

**MOUNTAIN T.O.P., INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2015**

**MOUNTAIN T.O.P., INC.**

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**BELLENFANT**

CERTIFIED PUBLIC ACCOUNTING FIRM

Professional Accounting & Consulting Services

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Mountain T.O.P., Inc.  
Altamont, Tennessee

We have audited the accompanying financial statements of Mountain T.O.P., Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 Mountain T.O.P., Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Bellenfant PLLC*

May 18, 2016

MOUNTAIN T.O.P., INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 28,263
Investments	65,510
Notes receivable - current	3,465
Inventories	<u>31,165</u>
Total Current Assets	128,403
Notes receivable - noncurrent	2,097
Property and Equipment, net of accumulated depreciation of \$706,204	851,725
Construction in Progress - Cabin	<u>135,725</u>
Total Assets	<u>\$ 1,117,950</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 106,955
Unearned revenue	81,100
Line of credit	99,758
Current notes payable	<u>136,501</u>
Total Current Liabilities	424,314
Long-term Debt:	
Long-term notes payable	<u>153,053</u>
Total Liabilities	577,367
Unrestricted Net Assets	<u>540,583</u>
Total Liabilities and Net Assets	<u>\$ 1,117,950</u>

The accompanying notes are an integral part of these financial statements.

**MOUNTAIN T.O.P., INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**Support and Revenue**

**Support:**

Contributions \$ 583,691

**Revenue:**

Participant fees and camp operations 681,238

Recycling and other income 2,469

Realized and unrealized gains (losses)  
from investments 1,068

Total Support and Revenues 1,268,466

**Expenses**

**Program Services**

Youth Services Ministry, Adults in Ministry  
and College Ministry 1,002,123

**Supporting Services**

Management and General 162,232

Fundraising 78,678

Total Expenses 1,243,033

Change in Unrestricted Net Assets 25,433

**Unrestricted Net Assets -January 1, 2015** 515,150

**Unrestricted Net Assets- December 31, 2015** \$ 540,583

The accompanying notes are an integral part of these financial statements.

**MOUNTAIN T.O.P., INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Services	<u>Supporting Services</u>		Total
	Youth Services Ministries Adults in Ministry and College Ministry	Management and General	Fundraising	
Salaries	\$ 337,186	\$ 63,792	\$ 54,679	455,657
Payroll taxes	29,492	5,579	4,782	39,853
Payroll Tax Penalties	7,423	1,404	1,204	10,031
Employee benefits	78,240	14,802	12,688	105,730
Professional fees and dues	-	11,311	-	11,311
Food costs	80,255	-	-	80,255
Seasonal program staff	120,257	-	-	120,257
Year round staff	8,557	-	-	8,557
In-camp expense	26,242	-	-	26,242
Fundraising expense	-	-	5,325	5,325
Special activities and events	50,428	-	-	50,428
Licenses and permits	2,775	-	-	2,775
Building and grounds maintenance	6,972	-	-	6,972
Office equipment maintenance	-	20,183	-	20,183
Operations equipment maintenance	2,412	-	-	2,412
Equipment rent	-	5,839	-	5,839
Insurance	41,166	8,845	-	50,011
Supplies	103,238	3,173	-	106,411
Telephone	-	12,821	-	12,821
Postage and shipping	-	2,777	-	2,777
Utilities	40,397	-	-	40,397
Interest	11,336	-	-	11,336
Bank and finance fees	-	5,512	-	5,512
Total Expenses Before Depreciation	946,376	156,038	78,678	1,181,092
Depreciation	55,747	6,194	-	61,941
Total Expenses	<u>\$ 1,002,123</u>	<u>\$ 162,232</u>	<u>\$ 78,678</u>	<u>\$ 1,243,033</u>

The accompanying notes are an integral part of these financial statements.

