued by Financial Accounting Standards Board ("FASB"). The adoption of this accounting and disclosure guidance had no impact on the financial statements but did require the following additional disclosure contained in the following paragraph.

The Gathering Place files informational returns in the U.S. federal jurisdiction and one state jurisdiction. The Gathering Place uses a calendar year for tax reporting. The Gathering Place is generally no longer subject to federal or state tax audits for years before 2008. Interest and penalties are expensed as incurred. There were no interest and penalties charged to expense for the tax year ended December 31, 2011.

Basis of Accounting

The organization prepares its financial statements on the accrual basis of accounting. Revenue, other than contributions, is recognized when earned and expenses when the obligation is incurred.

Basis of Presentation

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 certain reported amounts and disclosures. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Cash and cash equivalents: For financial statement purposes, The Gathering Place considers demand deposits, certificates of deposit, and repurchase agreements to be cash equivalents. Cash in the investment portfolio is not included in cash and cash equivalents as it is held for investing purposes.

The Gathering Place, Inc.
Notes to Financial Statements
Year Ended August 31, 2012

Net assets: The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted: Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

Temporarily restricted: Temporarily restricted net assets include those net assets whose use by the organization has been donor restricted by specified time or purpose limitations. The Gathering Place does not currently have any temporarily restricted net assets.

Permanently restricted: Permanently restricted net assets must be maintained in perpetuity by the organization. In accordance with donor instruction, the organization may use the investment income earned on permanently restricted net assets for specified purposes.

Contributions: Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of donor restriction. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, as applicable. Within temporarily restricted net assets, amounts may be reclassified to unrestricted net assets when restrictions expire by passage of time or the fulfillment of the stipulated purpose. Restriction on gifts of land, building, or equipment or contributions restricted for the purchase of those assets expire when the asset is placed in service unless the donor stipulated otherwise.

Functional allocation of expenses: The costs of providing various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Program services: Activities that result in services that fulfill the purpose or mission of the organization. Program services are the major purpose for and the major output of the organization.

Supporting services: Activities that are not identifiable with a specific program, fundraising activity, or membership development activity, but are indispensable to the organization.

General and administrative services: The general and administrative service includes expenditures to secure proper administrative functioning, maintain the building, and manage the financial responsibilities of the organization

The Gathering Place, Inc.
Notes to Financial Statements
Year Ended August 31, 2012

Fundraising: The fundraising service includes expenditures that encourage and secure financial support for the organization.

Concentrations

Credit risk: The organization maintains its cash in bank deposit accounts which, on occasion, may exceed federally insured limits. Management continually monitors the soundness of these financial institutions and believes the exposure to loss to be minimal.

Market value risk: Investment securities are exposed to various risks, such as interest rate risk, market risk, credit risk, and liquidity risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the accompanying financial statements.

Property and Equipment

Acquisitions of fixed assets in excess of \$500 are capitalized. Purchased property and equipment are stated at cost. Donated property and equipment are recorded at the estimated fair market value on the date received. Major repairs and improvements are capitalized and depreciated. The cost and accumulated depreciation of property retired, sold or disposed of are removed from the related accounts with any gain or loss credited or charged to income. Depreciation for buildings and improvements is calculated using the straight-line method. Depreciation for furniture and equipment is calculated on the 200 percent declining method over the estimated useful lives of the assets. Estimated useful lives are as follows:

| <u>Type of Property</u> | <u>Estimated Useful Life</u> |
|--------------------------------|-------------------------------------|
| Buildings | 39 years |
| Furniture and Equipment | 3-7 years |
| Vehicles | 5 years |

Donated Facilities, Services and Materials

Volunteers have donated significant amounts of time in support of the organization's administration. However, no amounts related to these services have been reflected in the financial statements since no objective basis is available to measure their value.

Reclassifications and Presentation of Financial Statements

Management periodically revises its classification of certain items within the financial statements in order to provide a more meaningful presentation of the organization's financial position, changes in net assets, and cash flows. In those cases where the revisions in presentation have been adopted in the August 31, 2012 financial statements, the corresponding August 31, 2011 balances have also been reclassified to enhance comparability between periods.

