

**FAITH'S LODGE**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

**FAITH'S LODGE  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Faith's Lodge  
Minneapolis, Minnesota

We have audited the accompanying financial statements of Faith's Lodge (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, 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.

### ***Auditors' 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 auditors' 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.

Board of Directors  
Faith's Lodge

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Faith's Lodge as of December 31, 2012 and 2011, 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 21, 2013

**FAITH'S LODGE**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2012 AND 2011**

	2012	2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 264,942	\$ 358,890
Pledges and Grants Receivable, Current Portion	10,100	20,150
Prepaid Expenses	950	-
Total Current Assets	275,992	379,040
<b>OTHER ASSETS</b>		
Pledges and Grants Receivable, Net of Current Portion	20,565	38,050
Property and Equipment	2,592,640	2,656,565
Total Other Assets	2,613,205	2,694,615
Total Assets	\$ 2,889,197	\$ 3,073,655
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 1,079	\$ 8,584
Accrued Expenses	8,269	8,290
Debt, Current Portion	60,565	162,600
Total Current Liabilities	69,913	179,474
<b>LONG-TERM LIABILITIES</b>		
Debt, Net of Current Portion	1,801,314	1,749,267
Total Liabilities	1,871,227	1,928,741
<b>NET ASSETS</b>		
Unrestricted Net Assets	989,970	1,059,014
Temporarily Restricted Net Assets	28,000	85,900
Total Net Assets	1,017,970	1,144,914
Total Liabilities and Net Assets	\$ 2,889,197	\$ 3,073,655

See accompanying Notes to Financial Statements.

**FAITH'S LODGE  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2012 AND 2011**

	2012		
	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUES</b>			
Contributions:			
Cash	\$ 295,206	\$ -	\$ 295,206
Loss on Uncollectible Accounts	-	(51,650)	(51,650)
In-Kind	45,662	-	45,662
Subtotal Support and Revenues	<u>340,868</u>	<u>(51,650)</u>	<u>289,218</u>
Special Event Revenues, Net of Related Expenses			
Totaling \$249,246 and \$195,381, Respectively	185,515	-	185,515
Other Income	3,209	-	3,209
Net Assets Released from Restrictions	6,250	(6,250)	-
Total Support and Revenues	<u>535,842</u>	<u>(57,900)</u>	<u>477,942</u>
<b>EXPENSES</b>			
Salaries and Benefits	219,638	-	219,638
Contract Services	27,081	-	27,081
Other Professional Fees	39,416	-	39,416
Printing and Production	6,733	-	6,733
Supplies	24,345	-	24,345
Occupancy	46,364	-	46,364
Travel and Meetings	4,339	-	4,339
Interest	116,740	-	116,740
Postage and Delivery	2,399	-	2,399
Insurance	8,042	-	8,042
Repairs and Maintenance	9,225	-	9,225
Telephone	6,797	-	6,797
Advertising and Public Relations	680	-	680
Depreciation	80,001	-	80,001
Other	13,086	-	13,086
Total Expenses	<u>604,886</u>	<u>-</u>	<u>604,886</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(69,044)	(57,900)	(126,944)
Net Assets - Beginning of Year	<u>1,059,014</u>	<u>85,900</u>	<u>1,144,914</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 989,970</u>	<u>\$ 28,000</u>	<u>\$ 1,017,970</u>

See accompanying Notes to Financial Statements.

2011		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 370,279	\$ 300	\$ 370,579
-	-	-
14,571	-	14,571
<u>384,850</u>	<u>300</u>	<u>385,150</u>
258,007	-	258,007
7,506	-	7,506
20,950	(20,950)	-
<u>671,313</u>	<u>(20,650)</u>	<u>650,663</u>
153,378	-	153,378
42,650	-	42,650
16,118	-	16,118
12,080	-	12,080
12,595	-	12,595
41,403	-	41,403
4,405	-	4,405
121,779	-	121,779
1,952	-	1,952
9,719	-	9,719
329	-	329
8,390	-	8,390
13,416	-	13,416
78,889	-	78,889
10,008	-	10,008
<u>527,111</u>	<u>-</u>	<u>527,111</u>
144,202	(20,650)	123,552
<u>914,812</u>	<u>106,550</u>	<u>1,021,362</u>
<u>\$ 1,059,014</u>	<u>\$ 85,900</u>	<u>\$ 1,144,914</u>

**FAITH'S LODGE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ (126,944)	\$ 123,552
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	80,001	78,889
Loss on Property	-	19,298
Loss on Uncollectible Accounts	51,650	-
(Increase) Decrease in Pledges and Grants Receivable	(24,115)	23,350
Increase in Prepaid Expenses	(950)	-
Changes in Operating Assets and Liabilities:		
Accounts Payable	(7,505)	(564)
Accrued Expenses	(21)	(5,870)
Net Cash Provided (Used) by Operating Activities	(27,884)	238,655
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments on Long-Term Debt	(49,988)	(56,322)
Purchase of Equipment	(16,076)	(1,033)
Net Cash Used by Investing Activities	(66,064)	(57,355)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(93,948)	181,300
Cash and Cash Equivalents - Beginning of Year	358,890	177,590
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 264,942	\$ 358,890
<b>SUPPLEMENTAL INFORMATION</b>		
Cash Paid for Interest	\$ 116,740	\$ 121,779
In-Kind Donations	\$ 156,180	\$ 128,693

See accompanying Notes to Financial Statements.



