

FAITH'S LODGE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

**FAITH'S LODGE
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YEARS ENDED DECEMBER 31, 2013 AND 2012**

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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, 2013 and 2012, 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, 2013 and 2012, 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
February 28, 2014

**FAITH'S LODGE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012**

ASSETS	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 263,077	\$ 264,942
Prepaid Expenses		
Pledges and Grants Receivable, Net	35,742	8,200
Prepaid Expenses	<u>3,401</u>	<u>950</u>
Total Current Assets	302,220	274,092
OTHER ASSETS		
Pledges and Grants Receivable, Net of Current Portion	250	22,465
Property and Equipment	<u>2,522,462</u>	<u>2,592,640</u>
Total Other Assets	<u>2,522,712</u>	<u>2,615,105</u>
 Total Assets	 <u>\$ 2,824,932</u>	 <u>\$ 2,889,197</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 922	\$ 1,079
Accrued Expenses	12,151	8,269
Deferred Revenue	3,000	-
Debt, Current Portion	<u>57,923</u>	<u>60,565</u>
Total Current Liabilities	73,996	69,913
LONG-TERM LIABILITIES		
Debt, Net of Current Portion	<u>1,758,601</u>	<u>1,801,314</u>
Total Liabilities	1,832,597	1,871,227
NET ASSETS		
Unrestricted Net Assets	961,235	989,970
Temporarily Restricted Net Assets	<u>31,100</u>	<u>28,000</u>
Total Net Assets	<u>992,335</u>	<u>1,017,970</u>
 Total Liabilities and Net Assets	 <u>\$ 2,824,932</u>	 <u>\$ 2,889,197</u>

See accompanying Notes to Financial Statements.

**FAITH'S LODGE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013 AND 2012**

	2013		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions:			
Cash	\$ 322,355	\$ 3,100	\$ 325,455
Loss on Uncollectible Accounts	(5,308)	-	(5,308)
In-Kind	15,253	-	15,253
Subtotal Support and Revenues	<u>332,300</u>	<u>3,100</u>	<u>335,400</u>
Special Event Revenues, Net of Related Expenses			
Totaling \$354,072 and \$249,246, Respectively	190,500	-	190,500
Loss on Disposal of Furniture	(12,812)	-	(12,812)
Other Income	7,918	-	7,918
Net Assets Released from Restrictions	-	-	-
Total Support and Revenues	<u>517,906</u>	<u>3,100</u>	<u>521,006</u>
EXPENSES			
Salaries and Benefits	222,123	-	222,123
Contract Services	16,031	-	16,031
Other Professional Fees	10,808	-	10,808
Printing and Production	6,318	-	6,318
Supplies	24,980	-	24,980
Occupancy	33,947	-	33,947
Travel and Meetings	6,805	-	6,805
Interest	107,576	-	107,576
Postage and Delivery	3,227	-	3,227
Insurance	9,294	-	9,294
Repairs and Maintenance	7,622	-	7,622
Telephone	8,652	-	8,652
Advertising and Public Relations	1,536	-	1,536
Depreciation	83,516	-	83,516
Other	4,206	-	4,206
Total Expenses	<u>546,641</u>	<u>-</u>	<u>546,641</u>
INCREASE (DECREASE) IN NET ASSETS	(28,735)	3,100	(25,635)
Net Assets - Beginning of Year	<u>989,970</u>	<u>28,000</u>	<u>1,017,970</u>
NET ASSETS - END OF YEAR	<u><u>\$ 961,235</u></u>	<u><u>\$ 31,100</u></u>	<u><u>\$ 992,335</u></u>

See accompanying Notes to Financial Statements.

2012		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 295,206	\$ -	\$ 295,206
-	(51,650)	(51,650)
45,662	-	45,662
<u>340,868</u>	<u>(51,650)</u>	<u>289,218</u>
185,515	-	185,515
-	-	-
3,209	-	3,209
6,250	(6,250)	-
<u>535,842</u>	<u>(57,900)</u>	<u>477,942</u>
219,638	-	219,638
27,081	-	27,081
39,416	-	39,416
6,733	-	6,733
24,345	-	24,345
46,364	-	46,364
4,339	-	4,339
116,740	-	116,740
2,399	-	2,399
8,042	-	8,042
9,225	-	9,225
6,797	-	6,797
680	-	680
80,001	-	80,001
13,086	-	13,086
<u>604,886</u>	<u>-</u>	<u>604,886</u>
(69,044)	(57,900)	(126,944)
<u>1,059,014</u>	<u>85,900</u>	<u>1,144,914</u>
<u>\$ 989,970</u>	<u>\$ 28,000</u>	<u>\$ 1,017,970</u>

**FAITH'S LODGE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Net Assets	\$ (25,635)	\$ (126,944)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	83,516	80,001
Loss on Disposal of Furniture	12,812	-
Loss on Uncollectible Accounts	-	51,650
Increase in Pledges and Grants Receivable	(5,327)	(24,115)
Increase in Prepaid Expenses	(2,451)	(950)
Changes in Operating Assets and Liabilities:		
Accounts Payable	(157)	(7,505)
Accrued Expenses	3,882	(21)
Deferred Revenue	3,000	-
Net Cash Provided (Used) by Operating Activities	69,640	(27,884)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments on Long-Term Debt	(45,355)	(49,988)
Purchase of Equipment	(26,150)	(16,076)
Net Cash Used by Investing Activities	(71,505)	(66,064)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,865)	(93,948)
Cash and Cash Equivalents - Beginning of Year	264,942	358,890
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 263,077	\$ 264,942
SUPPLEMENTAL INFORMATION		
Cash Paid for Interest	\$ 107,576	\$ 116,740
In-Kind Donations	\$ 161,381	\$ 156,180

See accompanying Notes to Financial Statements.

