

**FAITH'S LODGE**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

**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, 2014 and 2013, 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, 2014 and 2013, 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  
April 7, 2015

**FAITH'S LODGE**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 226,876	\$ 263,077
Prepaid Expenses		
Pledges and Grants Receivable, Net	27,635	35,742
Prepaid Expenses	8,310	3,401
Other Assets	5,361	-
Total Current Assets	268,182	302,220
<b>OTHER ASSETS</b>		
Pledges and Grants Receivable, Net of Current Portion	-	250
Property and Equipment, Net	2,446,873	2,522,462
Total Other Assets	2,446,873	2,522,712
Total Assets	\$ 2,715,055	\$ 2,824,932
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 457	\$ 922
Accrued Expenses	13,695	12,151
Deferred Revenue	3,000	3,000
Debt, Current Portion	78,903	57,923
Total Current Liabilities	96,055	73,996
<b>LONG-TERM LIABILITIES</b>		
Debt, Net of Current Portion	1,680,858	1,758,601
Total Liabilities	1,776,913	1,832,597
<b>NET ASSETS</b>		
Unrestricted Net Assets	923,142	961,235
Temporarily Restricted Net Assets	15,000	31,100
Total Net Assets	938,142	992,335
Total Liabilities and Net Assets	\$ 2,715,055	\$ 2,824,932

See accompanying Notes to Financial Statements.

**FAITH'S LODGE  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2014 AND 2013**

	2014		
	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUES</b>			
Contributions:			
Cash	\$ 293,942	\$ 12,000	\$ 305,942
Loss on Uncollectible Accounts	-	-	-
In-Kind	15,273	-	15,273
Subtotal Support and Revenues	<u>309,215</u>	<u>12,000</u>	<u>321,215</u>
Special Event Revenues, Net of Related Expenses			
Totaling \$457,156 and \$354,072, Respectively	200,441	-	200,441
Loss on Disposal of Furniture	-	-	-
Other Income	9,648	-	9,648
Net Assets Released from Restrictions	28,100	(28,100)	-
Total Support and Revenues	<u>547,404</u>	<u>(16,100)</u>	<u>531,304</u>
<b>EXPENSES</b>			
Salaries and Benefits	235,470	-	235,470
Contract Services	17,670	-	17,670
Other Professional Fees	16,340	-	16,340
Printing and Production	5,523	-	5,523
Supplies	18,407	-	18,407
Occupancy	47,793	-	47,793
Travel and Meetings	6,801	-	6,801
Interest	104,009	-	104,009
Postage and Delivery	4,053	-	4,053
Insurance	13,228	-	13,228
Repairs and Maintenance	14,858	-	14,858
Telephone	9,488	-	9,488
Advertising and Public Relations	744	-	744
Depreciation	80,443	-	80,443
Other	10,670	-	10,670
Total Expenses	<u>585,497</u>	<u>-</u>	<u>585,497</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(38,093)	(16,100)	(54,193)
Net Assets - Beginning of Year	<u>961,235</u>	<u>31,100</u>	<u>992,335</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 923,142</u>	<u>\$ 15,000</u>	<u>\$ 938,142</u>

See accompanying Notes to Financial Statements.

2013		
Unrestricted	Temporarily Restricted	Total
\$ 322,355	\$ 3,100	\$ 325,455
(5,308)	-	(5,308)
15,253	-	15,253
<u>332,300</u>	<u>3,100</u>	<u>335,400</u>
190,500	-	190,500
(12,812)	-	(12,812)
7,918	-	7,918
-	-	-
<u>517,906</u>	<u>3,100</u>	<u>521,006</u>
222,123	-	222,123
16,031	-	16,031
10,808	-	10,808
6,318	-	6,318
24,980	-	24,980
33,947	-	33,947
6,805	-	6,805
107,576	-	107,576
3,227	-	3,227
9,294	-	9,294
7,622	-	7,622
8,652	-	8,652
1,536	-	1,536
83,516	-	83,516
4,206	-	4,206
<u>546,641</u>	<u>-</u>	<u>546,641</u>
(28,735)	3,100	(25,635)
<u>989,970</u>	<u>28,000</u>	<u>1,017,970</u>
<u>\$ 961,235</u>	<u>\$ 31,100</u>	<u>\$ 992,335</u>

**FAITH'S LODGE**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 139,399	\$ 27,574	\$ 41,398	\$ 208,371
Payroll Taxes	12,185	11,740	-	23,925
Employee Benefits	2,589	585	-	3,174
Total Salaries and Benefits	154,173	39,899	41,398	235,470
Contract Services	12,599	1,333	3,738	17,670
Other Professional Fees	1,022	9,318	6,000	16,340
Printing and Production	932	495	4,096	5,523
Supplies	15,153	3,254	-	18,407
Occupancy	40,593	7,200	-	47,793
Travel and Meetings	5,394	1,383	24	6,801
Interest	104,009	-	-	104,009
Postage and Delivery	1,058	2,030	965	4,053
Insurance	10,577	2,651	-	13,228
Repairs and Maintenance	14,759	99	-	14,858
Telephone	5,392	4,096	-	9,488
Advertising and Public Relations	-	519	225	744
Depreciation	80,443	-	-	80,443
Other	4,670	-	6,000	10,670
Total Expense	\$ 450,774	\$ 72,277	\$ 62,446	\$ 585,497

See accompanying Notes to Financial Statements.



