

FAITH'S LODGE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

**FAITH'S LODGE
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YEARS ENDED DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016, 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, 2017 and 2016, 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 21, 2018

FAITH'S LODGE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 261,649	\$ 183,994
Accounts Receivable	11,245	4,239
Pledges and Grants Receivable	148,465	164,474
Prepaid Expenses	23,258	15,689
Total Current Assets	444,617	368,396
OTHER ASSETS		
Pledges and Grants Receivable, Net of Current Portion	443,069	487,017
Property and Equipment, Net	2,332,601	2,376,456
Total Other Assets	2,775,670	2,863,473
Total Assets	\$ 3,220,287	\$ 3,231,869
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 7,847	\$ 4,330
Accrued Expenses	19,632	18,034
Deferred Revenue	21,672	25,390
Deferred Rent	22,637	12,097
Debt, Current Portion	55,388	53,056
Total Current Liabilities	127,176	112,907
LONG-TERM LIABILITIES		
Debt, Net of Current Portion	1,506,502	1,561,889
Total Liabilities	1,633,678	1,674,796
NET ASSETS		
Unrestricted Net Assets	992,075	906,249
Temporarily Restricted Net Assets	594,534	650,824
Total Net Assets	1,586,609	1,557,073
Total Liabilities and Net Assets	\$ 3,220,287	\$ 3,231,869

See accompanying Notes to Financial Statements.

FAITH'S LODGE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions:			
Cash	\$ 311,186	\$ 116,127	\$ 427,313
In-Kind	57,658	-	57,658
Subtotal Support and Revenues	<u>368,844</u>	<u>116,127</u>	<u>484,971</u>
Special Event Revenues, Net of Related Expenses Totaling \$361,307 and \$266,315, Respectively	344,593	-	344,593
Other Income	43,228	-	43,228
Net Assets Released from Restrictions	172,417	(172,417)	-
Total Support and Revenues	<u>929,082</u>	<u>(56,290)</u>	<u>872,792</u>
EXPENSES			
Salaries and Benefits	409,291	-	409,291
Contract Services	59,043	-	59,043
Other Professional Fees	8,750	-	8,750
Printing and Production	8,514	-	8,514
Supplies	59,782	-	59,782
Information Technology	-	-	-
Occupancy	65,251	-	65,251
Travel and Meetings	6,819	-	6,819
Interest	68,433	-	68,433
Postage and Delivery	7,997	-	7,997
Insurance	13,842	-	13,842
Repairs and Maintenance	16,235	-	16,235
Telephone	15,951	-	15,951
Advertising and Public Relations	1,900	-	1,900
Depreciation	84,635	-	84,635
Bad Debt	1,505	-	1,505
Other	15,308	-	15,308
Total Expenses	<u>843,256</u>	<u>-</u>	<u>843,256</u>
INCREASE (DECREASE) IN NET ASSETS	85,826	(56,290)	29,536
Net Assets - Beginning of Year	<u>906,249</u>	<u>650,824</u>	<u>1,557,073</u>
NET ASSETS - END OF YEAR	<u>\$ 992,075</u>	<u>\$ 594,534</u>	<u>\$ 1,586,609</u>

See accompanying Notes to Financial Statements.

2016		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 264,931	\$ 647,824	\$ 912,755
56,415	-	56,415
<u>321,346</u>	<u>647,824</u>	<u>969,170</u>
285,826	-	285,826
63,909	-	63,909
-	-	-
<u>671,081</u>	<u>647,824</u>	<u>1,318,905</u>
347,597	-	347,597
76,432	-	76,432
8,521	-	8,521
9,871	-	9,871
64,954	-	64,954
2,500	-	2,500
41,075	-	41,075
9,353	-	9,353
78,760	-	78,760
3,541	-	3,541
11,867	-	11,867
13,954	-	13,954
12,169	-	12,169
1,891	-	1,891
87,465	-	87,465
3,394	-	3,394
20,641	-	20,641
<u>793,985</u>	<u>-</u>	<u>793,985</u>
(122,904)	647,824	524,920
<u>1,029,153</u>	<u>3,000</u>	<u>1,032,153</u>
<u>\$ 906,249</u>	<u>\$ 650,824</u>	<u>\$ 1,557,073</u>

FAITH'S LODGE
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			
	Program Services	Management and General	Fundraising	Total
Salaries	\$ 186,415	\$ 68,210	\$ 104,705	\$ 359,330
Payroll Taxes	18,951	4,430	8,860	32,241
Other Payroll Expenses	2,058	848	-	2,906
Employee Benefits	7,388	3,868	3,558	14,814
Total Salaries and Benefits	<u>214,812</u>	<u>77,356</u>	<u>117,123</u>	<u>409,291</u>
Contract Services	20,249	600	38,194	59,043
Other Professional Fees	-	8,750	-	8,750
Printing and Production	3,051	-	5,463	8,514
Supplies	54,681	3,461	1,640	59,782
Information Technology	-	-	-	-
Occupancy	38,264	11,566	15,421	65,251
Travel and Meetings	3,251	1,343	2,225	6,819
Interest	68,433	-	-	68,433
Postage and Delivery	2,148	804	5,045	7,997
Insurance	13,842	-	-	13,842
Repairs and Maintenance	16,235	-	-	16,235
Telephone	13,525	1,078	1,348	15,951
Advertising and Public Relations	554	1,182	164	1,900
Depreciation	84,635	-	-	84,635
Bad Debt	1,505	-	-	1,505
Other	8,767	2,192	4,349	15,308
Total Functional Expenses	<u>\$ 543,952</u>	<u>\$ 108,332</u>	<u>\$ 190,972</u>	<u>\$ 843,256</u>

See accompanying Notes to Financial Statements.

