

FAITH'S LODGE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

**FAITH'S LODGE
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YEARS ENDED DECEMBER 31, 2016 AND 2015**

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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, 2016 and 2015, 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, 2016 and 2015, 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
March 15, 2017

FAITH'S LODGE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 183,994	\$ 211,388
Accounts Receivable	4,239	10,228
Pledges and Grants Receivable	164,474	72,504
Prepaid Expenses	15,689	24,408
Total Current Assets	368,396	318,528
OTHER ASSETS		
Pledges and Grants Receivable, Net of Current Portion	487,017	-
Property and Equipment, Net	2,376,456	2,428,361
Total Other Assets	2,863,473	2,428,361
Total Assets	\$ 3,231,869	\$ 2,746,889
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 4,330	\$ 4,099
Accrued Expenses	18,034	12,726
Deferred Revenue	25,390	11,510
Deferred Rent	12,097	-
Debt, Current Portion	53,056	76,847
Total Current Liabilities	112,907	105,182
LONG-TERM LIABILITIES		
Debt, Net of Current Portion	1,561,889	1,609,554
Total Liabilities	1,674,796	1,714,736
NET ASSETS		
Unrestricted Net Assets	906,249	1,029,153
Temporarily Restricted Net Assets	650,824	3,000
Total Net Assets	1,557,073	1,032,153
Total Liabilities and Net Assets	\$ 3,231,869	\$ 2,746,889

See accompanying Notes to Financial Statements.

FAITH'S LODGE
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016 AND 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions:			
Cash	\$ 264,931	\$ 647,824	\$ 912,755
In-Kind	56,415	-	56,415
Subtotal Support and Revenues	<u>321,346</u>	<u>647,824</u>	<u>969,170</u>
Special Event Revenues, Net of Related Expenses Totaling \$266,315 and \$389,731, Respectively	285,826	-	285,826
Loss on Disposal of Equipment	-	-	-
Other Income	63,909	-	63,909
Net Assets Released from Restrictions	-	-	-
Total Support and Revenues	<u>671,081</u>	<u>647,824</u>	<u>1,318,905</u>
EXPENSES			
Salaries and Benefits	347,597	-	347,597
Contract Services	76,432	-	76,432
Other Professional Fees	8,521	-	8,521
Printing and Production	9,871	-	9,871
Supplies	64,954	-	64,954
Information Technology	2,500	-	2,500
Occupancy	41,075	-	41,075
Travel and Meetings	9,353	-	9,353
Interest	78,760	-	78,760
Postage and Delivery	3,541	-	3,541
Insurance	11,867	-	11,867
Repairs and Maintenance	13,954	-	13,954
Telephone	12,169	-	12,169
Advertising and Public Relations	1,891	-	1,891
Depreciation	87,465	-	87,465
Bad Debt	3,394	-	3,394
Other	20,641	-	20,641
Total Expenses	<u>793,985</u>	<u>-</u>	<u>793,985</u>
INCREASE (DECREASE) IN NET ASSETS	(122,904)	647,824	524,920
Net Assets - Beginning of Year	<u>1,029,153</u>	<u>3,000</u>	<u>1,032,153</u>
NET ASSETS - END OF YEAR	<u>\$ 906,249</u>	<u>\$ 650,824</u>	<u>\$ 1,557,073</u>

See accompanying Notes to Financial Statements.

2015		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 299,045	\$ -	\$ 299,045
104,433	-	104,433
<u>403,478</u>	<u>-</u>	<u>403,478</u>
282,348	-	282,348
(14,921)	-	(14,921)
34,648	-	34,648
12,000	(12,000)	-
<u>717,553</u>	<u>(12,000)</u>	<u>705,553</u>
246,035	-	246,035
31,264	-	31,264
8,846	-	8,846
5,434	-	5,434
42,764	-	42,764
-	-	-
40,821	-	40,821
7,978	-	7,978
86,218	-	86,218
2,518	-	2,518
12,835	-	12,835
8,881	-	8,881
8,835	-	8,835
9,957	-	9,957
80,137	-	80,137
5,050	-	5,050
13,969	-	13,969
<u>611,542</u>	<u>-</u>	<u>611,542</u>
106,011	(12,000)	94,011
<u>923,142</u>	<u>15,000</u>	<u>938,142</u>
<u>\$ 1,029,153</u>	<u>\$ 3,000</u>	<u>\$ 1,032,153</u>