**MOUNTAIN T.O.P., INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 25,433
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	61,941
Realized and unrealized gain from investments	(1,068)
(Increase) decrease in: Inventories	(4,759)
Increase (decrease) in: Unearned revenue	10,909
Accounts payable	<u>42,575</u>
Net Cash Provided by Operating Activities	<u>135,031</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investment securities	(8,000)
Notes receivable change in allowance	2,301
Collections of notes receivable	340
Purchases of property and equipment	(88,372)
Construction - work in progress expenditures	<u>(25,356)</u>
Net Cash Used by Investing Activities	<u>(119,087)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments on notes payable	(108,111)
Payments on line of credit	(339)
New borrowings on notes payable	<u>116,834</u>
Net Cash Provided by Financing Activities	<u>8,384</u>
Net Decrease in Cash	24,328
Cash - January 1, 2015	<u>3,935</u>
Cash - December 31, 2015	<u><u>\$ 28,263</u></u>

During the year ended December 31, 2015, the Organization paid \$11,336 in interest.

The accompanying notes are an integral part of these financial statements.

MOUNTAIN T.O.P., INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization and Purpose

Mountain T.O.P. (Tennessee Outreach Program), Inc. ("the Organization") is organized as a nonprofit corporation under section 501(c)(3) of the Internal Revenue Code for the purpose of establishing, maintaining, and conducting summer camps which provide consultation and resource services to youth groups in project and program development, children's programming and services, personal care and other personal services, and identifying and providing needed social programs. These summer camps are conducted in the Cumberland Mountains of Tennessee. Summer camp projects frequently involve the construction and repair of facilities in surrounding rural communities. Major home repairs are financed by short-term and long-term notes receivable.

Basis of Presentation

The financial statements of the Organization are presented on the accrual basis of accounting. Revenue is generally recognized when earned. Expenses are generally recognized when incurred.

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Organization 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.

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization had no temporarily restricted net assets as of December 31, 2015.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no permanently restricted net assets as of December 31, 2015.

The Organization accounts for contributions in accordance with the requirements of the FASB Accounting Standards Codification Revenue Recognition Topic. In accordance with the FASB Accounting Standards Codification, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.



MOUNTAIN T.O.P., INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on management's analysis of specific promises made.

Notes Receivable

Notes receivable are from major home repair customers and are backed by non-interest bearing promissory notes. The notes are discounted at the Organization's incremental borrowing rate resulting in imputed interest income. The Organization secures certain new notes at management's discretion. The Organization periodically reviews all delinquent accounts and charges off accounts after all collection efforts are deemed to be exhausted.

Notes Receivable Allowance

For the year ended December 31, 2015, notes receivable are deemed to be fully collectible by management and no allowance for uncollectible accounts is considered necessary. Management reviews notes receivable and records as bad debts any accounts that are deemed uncollectible.

Inventories

Inventories, which consist of camp store items, are recorded at the lower of cost or market using the first-in, first-out basis of accounting.

Donated Services, Supplies and Property and Equipment

Donated supplies or equipment, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at date of receipt. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

MOUNTAIN T.O.P., INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Property and Equipment

Property and equipment with an acquisition cost over \$1,000 are recorded at cost, or if contributed, at fair market value at date of gift. Depreciation is calculated by using the straight-line method. The estimated useful lives of property and equipment are as follows:

Buildings	5-40 years
Equipment and furniture	5-10 years
Vehicles	5 years

Income Tax Status

Income taxes are not provided for in the financial statements since the Organization is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation.

The Organization has evaluated its tax positions in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Organization believes that it has taken no uncertain tax positions.

The Organization files a U.S. Federal Form 990-*Return of Organization Exempt from Income Tax*. The Organization's returns for the years prior to calendar year 2012 are no longer open for examination.

Advertising Costs

The Organization expenses all advertising costs as they are incurred.

2. INVESTMENTS

The Organization held various investments with the Nashville Area United Methodist Foundation. As of December 31, 2015, the investment balance was \$65,510.

