

**FAITH'S LODGE**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

**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, 2015 and 2014, 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, 2015 and 2014, 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  
May 10, 2016

**FAITH'S LODGE**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 211,388	\$ 226,876
Accounts Receivable	10,228	9,300
Pledges and Grants Receivable	72,504	18,335
Prepaid Expenses	24,408	8,310
Other Assets	-	5,361
Total Current Assets	<u>318,528</u>	<u>268,182</u>
<b>OTHER ASSETS</b>		
Property and Equipment, Net	<u>2,428,361</u>	<u>2,446,873</u>
Total Assets	<u><u>\$ 2,746,889</u></u>	<u><u>\$ 2,715,055</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 4,099	\$ 457
Accrued Expenses	12,726	13,695
Deferred Revenue	11,510	3,000
Debt, Current Portion	76,847	78,903
Total Current Liabilities	<u>105,182</u>	<u>96,055</u>
<b>LONG-TERM LIABILITIES</b>		
Debt, Net of Current Portion	<u>1,609,554</u>	<u>1,680,858</u>
Total Liabilities	1,714,736	1,776,913
<b>NET ASSETS</b>		
Unrestricted Net Assets	1,029,153	923,142
Temporarily Restricted Net Assets	3,000	15,000
Total Net Assets	<u>1,032,153</u>	<u>938,142</u>
Total Liabilities and Net Assets	<u><u>\$ 2,746,889</u></u>	<u><u>\$ 2,715,055</u></u>

See accompanying Notes to Financial Statements.

**FAITH'S LODGE**  
**STATEMENTS OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2015 AND 2014**

	2015		
	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUES</b>			
Contributions:			
Cash	\$ 317,900	\$ -	\$ 317,900
In-Kind	104,433	-	104,433
Subtotal Support and Revenues	<u>422,333</u>	-	<u>422,333</u>
Special Event Revenues, Net of Related Expenses			
Totaling \$389,731 and \$457,156, Respectively	282,348	-	282,348
Loss on Disposal of Equipment	(14,921)		(14,921)
Other Income	15,793	-	15,793
Net Assets Released from Restrictions	12,000	(12,000)	-
Total Support and Revenues	<u>717,553</u>	<u>(12,000)</u>	<u>705,553</u>
<b>EXPENSES</b>			
Salaries and Benefits	246,035	-	246,035
Contract Services	31,264	-	31,264
Other Professional Fees	8,846	-	8,846
Printing and Production	5,434	-	5,434
Supplies	42,764	-	42,764
Occupancy	40,821	-	40,821
Travel and Meetings	7,978	-	7,978
Interest	86,218	-	86,218
Postage and Delivery	2,518	-	2,518
Insurance	12,835	-	12,835
Repairs and Maintenance	8,881	-	8,881
Telephone	8,835	-	8,835
Advertising and Public Relations	9,957	-	9,957
Depreciation	80,137	-	80,137
Bad Debt	5,050	-	5,050
Other	13,969	-	13,969
Total Expenses	<u>611,542</u>	<u>-</u>	<u>611,542</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	106,011	(12,000)	94,011
Net Assets - Beginning of Year	<u>923,142</u>	<u>15,000</u>	<u>938,142</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 1,029,153</u></u>	<u><u>\$ 3,000</u></u>	<u><u>\$ 1,032,153</u></u>

See accompanying Notes to Financial Statements.

2014		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 293,942	\$ 12,000	\$ 305,942
15,273	-	15,273
<u>309,215</u>	<u>12,000</u>	<u>321,215</u>
200,441	-	200,441
-	-	-
9,648	-	9,648
28,100	(28,100)	-
<u>547,404</u>	<u>(16,100)</u>	<u>531,304</u>
235,470	-	235,470
17,670	-	17,670
16,340	-	16,340
5,523	-	5,523
18,407	-	18,407
47,793	-	47,793
6,801	-	6,801
104,009	-	104,009
4,053	-	4,053
13,228	-	13,228
14,858	-	14,858
9,488	-	9,488
744	-	744
80,443	-	80,443
-	-	-
10,670	-	10,670
<u>585,497</u>	<u>-</u>	<u>585,497</u>
(38,093)	(16,100)	(54,193)
<u>961,235</u>	<u>31,100</u>	<u>992,335</u>
<u>\$ 923,142</u>	<u>\$ 15,000</u>	<u>\$ 938,142</u>

**FAITH'S LODGE**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 131,927	\$ 27,407	\$ 54,894	\$ 214,228
Payroll Taxes	15,662	8,443	-	24,105
Other Payroll Expenses	396	3,017	75	3,488
Employee Benefits	2,727	408	1,079	4,214
Total Salaries and Benefits	150,712	39,275	56,048	246,035
Contract Services	11,703	19,561	-	31,264
Other Professional Fees	-	8,846	-	8,846
Printing and Production	78	682	4,674	5,434
Supplies	40,691	2,073	-	42,764
Occupancy	34,221	6,600	-	40,821
Travel and Meetings	2,878	4,359	741	7,978
Interest	86,218	-	-	86,218
Postage and Delivery	304	790	1,424	2,518
Insurance	12,653	182	-	12,835
Repairs and Maintenance	8,881	-	-	8,881
Telephone	5,351	3,484	-	8,835
Advertising and Public Relations	-	995	8,962	9,957
Depreciation	80,137	-	-	80,137
Bad Debt	5,050	-	-	5,050
Other	4,628	858	8,483	13,969
Total Expense	\$ 443,505	\$ 87,705	\$ 80,332	\$ 611,542

See accompanying Notes to Financial Statements.