2016

Program Services	Management and General	Fundraising	Total
\$ 160,269	\$ 47,011	\$ 97,488	\$ 304,768
15,147	4,287	9,145	28,579
1,212	1,794	-	3,006
6,801	2,707	1,736	11,244
<u>183,429</u>	<u>55,799</u>	<u>108,369</u>	<u>347,597</u>
23,387	12,146	40,899	76,432
-	8,521	-	8,521
921	-	8,950	9,871
61,735	3,219	-	64,954
-	-	2,500	2,500
29,257	11,818	-	41,075
7,162	1,257	934	9,353
78,760	-	-	78,760
661	631	2,249	3,541
11,867	-	-	11,867
13,954	-	-	13,954
7,914	4,255	-	12,169
261	630	1,000	1,891
87,465	-	-	87,465
-	3,394	-	3,394
8,702	3,871	8,068	20,641
<u>\$ 515,475</u>	<u>\$ 105,541</u>	<u>\$ 172,969</u>	<u>\$ 793,985</u>

FAITH'S LODGE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 29,536	\$ 524,920
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	84,635	87,465
Donated Equipment	(20,200)	(6,183)
Increase in Pledges and Grants Receivable	59,957	(578,987)
(Increase) Decrease in Prepaid Expenses	(7,569)	8,719
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(7,006)	5,989
Accounts Payable	3,517	231
Accrued Expenses	1,598	5,308
Deferred Revenue	(3,718)	13,880
Deferred Rent	10,540	12,097
Net Cash Provided by Operating Activities	151,290	73,439
 CASH FLOWS FROM INVESTING ACTIVITIES		
Payments on Long-Term Debt	(53,055)	(71,456)
Purchase of Fixed Assets	(20,580)	(29,377)
Net Cash Used by Investing Activities	(73,635)	(100,833)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	77,655	(27,394)
 Cash and Cash Equivalents - Beginning of Year	183,994	211,388
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 261,649	\$ 183,994
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 68,433	\$ 78,760
In-Kind Donations	\$ 255,238	\$ 238,823

See accompanying Notes to Financial Statements.

**FAITH'S LODGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

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

Permanently Restricted Net Assets – 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, 2017 AND 2016

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 2017 or 2016.

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 to 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 \$68,433 and \$78,760 for the years ended December 31, 2017 and 2016, respectively.

FAITH'S LODGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 and 2016 consisted of:

	<u>2017</u>	<u>2016</u>
Advertising	\$ 95,877	\$ 53,180
Auction Items	71,757	94,615
Professional Services	27,256	22,051
Miscellaneous Donations	2,690	12,562
Total Donated Event Contributions	<u>197,580</u>	<u>182,408</u>
Entertainment	-	6,266
Food and Beverage	1,487	2,236
Furniture	-	180
Supplies	8,052	1,724
Professional Services	27,919	46,009
Fixtures	20,200	-
Total Donated Nonevent Contributions	<u>57,658</u>	<u>56,415</u>
Total In-Kind Contributions	<u>\$ 255,238</u>	<u>\$ 238,823</u>

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, 2017 AND 2016

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 21, 2018, 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, 2017 and 2016 were:

	<u>2017</u>	<u>2016</u>
Receivable in Less Than One Year	\$ 148,465	\$ 143,666
Receivable in One to Five Years	259,166	280,000
Receivable in Over Five Years	350,000	400,000
Less: Discount to Net Present Value at Rates Ranging from 1.12% to 2.06%	<u>(166,097)</u>	<u>(172,175)</u>
Total Pledges and Grants Receivable	<u>\$ 591,534</u>	<u>\$ 651,491</u>

No allowance for doubtful accounts was recorded for 2017 or 2016.

As of December 31, 2017 and 2016, \$519,406 and \$627,825 was due from two contributors, respectively.

FAITH'S LODGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 3 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Purpose Restrictions - Suite	\$ 3,000	\$ 3,000
Time Restrictions	591,534	647,824
Total Temporarily Restricted Net Assets	<u>\$ 594,534</u>	<u>\$ 650,824</u>

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

	<u>2017</u>	<u>2016</u>
Time Restrictions	<u>\$ 172,417</u>	<u>\$ -</u>

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 Ending</u>	<u>Amount</u>
2018	\$ 23,045
2019	31,468
2020	32,151
2021	32,835
2022	25,096
Total Minimum Lease Payments	<u>\$ 144,595</u>

For the years ended December 31, 2017 and 2016, total rent expense was \$38,553 and \$13,618, respectively.

FAITH'S LODGE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5 PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 430,000	\$ 430,000
Building	2,413,396	2,408,896
Furniture and Equipment	225,156	189,909
Website	57,154	57,154
Less: Accumulated Depreciation	<u>(793,105)</u>	<u>(709,503)</u>
Total	<u>\$ 2,332,601</u>	<u>\$ 2,376,456</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, 2017, the debt payments are due in the following years:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 55,389
2019	57,822
2020	60,188
2021	<u>1,388,491</u>
Total	<u>\$ 1,561,890</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 years ended December 31, 2017 and 2016 was \$2,316 and \$521, respectively.

NOTE 8 RELATED PARTY TRANSACTIONS

During the year ended December 31, 2017, the Organization received contributions of \$123,331 from board members and directors. As of December 31, 2017, \$591,534 was included in pledge receivables, net of present value discount.

The Organization also received \$14,200 in professional services from board members.