The Gathering Place, Inc.
Notes to Financial Statements
Year Ended August 31, 2012

Subsequent Events

During the fiscal year ended August 31, 2012, The Gathering Place adopted ASC 855, *Subsequent Events*, which addresses events which occur after the balance sheet date but before the issuance of financial statements. Under ASC 855, an entity must record the effects of subsequent events that provide evidence about conditions that existed at the balance sheet date and must disclose but not record the effects of subsequent events that provide evidence about conditions that did not exist at the balance sheet date. The Gathering Place's date for evaluating the existence of subsequent events that would affect the financial statements for the year ended August 31, 2012, was March 1, 2013, which was the date the financial statements were issued.

Recent Accounting Pronouncements

Management does not anticipate that any of the recent accounting pronouncements, when effective and implemented if necessary, would have a material impact on the financial condition, results of operations, or liquidity of The Gathering Place.

Note 2 – Pledges Receivable

Pledges of cash and other assets are reported at fair value at the time the pledge is made. Pledges to be received in one to five years have been discounted to net present value using a discount rate of .09%.

Pledges of \$82,610 were made during the year ended August 31, 2012. At August 31, 2012, receivables for these pledges were \$54,435.

Pledges receivable consist of the following at August 31, 2012:

| | |
|---------------------------------------|-----------------------|
| Receivable in less than one year | \$ 54,435 |
| Receivable in one to five years | - |
| Receivable in more than five years | - |
| | <hr/> 54,435 |
| Less: Allowance for doubtful accounts | (5,443) |
| Less: Discount to net present value | (49) |
| Pledges receivable, net | <hr/> <hr/> \$ 48,943 |

Note 3 – Endowment Trust Investments

The Gathering Place Endowment Trust Fund was created on December 30, 2003. The organization's endowment consists of one fund established by donors (referred to as a donor-restricted endowment fund). Donor-restricted are further divided into those that provide a perpetual source of support for the organization's activities (referred to as a permanent endowment). As with all donor-restricted permanent endowments, only the

The Gathering Place, Inc.
Notes to Financial Statements
Year Ended August 31, 2012

investment income and appreciation can be used to support the organization's activities. Those funds are to be utilized exclusively for the charitable purposes set out in the endowment agreement: scholarships for interns, summer Christian conferences/camps, and Christian seminaries. The Trust is managed by Charles Schwab under the direction of trustees elected by the membership of The Gathering Place.

The activity for the year ended August 31, 2012 for the Endowment Trust Fund was composed of the following:

| | <u>Permanently Restricted</u> |
|------------------------|-----------------------------------|
| Balance at 08/31/11 | \$ 427,314 |
| Dividends and Interest | 11,109 |
| Foreign Tax Expense | (163) |
| Unrealized Gains | 24,929 |
| Balance at 08/31/12 | \$ 463,189 |

Endowment Philosophy

It is a fundamental goal of the Endowment to retain and increase the value of the portfolio in perpetuity. As not to deteriorate the principal value in real terms, the board has set out to spend a maximum 5% of the previous year's ending market value.

Investment Objectives and Goals

Investment objectives are based upon an investment horizon of greater than three years. The organization's current investment objectives are:

- To provide funds to support The Gathering Place Ministry
- To maintain the purchasing power of the assets
- To maximize returns within reasonable and prudent levels of risk while minimizing chances for loss of capital
- To achieve long-term rate of return on assets that is 5% greater than the rate of inflation as measured by the Consumer Price Index (CPI)

It is expected that the investment objectives under which the Endowment will be managed will shift over time as the Endowment grows.

Asset Mix – Guide

| <u>Asset Class</u> | <u>Lower Limit</u> | <u>Strategic Allocation</u> | <u>Upper Limit</u> |
|------------------------|--------------------|---------------------------------|--------------------|
| Cash & Equivalents | 0.0% | 1.0% | 7.0% |
| Fixed Income | 15.0% | 40.0% | 40.0% |
| Domestic Equities | 40.0% | 60.0% | 65.0% |
| International Equities | 0.0% | 0.0% | 25.0% |
| Real Estate | 0.0% | 0.0% | 15.0% |

The Gathering Place, Inc.
Notes to Financial Statements
Year Ended August 31, 2012

The securities in the portfolio may include common stocks, international stocks, bonds, mutual funds, and cash equivalents. The equity and fixed income portions of the investment portfolio are to be diversified in order to provide reasonable assurance that investments in either single security or class of securities cannot have an excessive impact on the total portfolio. Equity holdings in any one company should not exceed more than 10% of the equity portfolio of each investment manager. All fixed-income securities held in the portfolio shall have an average credit quality rating of no less than “BAA” (or equivalent) by a nationally recognized rating service firm. Unrated securities of the U.S. Treasury and U.S. government agencies are qualified for inclusion in the portfolio. The exposure of the portfolio to any one company, other than securities of the U.S. Treasuries or agencies, shall not exceed 10% of the market value of the fixed-income portion of the portfolio.