2013

<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 128,101	\$ 27,313	\$ 42,227	\$ 197,641
14,813	6,644	-	21,457
3,025	-	-	3,025
<u>145,939</u>	<u>33,957</u>	<u>42,227</u>	<u>222,123</u>
10,415	1,549	4,067	16,031
739	10,069	-	10,808
3,755	2,563	-	6,318
19,527	5,409	44	24,980
28,715	5,232	-	33,947
3,877	2,855	73	6,805
107,576	-	-	107,576
2,026	253	948	3,227
8,800	494	-	9,294
6,393	1,229	-	7,622
6,279	2,373	-	8,652
-	-	1,536	1,536
83,516	-	-	83,516
4,206	-	-	4,206
<u>\$ 431,763</u>	<u>\$ 65,983</u>	<u>\$ 48,895</u>	<u>\$ 546,641</u>

**FAITH'S LODGE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in Net Assets	\$ (54,193)	\$ (25,635)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	80,443	83,516
Loss on Disposal of Furniture	-	12,812
Donated Equipment	(4,854)	-
(Increase) Decrease in Pledges and Grants Receivable	8,357	(5,327)
Increase in Prepaid Expenses	(4,909)	(2,451)
Increase in Other Assets	(5,361)	-
Changes in Operating Assets and Liabilities:		
Accounts Payable	(465)	(157)
Accrued Expenses	1,544	3,882
Deferred Revenue	-	3,000
Net Cash Provided by Operating Activities	20,562	69,640
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments on Long-Term Debt	(56,763)	(45,355)
Purchase of Equipment	-	(26,150)
Net Cash Used by Investing Activities	(56,763)	(71,505)
 <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(36,201)	(1,865)
Cash and Cash Equivalents - Beginning of Year	263,077	264,942
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 226,876	\$ 263,077
 <b>SUPPLEMENTAL INFORMATION</b>		
Cash Paid for Interest	\$ 104,009	\$ 107,576
In-Kind Donations	\$ 273,679	\$ 161,381

See accompanying Notes to Financial Statements.

**FAITH'S LODGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**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, 2014 AND 2013**

**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 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 and equipment has an estimated useful life ranging from 3-10 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 \$104,009 and \$107,576 for the years ended December 31, 2014 and 2013, respectively.

**FAITH'S LODGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**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, 2014 consisted of in-kind event supplies valued at \$233,245 and donated supplies and services valued at \$40,434. In-kind contributions received during the year ended December 31, 2013 consisted of in-kind event supplies valued at \$130,345 and donated supplies valued at \$31,036.

**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 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 April 7, 2015, the date the financial statements were available to be issued.

**FAITH'S LODGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**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, 2014. As of December 31, 2014, \$6,000 was due from one contributor.

Pledges and grants receivable as of December 31, 2014 and 2013 are as follows:

	2014	2013
Receivable in Less Than One Year	\$ 27,635	\$ 37,950
Receivable in One to Five Years	-	250
Total Pledges and Grants Receivable	27,635	38,200
Less: Allowance for Doubtful Accounts	-	(2,208)
Net Pledges and Grants Receivable	\$ 27,635	\$ 35,992

**NOTE 3 TEMPORARILY RESTRICTED NET ASSETS**

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

	2014	2013
Purpose Restrictions - Suite	\$ 3,000	\$ 3,000
Purpose Restrictions - Family Recreation Center	-	25,000
Purpose Restrictions - Labyrinth	-	3,100
Time Restrictions	12,000	-
Total Temporarily Restricted Net Assets	\$ 15,000	\$ 31,100

During 2014, the Organization was unable to use funds raised for the Family Recreation Center and therefore the donor changed the gift to unrestricted. Net assets released from restrictions during the year were comprised of the following at December 31:

	2014	2013
Family Recreation Center	\$ 25,000	\$ -
Labyrinth	3,100	-
Total Release from Restrictions	\$ 28,100	\$ -

**FAITH'S LODGE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**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, 2014 and 2013, total expense was \$9,600 and \$6,400, respectively. Cash payments relating to future rental commitments are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 9,600
2016	3,200
Total	<u>\$ 12,800</u>

The monthly base rent commitment under the lease is \$800.

**NOTE 5 PROPERTY AND EQUIPMENT**

A summary of property and equipment as of December 31, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 430,000	\$ 430,000
Building	2,399,145	2,399,145
Furniture and Equipment	190,147	185,294
Less: Accumulated Depreciation	<u>(572,419)</u>	<u>(491,977)</u>
Total	<u>\$ 2,446,873</u>	<u>\$ 2,522,462</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, 2014, the debt payments are due in the following years:

<u>Year</u>	<u>Amount</u>
2015	\$ 78,903
2016	78,545
2017	82,563
2018	86,787
2019	<u>1,432,963</u>
Total	<u>\$ 1,759,761</u>

**FAITH'S LODGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**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 IRS limitations. The Organization does not match any contributions.