2014

Program Services	Management and General	Fundraising	Total
\$ 139,399	\$ 27,574	\$ 41,398	\$ 208,371
12,185	11,740	-	23,925
2,589	585	-	3,174
<u>154,173</u>	<u>39,899</u>	<u>41,398</u>	<u>235,470</u>
12,599	1,333	3,738	17,670
1,022	9,318	6,000	16,340
932	495	4,096	5,523
15,153	3,254	-	18,407
40,593	7,200	-	47,793
5,394	1,383	24	6,801
104,009	-	-	104,009
1,058	2,030	965	4,053
10,577	2,651	-	13,228
14,759	99	-	14,858
5,392	4,096	-	9,488
-	519	225	744
80,443	-	-	80,443
-	-	-	-
4,670	-	6,000	10,670
<u>\$ 450,774</u>	<u>\$ 72,277</u>	<u>\$ 62,446</u>	<u>\$ 585,497</u>

**FAITH'S LODGE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ 94,011	\$ (54,193)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	80,137	80,443
Loss on Disposal of Equipment	14,922	-
Donated Equipment	(76,547)	(4,854)
(Increase) Decrease in Pledges and Grants Receivable	(54,169)	8,357
Increase in Prepaid Expenses	(16,098)	(4,909)
(Increase) Decrease in Other Assets	5,361	(5,361)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(928)	-
Accounts Payable	3,642	(465)
Accrued Expenses	(969)	1,544
Deferred Revenue	8,510	-
Net Cash Provided by Operating Activities	57,872	20,562
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments on Long-Term Debt	(73,360)	(56,763)
 <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(15,488)	(36,201)
Cash and Cash Equivalents - Beginning of Year	226,876	263,077
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 211,388	\$ 226,876
 <b>SUPPLEMENTAL INFORMATION</b>		
Cash Paid for Interest	\$ 86,218	\$ 104,009
In-Kind Donations	\$ 315,008	\$ 273,679

See accompanying Notes to Financial Statements.

**FAITH'S LODGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**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 include yoga, mindfulness, memorial birdhouse painting and a heart stone ritual for all 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, 2015 AND 2014**

**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. No allowance was recorded for 2015 or 2014.

**Property and Equipment**

Property and equipment purchases exceeding \$1,000 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. Buildings have an estimated useful life of 40 years, equipment has an estimated useful life ranging from 3-10 years, and the website has an estimated useful life of five years.

**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 \$86,218 and \$104,009 for the years ended December 31, 2015 and 2014, respectively.

**FAITH'S LODGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**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 year ended December 31, 2015 consisted of in-kind event supplies and services valued at \$210,575 and donated supplies and services valued at \$104,433. The donated event services of \$130,732 were related to marketing, advertising, and event design that benefited fundraising. The donated non-event services of \$79,741 were related to website creation and graphic design that benefited program and administrative and general. In-kind contributions received during the year ended December 31, 2014 consisted of in-kind event supplies and services valued at \$258,406 and donated supplies valued at \$15,273. The donated event services of \$141,156 were related to marketing, advertising, and event design that benefited fundraising.

**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.

**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 nonrecurring basis.

**FAITH'S LODGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

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

**Reclassifications**

Certain amounts appearing in the 2014 financial statements have been reclassified to conform to 2015 presentation. These reclassifications have no effect on reported amounts of total net assets or change in total net assets.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 10, 2016, the date the financial statements were available to be issued.

**NOTE 2 PLEDGES AND GRANTS RECEIVABLE**

Pledges and grants receivable consists of grants from foundations and pledges from individuals and foundations. Pledges and grants receivable as of December 31, 2015 and 2014 were \$72,504 and \$27,635, respectively. Amounts for both years are due to be collected within one year. As of December 31, 2015, \$60,000 was due from one contributor.

**NOTE 3 TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2015</u>	<u>2014</u>
Purpose Restrictions - Suite	\$ 3,000	\$ 3,000
Time Restrictions	-	12,000
Total Temporarily Restricted Net Assets	<u>\$ 3,000</u>	<u>\$ 15,000</u>

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

	<u>2015</u>	<u>2014</u>
Family Recreation Center	\$ -	\$ 25,000
Labyrinth	-	3,100
Community Health Charities	12,000	-
Total Release from Restrictions	<u>\$ 12,000</u>	<u>\$ 28,100</u>

**FAITH'S LODGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 4 OPERATING LEASES**

In 2013, the Organization entered into a new lease agreement for office space that terminates on April 30, 2016. For the years ended December 31, 2015 and 2014, total expense was \$8,800 and \$9,600, respectively.

The monthly base rent commitment under the lease is \$800. The remaining future rental commitment for 2016 is \$3,200.

**NOTE 5 PROPERTY AND EQUIPMENT**

A summary of property and equipment as of December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 430,000	\$ 430,000
Building	2,394,494	2,399,145
Furniture and Equipment	176,299	190,147
Website	50,971	-
Less Accumulated Depreciation	(623,403)	(572,419)
Total	<u>\$ 2,428,361</u>	<u>\$ 2,446,873</u>

**NOTE 6 NOTE PAYABLE**

The Organization holds a note secured by land and building. The Organization refinanced the note on December 1, 2014 to a 60-month note totaling approximately \$1,765,000 bearing an interest rate of 5.00% to mature on November 13, 2019. 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, 2015, the debt payments are due in the following years:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 76,847
2017	81,076
2018	85,283
2019	1,443,195
Total	<u>\$ 1,686,401</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 Internal Revenue Service limitations. The Organization does not match any contributions.