Note 4 – Fair Value Measurements

Accounting principles generally accepted in the United States of America define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level fair value hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Investments are required to be recorded at fair value on a recurring basis. When available, The Gathering Place uses quoted market prices to determine the fair value of investment securities, and they are included in Level 1. These investments primarily consist of common stocks and mutual funds. When quoted market prices are not available, The Gathering Place uses other observable and unobservable inputs including estimates provided by the investment partnerships’ general manager, which generally represents The Gathering Place’s proportionate share of the fair value of underlying securities.

The Gathering Place, Inc.
Notes to Financial Statements
Year Ended August 31, 2012

In 2009, the FASB issued additional guidance for disclosures and classification within the hierarchy related to fair value of investments in funds that calculate net asset value per share. This guidance requires investments held in partnerships to be classified as Level 2 or Level 3 based on whether The Gathering Place has the ability to redeem the investment in the near term. Investments held in partnerships are required to be classified as Level 3 within the hierarchy when redemptions are not allowed in the near term.

Note 5 – Retirement Plan

The Gathering Place has a defined contribution retirement plan. Under this plan, full-time employees are eligible to participate in the plan. Contributions not exceeding 6% for employees that have worked over five years, 5% for employees with two to five years of service and 3% for less than two years of service is contributed to the plan annually. Retirement expense incurred by The Gathering Place for the year ended August 31, 2012 was \$7,152.

Note 6 – Notes Receivable

On December 22, 2002, The Gathering Place, Inc. sold land to Mission Teens, Inc. for which the purchase price and principal amount of the loan was \$150,000. The land is certain lots, tracts or parcels of land situate lying and being in the City of Savannah, Chatham County, Georgia. This land is used as collateral on the note. The entire principal amount of the loan shall be due and payable on demand. No interest is due on the note but commencing on demand, the entire unpaid principal amount of this note shall bear interest until paid at a simple interest rate of 12% per annum.

Note 7 – Prior Period Adjustment

A prior period adjustment has been made to reflect the sale of land and a subsequent loan receivable of \$150,000 made in 2002. See Note 6 – Notes Receivable.

| | |
|--|--------------------------|
| Beginning Net Assets – Before Restated | \$ 607,514 |
| Prior Period Adjustment | <u>150,000</u> |
| Beginning Net Assets – Restated | <u><u>\$ 757,514</u></u> |

The Gathering Place, Inc.
Schedule of Functional Allocation of Expenses
For the Year Ended August 31, 2012

| Expenses | Program Service | Supporting Services | | Total |
|---------------------------|--------------------|-----------------------------|------------------|-------------------|
| | | General & Administrative | Fundraising | |
| Advertising | \$ - | \$ 1,295 | \$ - | \$ 1,295 |
| Bank Charges | - | 3,162 | - | 3,162 |
| Camps and Retreats | 15,243 | - | - | 15,243 |
| Depreciation | - | 548 | - | 548 |
| Fundraising Expenses | - | - | 62,784 | 62,784 |
| Insurance | - | 23,744 | - | 23,744 |
| Leadership Development | 86,803 | - | - | 86,803 |
| Maintenance and Repairs | - | 4,517 | - | 4,517 |
| Miscellaneous Expense | - | 1,121 | - | 1,121 |
| Office Expense | - | 957 | - | 957 |
| Postage & Shipping | - | 1,586 | - | 1,586 |
| Printing and Reproduction | - | 713 | - | 713 |
| Retirement Expense | - | 7,152 | - | 7,152 |
| Salaries | - | 277,519 | - | 277,519 |
| School Events | 6,355 | - | - | 6,355 |
| Small Group Expenses | 8,300 | - | - | 8,300 |
| Summer Programs | 37,572 | - | - | 37,572 |
| Supplies | - | 2,586 | - | 2,586 |
| Taxes | - | 20,588 | - | 20,588 |
| Telephone | - | 1,823 | - | 1,823 |
| Travel | - | 3,368 | - | 3,368 |
| Utilities | - | 2,996 | - | 2,996 |
| Total Expenses | \$ 154,273 | \$ 353,675 | \$ 62,784 | \$ 570,732 |

The accompanying notes are an integral part of these financial statements