FAITH'S LODGE
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 160,269	\$ 47,011	\$ 97,488	\$ 304,768
Payroll Taxes	15,147	4,287	9,145	28,579
Other Payroll Expenses	1,212	1,794	-	3,006
Employee Benefits	6,801	2,707	1,736	11,244
Total Salaries and Benefits	<u>183,429</u>	<u>55,799</u>	<u>108,369</u>	<u>347,597</u>
Contract Services	23,387	12,146	40,899	76,432
Other Professional Fees	-	8,521	-	8,521
Printing and Production	921	-	8,950	9,871
Supplies	61,735	3,219	-	64,954
Information Technology	-	-	2,500	2,500
Occupancy	29,257	11,818	-	41,075
Travel and Meetings	7,162	1,257	934	9,353
Interest	78,760	-	-	78,760
Postage and Delivery	661	631	2,249	3,541
Insurance	11,867	-	-	11,867
Repairs and Maintenance	13,954	-	-	13,954
Telephone	7,914	4,255	-	12,169
Advertising and Public Relations	261	630	1,000	1,891
Depreciation	87,465	-	-	87,465
Bad Debt	-	3,394	-	3,394
Other	8,702	3,871	8,068	20,641
Total Expense	<u>\$ 515,475</u>	<u>\$ 105,541</u>	<u>\$ 172,969</u>	<u>\$ 793,985</u>

See accompanying Notes to Financial Statements.

2015

Program Services	Management and General	Fundraising	Total
\$ 131,927	\$ 27,407	\$ 54,894	\$ 214,228
15,662	8,443	-	24,105
396	3,017	75	3,488
2,727	408	1,079	4,214
<u>150,712</u>	<u>39,275</u>	<u>56,048</u>	<u>246,035</u>
11,703	19,561	-	31,264
-	8,846	-	8,846
78	682	4,674	5,434
40,691	2,073	-	42,764
-	-	-	-
34,221	6,600	-	40,821
2,878	4,359	741	7,978
86,218	-	-	86,218
304	790	1,424	2,518
12,653	182	-	12,835
8,881	-	-	8,881
5,351	3,484	-	8,835
-	995	8,962	9,957
80,137	-	-	80,137
5,050	-	-	5,050
4,628	858	8,483	13,969
<u>\$ 443,505</u>	<u>\$ 87,705</u>	<u>\$ 80,332</u>	<u>\$ 611,542</u>

FAITH'S LODGE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 524,920	\$ 94,011
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	87,465	80,137
Loss on Disposal of Equipment	-	14,922
Donated Equipment	(6,183)	(76,547)
Increase in Pledges and Grants Receivable	(578,987)	(54,169)
(Increase) Decrease in Prepaid Expenses	8,719	(16,098)
Decrease in Other Assets	-	5,361
Changes in Operating Assets and Liabilities:		
Accounts Receivable	5,989	(928)
Accounts Payable	231	3,642
Accrued Expenses	5,308	(969)
Deferred Revenue	13,880	8,510
Deferred Rent	12,097	-
Net Cash Provided by Operating Activities	73,439	57,872
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments on Long-Term Debt	(71,456)	(73,360)
Purchase of Fixed Assets	(29,377)	-
Net Cash Used by Investing Activities	(100,833)	(73,360)
DECREASE IN CASH AND CASH EQUIVALENTS	(27,394)	(15,488)
Cash and Cash Equivalents - Beginning of Year	211,388	226,876
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 183,994	\$ 211,388
SUPPLEMENTAL INFORMATION		
Cash Paid for Interest	\$ 78,760	\$ 86,218
In-Kind Donations	\$ 238,823	\$ 315,008

See accompanying Notes to Financial Statements.