3. DONATED SERVICES

Officers, members of the Board of Directors, and other volunteers of the Organization have assisted the Organization in the accomplishment of its goals and objectives by the donation of their time and services. No amounts have been reflected in the financial statements as it was not practical to determine the valuation of such services to the Organization, and the Organization exercises no significant control over the major elements of donated services.

MOUNTAIN T.O.P., INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015

4. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments - Cash and cash equivalents, investments, receivables, inventories, payables, and unearned revenue: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

5. NOTES RECEIVABLE

Notes receivable, related to major home repairs, consist of the following at December 31, 2015.

Gross amounts due	\$	5,796
Less discounts to net present value		(234)
		<u>5,562</u>
Less current portion		(3,465)
	\$	<u>2,097</u>

Maturities of notes receivable related to major home repairs are as follows:

<u>Year Ended December 31,</u>	
2016	3,465
2017	<u>2,097</u>
	<u>\$ 5,562</u>

6. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2015 is as follows:

Land	\$	113,800
Buildings		1,287,264
Equipment and furniture		87,004
Vehicles		<u>69,861</u>
		1,557,929
Less accumulated depreciation		<u>(706,204)</u>
	\$	<u>851,725</u>

Depreciation expense for the year ended December 31, 2015 totaled \$61,941.

MOUNTAIN T.O.P., INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015

7. LONG-TERM DEBT

Long-term debt represents the following obligations at December 31, 2015:

Note payable to a bank collateralized by land and buildings, payable in monthly installments of \$2,391, including interest at 5.50% per annum. All remaining principal and interest is due on the April 5, 2018 maturity date. \$ 172,710

Note payable for the construction of a new cabin to a bank collateralized by land and buildings, payable in monthly installments of interest at 5.75% per annum. Once the cabin is finished payments will include principal and interest. All remaining principal and interest is due on the October 3, 2016 maturity date. 91,844

Note payable to Bob Willems for general funding to the Organization. The note bears 0% interest and is payable in yearly installments of \$3,000. Subsequent to year end this note will be forgiven as a contribution by Bob Willems in the amount of \$3,000 per year. 25,000

Total Notes Payable	289,554
Less Current Portion	(136,501)
Non-Current Portion of Long-Term Debt	<u>\$ 153,053</u>

Maturities of long-term debt are as follows:

2016	136,501
2017	20,793
2018	132,260
	<u>\$ 289,554</u>

Interest expense for the year ended December 31, 2015 totaled \$11,336.

MOUNTAIN T.O.P., INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015

8. LEASES

The Organization rents certain office equipment under a rental agreement. Related rentals totaled \$5,839 in 2015.

The rental agreement provides for annual minimum rental payments as follows:

2016	1,620
2017	1,620
2018	1,620
2019	1,620
2020	405
Total	<u>\$ 6,885</u>

9. LINE OF CREDIT

The Organization has a revolving line of credit with a local commercial bank for \$101,300. The line of credit is due on October 3, 2016. The interest rate is 5.75%. The outstanding balance at December 31, 2015 was \$99,758. Interest expense for the year ended December 31, 2015 totaled \$4,263.

10. ALLOCATION OF FUNCTIONAL EXPENSES

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity benefited based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

11. PENSION

The Organization maintains a tax deferred compensation plan allowed under Internal Revenue Code Section 403(b). The plan covers substantially all full-time employees.

The Organization's expense under the plan was \$15,442 in 2015.

MOUNTAIN T.O.P., INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2015

12. FAIR VALUE OF INVESTMENTS

The Organization's investments are reported at fair value in the accompanying statements of financial position.

	Fair Value Measurements at December 31, 2015 Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities	<u>\$ 65,510</u>	<u>\$ 65,510</u>	<u>\$ -</u>	<u>\$ -</u>

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic relating to Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs and have the lowest priority. The Organization used the appropriate valuation techniques based on the available inputs to measure the fair value of its investments. At December 31, 2015, the Organization had no Level 2 or Level 3 investments.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 18, 2016 which is the date the financial statements were available to be issued.