**FAITH'S LODGE**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 120,845	\$ 46,184	\$ 37,478	\$ 204,507
Payroll Taxes	6,582	4,061	-	10,643
Employee Benefits	1,659	2,829	-	4,488
Total Salaries and Benefits	<u>129,086</u>	<u>53,074</u>	<u>37,478</u>	<u>219,638</u>
Contract Services	21,312	5,769	-	27,081
Other Professional Fees	4,025	35,391	-	39,416
Printing and Production	3,870	2,863	-	6,733
Supplies	21,498	2,847	-	24,345
Occupancy	30,763	15,601	-	46,364
Travel and Meetings	2,727	1,612	-	4,339
Interest	116,740	-	-	116,740
Postage and Delivery	143	2,256	-	2,399
Insurance	7,092	950	-	8,042
Repairs and Maintenance	9,225	-	-	9,225
Telephone	5,186	1,611	-	6,797
Advertising and Public Relations	-	-	680	680
Depreciation	80,001	-	-	80,001
Bad Debt Expense	51,650	-	-	51,650
Other	7,366	5,720	-	13,086
Total Expense	<u>\$ 490,684</u>	<u>\$ 127,694</u>	<u>\$ 38,158</u>	<u>\$ 656,536</u>

See accompanying Notes to Financial Statements.

2011

Program Services	Management and General	Fundraising	Total
\$ 61,943	\$ 64,363	\$ 9,114	\$ 135,420
3,779	4,703	-	8,482
771	8,705	-	9,476
<u>66,493</u>	<u>77,771</u>	<u>9,114</u>	<u>153,378</u>
42,650	-	-	42,650
2,993	13,125	-	16,118
7,584	4,496	-	12,080
8,291	4,304	-	12,595
26,527	14,876	-	41,403
2,130	2,275	-	4,405
121,779	-	-	121,779
1,248	704	-	1,952
7,229	2,490	-	9,719
329	-	-	329
6,788	1,602	-	8,390
-	-	13,416	13,416
78,621	268	-	78,889
-	-	-	-
8,673	320	1,015	10,008
<u>\$ 381,335</u>	<u>\$ 122,231</u>	<u>\$ 23,545</u>	<u>\$ 527,111</u>

**FAITH'S LODGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Faith's Lodge (the Organization) was incorporated in 2006 to be operated as a charitable organization. The mission of Faith's Lodge is to provide a place where parents and families facing the serious illness or death of a child can retreat to reflect on the past, renew strength for the present, and build hope for the future. The real value in the experience comes from the connections that parents make in talking to others who are experiencing the same challenges surrounding difficult circumstances. A grieving mother that connects with another mother who knows her depth of pain is going to have more success navigating her journey of grief for many years to come. The lodge accommodates up to eight families at a time and operates year-round serving either couples or families on designated dates. Every "bereaved" week includes facilitated group discussion with a licensed therapist as well as scheduled therapeutic activities for individuals and activities for couples and families. Activities may include memorial birdhouse painting for families, woodworking for fathers, journal marking for mothers, and a heart stone painting/placement for couples or families.

**Net Asset Classification**

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – Resources subject to donor imposed restrictions that they be maintained permanently by the Organization. The Organization has no permanently restricted net assets.

**Revenue Recognition**

Contributions are recognized as revenue when they are received or unconditionally pledged.

Support that is temporarily restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets reclassified from restrictions.

**FAITH'S LODGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

For the purposes of the statements of cash flows, the Organization considers all cash and other highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

At times, cash and cash equivalents may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

**Pledges and Grants Receivable**

Pledges and grants receivable are recorded at fair value at the time of gift. Pledges and grants receivable that are expected to be collected in greater than one year are recorded at the present value of the amounts expected to be collected using a discount rate reflective of the market and conditions at the time of gift. Amortization of the discount is included in contribution revenue.

Management provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. An allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

**Property and Equipment**

Property and equipment purchases are recorded at cost. Contributed items are recorded at fair market value at date of donation. If the donor stipulates how long the assets must be used, the contributions are recorded as temporarily restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as unrestricted. Depreciation is recorded through the use of the straight-line method over the estimated useful life of the asset. Construction in progress is not depreciated until placed into service or materially complete.

**Interest Costs**

Interest costs incurred as part of the cost of acquiring or constructing a qualifying asset are capitalized as part of the qualifying asset's basis. Interest costs incurred on qualifying assets financed with the proceeds of externally restricted tax-exempt borrowings are capitalized net of any interest earned by temporarily investing the proceeds of the borrowings.