**FAITH'S LODGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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 support parents and families coping with the death or medically complex condition of a child in a peaceful environment 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, 2016 AND 2015

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 2016 or 2015.

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 \$78,760 and \$86,218 for the years ended December 31, 2016 and 2015, respectively.

FAITH'S LODGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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, 2016 and 2015 consisted of:

	2016	2015
Advertising	\$ 53,180	\$ 60,300
Auction Items	94,615	65,902
Professional Services	22,051	58,237
Miscellaneous Donations	12,562	18,636
Total Donated Event Contributions:	\$ 182,408	\$ 203,075
Entertainment	6,266	5,530
Food and Beverage	2,236	1,873
Furniture	180	13,819
Supplies	1,724	-
Professional Services	46,009	81,711
Vehicles	-	9,000
Total Donated Non-Event Contributions:	56,415	111,933
Total In-Kind Contributions	\$ 238,823	\$ 315,008

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.

**FAITH'S LODGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 15, 2017, 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, 2016 and 2015 were:

	2016	2015
Receivable in Less Than One Year	\$ 143,666	\$ 72,504
Receivable in One to Five Years	280,000	-
Receivable in Over Five Years	400,000	-
Less: Discount to Net Present Value at Rates Ranging from 1.82% to 1.93%	(172,175)	-
Total Pledges and Grants Receivable	\$ 651,491	\$ 72,504

No allowance for doubtful accounts was recorded for 2016 or 2015.

As of December 31, 2016 and 2015, \$627,825 was due from two contributors and \$60,000 was due from one contributor, respectively.

FAITH'S LODGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Purpose Restrictions - Suite	\$ 3,000	\$ 3,000
Time Restrictions	647,824	-
Total Temporarily Restricted Net Assets	<u>\$ 650,824</u>	<u>\$ 3,000</u>

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

	<u>2016</u>	<u>2015</u>
Community Health Charities	\$ -	\$ 12,000

NOTE 4 OPERATING LEASES

In 2013, the Organization entered into a lease agreement for office space that terminated on April 30, 2016. In 2016, the Organization entered into a new lease agreement for office space that terminates on September 30, 2022.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 15,136
2018	\$ 23,045
2019	\$ 31,468
2020	\$ 32,151
2021	\$ 32,835
Thereafter	\$ 25,096
Total Minimum Lease Payments	<u>\$ 159,731</u>

For the years ended December 31, 2016 and 2015, total rent expense was \$13,618 and \$8,800, respectively.

FAITH'S LODGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 5 PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 430,000	\$ 430,000
Building	2,408,896	2,394,494
Furniture and Equipment	189,910	176,299
Website	57,154	50,971
Less Accumulated Depreciation	(709,504)	(623,403)
Total	<u>\$ 2,376,456</u>	<u>\$ 2,428,361</u>

NOTE 6 NOTE PAYABLE

The Organization holds a note secured by land and building. The Organization refinanced the note on September 20, 2016 to a 60-month note totaling approximately \$1,629,000 bearing an interest rate of 4.25% to mature on September 13, 2021. Payments of interest and principal of approximately \$10,100 are due each month, with all remaining principal and accrued interest due at time of maturity.

At December 31, 2016, the debt payments are due in the following years:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 53,056
2018	55,388
2019	57,822
2020	60,188
2021	1,388,491
Total	<u>\$ 1,614,945</u>

NOTE 7 BENEFIT PLAN

During 2016, the Organization started a simple individual retirement account (IRA) plan. The plan is available for any employees receiving more than \$5,000 in compensation per year for two years. Participating employees may defer any part of their salary, up to \$12,500 per year or \$15,500 if the employee is over 50 years old. The Organization will provide matching contributions up to 1% of employees' salary. Matches made to the plan during the year ended December 31, 2016 was \$521.

FAITH'S LODGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 8 RELATED PARTY TRANSACTIONS

During the year ended December 31, 2016, the Organization received contributions of \$876,091 from board members. As of December 31, 2016, \$627,825 was included in pledge receivables, net of present value discount.

The Organization also received \$19,400 in professional services from board members.