FAITH'S LODGE
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 128,101	\$ 27,313	\$ 42,227	\$ 197,641
Payroll Taxes	14,813	6,644	-	21,457
Employee Benefits	3,025	-	-	3,025
Total Salaries and Benefits	145,939	33,957	42,227	222,123
Contract Services	10,415	1,549	4,067	16,031
Other Professional Fees	739	10,069	-	10,808
Printing and Production	3,755	2,563	-	6,318
Supplies	19,527	5,409	44	24,980
Occupancy	28,715	5,232	-	33,947
Travel and Meetings	3,877	2,855	73	6,805
Interest	107,576	-	-	107,576
Postage and Delivery	2,026	253	948	3,227
Insurance	8,800	494	-	9,294
Repairs and Maintenance	6,393	1,229	-	7,622
Telephone	6,279	2,373	-	8,652
Advertising and Public Relations	-	-	1,536	1,536
Depreciation	83,516	-	-	83,516
Other	4,206	-	-	4,206
Total Expense	\$ 431,763	\$ 65,983	\$ 48,895	\$ 546,641

See accompanying Notes to Financial Statements.

2012

Program Services	Management and General	Fundraising	Total
\$ 120,845	\$ 46,184	\$ 37,478	\$ 204,507
6,582	4,061	-	10,643
1,659	2,829	-	4,488
<u>129,086</u>	<u>53,074</u>	<u>37,478</u>	<u>219,638</u>
21,312	5,769	-	27,081
4,025	35,391	-	39,416
3,870	2,863	-	6,733
21,498	2,847	-	24,345
30,763	15,601	-	46,364
2,727	1,612	-	4,339
116,740	-	-	116,740
143	2,256	-	2,399
7,092	950	-	8,042
9,225	-	-	9,225
5,186	1,611	-	6,797
-	-	680	680
80,001	-	-	80,001
7,366	5,720	-	13,086
<u>\$ 439,034</u>	<u>\$ 127,694</u>	<u>\$ 38,158</u>	<u>\$ 604,886</u>

**FAITH'S LODGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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, 2013 AND 2012

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 \$107,576 and \$116,740 for the years ended December 31, 2013 and 2012, respectively.

FAITH'S LODGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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, 2013 consisted of in-kind event supplies valued at \$130,345 and donated supplies and services valued at \$31,036. In-kind contributions received during the period ended December 31, 2012 consisted of in-kind event supplies valued at \$110,518 and donated supplies valued at \$45,662.

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 Statue 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 2011 through 2013 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 February 28, 2014, the date the financial statements were available to be issued.

FAITH'S LODGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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, 2013. As of December 31, 2013, \$31,000 was due from one contributor.

Pledges and grants receivable as of December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Receivable in Less Than One Year	\$ 37,950	\$ 10,100
Receivable in One to Five Years	250	22,465
Total Pledges and Grants Receivable	<u>38,200</u>	<u>32,565</u>
Less: Allowance for Doubtful Accounts	(2,208)	(1,900)
Net Pledges and Grants Receivable	<u>\$ 35,992</u>	<u>\$ 30,665</u>

NOTE 3 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2013</u>	<u>2012</u>
Purpose Restrictions - Suite	\$ 3,000	\$ 3,000
Purpose Restrictions - Family Recreation Center	25,000	25,000
Purpose Restrictions - Labyrinth	3,100	-
Total Temporarily Restricted Net Assets	<u>\$ 31,100</u>	<u>\$ 28,000</u>

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

	<u>2013</u>	<u>2012</u>
Time Restrictions	<u>\$ -</u>	<u>\$ 6,250</u>

FAITH'S LODGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 4 OPERATING LEASES

As of April 3, 2013, the Organization entered into a new lease agreement for office space that terminates on April 30, 2016. For the years ended December 31, 2013 and 2012, total expense was \$6,400 and \$15,220, respectively. Cash payments relating to future rental commitments are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 9,600
2015	9,600
2016	3,200
Total	<u>\$ 22,400</u>

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

NOTE 5 PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 430,000	\$ 430,000
Building	2,399,145	2,396,928
Furniture and Equipment	185,294	197,964
Less: Accumulated Depreciation	(491,977)	(432,252)
Total	<u>\$ 2,522,462</u>	<u>\$ 2,592,640</u>

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, 2013, the debt payments are due in the following years:

<u>Year</u>	<u>Amount</u>
2014	\$ 57,923
2015	61,343
2016	64,965
2017	1,632,293
Total	<u>\$ 1,816,524</u>

FAITH'S LODGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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.