Interest costs that are not related to the cost of acquiring or constructing a qualifying asset are expensed as incurred. Total interest expense was approximately \$117,000 and \$122,000 for the years ended December 31, 2012 and 2011, respectively.

**FAITH'S LODGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Services, Materials and Equipment**

Contributions of noncash assets (materials and equipment) are recorded at their fair values in the period received. Contributions of services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and which would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received. In-kind contributions received during the period ended December 31, 2012 consisted of in-kind event supplies valued at \$110,518 and donated supplies and services valued at \$45,662. In-kind contributions received during the period ended December 31, 2011 consisted of in-kind event supplies valued at \$114,122 and donated supplies valued at \$14,571.

**Functional Allocation of Expense**

Salaries and related expenses are allocated based on timesheets maintained by management. Expenses, other than salaries and related expenses, which are not directly identifiable by function, are allocated based on the best estimates of management.

**Estimates and Assumptions**

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from the estimates used.

**Income Tax**

The Organization has tax exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. The Organization has adopted guidance in the income tax standard regarding the recognition of uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

The Organization's tax returns for the years 2010 through 2012 are open to review and examination by federal and state authorities.

**Fair Value Measurements**

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The Organization follows the accounting policy which measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. The Organization currently does not have any financial assets or financial liabilities that are measured at fair value on a recurring or non-recurring basis.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 21, 2013, the date the financial statements were available to be issued.

**FAITH'S LODGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 2 PLEDGES AND GRANTS RECEIVABLE**

Pledges and grants receivable consists of grants from foundations and pledges from individuals and foundations. The discount rate used was 3% for December 31, 2011. As of December 31, 2011, \$42,000 was due from two contributors.

Pledges and grants receivable as of December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Receivable in Less Than One Year	\$ 10,100	\$ 20,150
Receivable in One to Five Years	22,465	46,900
Total Pledges and Grants Receivable	<u>32,565</u>	<u>67,050</u>
Less: Present Value Discount for Long-term Portion	-	(2,300)
Less: Allowance for Doubtful Accounts	(1,900)	(6,550)
Net Pledges and Grants Receivable	<u>\$ 30,665</u>	<u>\$ 58,200</u>

**NOTE 3 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods at December 31:

	<u>2012</u>	<u>2011</u>
Time Restrictions	\$ -	\$ 15,900
Purpose Restrictions - Suite	3,000	25,000
Purpose Restrictions - Family Recreation Center	25,000	45,000
Total Temporarily Restricted Net Assets	<u>\$ 28,000</u>	<u>\$ 85,900</u>

Net assets released from restrictions during the year were comprised of the following at December 31:

	<u>2012</u>	<u>2011</u>
Time Restrictions	\$ 6,250	\$ 20,950

**FAITH'S LODGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 4 OPERATING LEASES**

The Organization leases office space on a short-term lease. For the years ended December 31, 2012 and 2011, total expense was \$15,220 and \$17,000, respectively.

As of April 3, 2013, the Organization entered into a new lease agreement that terminates on April 30, 2016. Cash payments relating to future rental commitments are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 6,400
2014	9,600
2015	9,600
2016	3,200
Total	<u>\$ 28,800</u>

Monthly base rent commitments under the leases is \$800.

**NOTE 5 PROPERTY AND EQUIPMENT**

A summary of property and equipment as of December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Land	\$ 430,000	\$ 430,000
Building	2,396,928	2,391,605
Furniture and Equipment	197,964	187,210
Less: Accumulated Depreciation	<u>(432,252)</u>	<u>(352,250)</u>
Total	<u>\$ 2,592,640</u>	<u>\$ 2,656,565</u>

During the year ended December 31, 2011, the land and building incurred storm damage. The Organization received proceeds of approximately \$19,000. The basis of the damaged assets was decreased as a result.

**FAITH'S LODGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**NOTE 6 NOTE PAYABLE**

The Organization holds a note secured by land and building. The Organization refinanced the note on June 22, 2012 to a 60-month note totaling approximately \$1,898,000 bearing an interest rate of 5.75% to mature June 13, 2017. Payments of interest and principal of approximately \$13,400 are due each month, with all remaining principal and accrued interest due at time of maturity.

At December 31, 2012, the debt payments are due in the following years:

<u>Year</u>	<u>Amount</u>
2013	\$ 60,565
2014	58,757
2015	62,226
2016	65,900
2017	1,614,431
Total	<u>\$ 1,861,879</u>

**NOTE 7 401(K) RETIREMENT BENEFITS**

The Organization sponsors a 401(k) savings plan for its employees. Employees who have attained 18 years of age and are not leased or contract employees are eligible and can defer up to 100% of compensation under the plan, not to exceed \$16,500 per employee annually. The Organization does not match any contributions.