

# **Metropolitan Inter-Faith Association**

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**Financial Statements and  
Supplementary Information**

**June 30, 2016 and 2015**

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## **Independent Auditors' Report**

Board of Directors  
Metropolitan Inter-Faith Association  
Memphis, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Metropolitan Inter-Faith Association (the "Association"), which comprise the statements of financial position as of June 30, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association, as of June 30, 2016 and 2015, and its 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.

***Other Matters - Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards on page 21 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

**Memphis, Tennessee**  
**October 26, 2016**

**Metropolitan Inter-Faith Association**  
**Statements of Financial Position**  
**June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,338,687	\$ 1,586,958
Certificates of deposit	502,721	500,563
Accounts receivable	68,961	75,292
Grants receivable	715,550	643,931
Pledges receivable, net	3,239,282	1,793,728
Prepaid expenses and other	-	16,892
Investments	9,605,828	2,148,788
Land, buildings, and equipment, net	<u>965,542</u>	<u>1,110,217</u>
 Total assets	 <u>\$ 18,436,571</u>	 <u>\$ 7,876,369</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 301,569	\$ 150,219
Accrued expenses	332,737	398,790
Unearned revenue	<u>697,034</u>	<u>883,586</u>
 Total liabilities	 <u>1,331,340</u>	 <u>1,432,595</u>
Net assets:		
Unrestricted net assets:		
Board designated	2,058,085	2,459,571
Other	4,369,726	1,214,975
Temporarily restricted	-	13,343
Permanently restricted	<u>10,677,420</u>	<u>2,755,885</u>
	<u>17,105,231</u>	<u>6,443,774</u>
 Total liabilities and net assets	 <u>\$ 18,436,571</u>	 <u>\$ 7,876,369</u>

**Metropolitan Inter-Faith Association**  
**Statement of Activities**  
**Year Ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Support:				
Government grants	\$ 3,661,770	\$ -	\$ -	\$ 3,661,770
Contributions	7,415,982	-	7,921,535	15,337,517
In-kind	45,577	-	-	45,577
Total support	11,123,329	-	7,921,535	19,044,864
Other revenue:				
Program income	770,236	-	-	770,236
Investment loss	(125,168)	(13,343)	-	(138,511)
Rental and other income	1,116	-	-	1,116
Total revenue	646,184	(13,343)	-	632,841
Total support and revenue	11,769,513	(13,343)	7,921,535	19,677,705
Expenses:				
Program services:				
Seniors	4,203,295	-	-	4,203,295
Families in Crisis	2,608,352	-	-	2,608,352
Families - Teens	159,309	-	-	159,309
Community	3,920	-	-	3,920
Total program services	6,974,876	-	-	6,974,876
Supporting services:				
Management and general	823,487	-	-	823,487
Fundraising and public affairs	1,217,885	-	-	1,217,885
Total supporting services	2,041,372	-	-	2,041,372
Total expenses	9,016,248	-	-	9,016,248
Change in net assets	2,753,265	(13,343)	7,921,535	10,661,457
Net assets, beginning of year	3,674,546	13,343	2,755,885	6,443,774
Net assets, end of year	<u>\$ 6,427,811</u>	<u>\$ -</u>	<u>\$ 10,677,420</u>	<u>\$ 17,105,231</u>

See accompanying notes.

**Metropolitan Inter-Faith Association**  
**Statement of Activities**  
**Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Support:				
Government grants	\$ 3,188,443	\$ -	\$ -	\$ 3,188,443
Contributions	3,726,915	-	957,944	4,684,859
In-kind	7,705	-	-	7,705
Total support	6,923,063	-	957,944	7,881,007
Other revenue:				
Program income	657,548	-	-	657,548
Investment income	26,229	13,343	-	39,572
Rental and other income	1,390	-	-	1,390
Total revenue	685,167	13,343	-	698,510
Total support and revenue	7,608,230	13,343	957,944	8,579,517
Expenses:				
Program services:				
Seniors	3,749,932	-	-	3,749,932
Families in Crisis	1,992,884	-	-	1,992,884
Families - Teens	201,751	-	-	201,751
Community	6,092	-	-	6,092
Total program services	5,950,659	-	-	5,950,659
Supporting services:				
Management and general	796,756	-	-	796,756
Fundraising and public affairs	1,035,968	-	-	1,035,968
Total supporting services	1,832,724	-	-	1,832,724
Total expenses	7,783,383	-	-	7,783,383
Change in net assets	(175,153)	13,343	957,944	796,134
Net assets, beginning of year	3,849,699	-	1,797,941	5,647,640
Net assets, end of year	<u>\$ 3,674,546</u>	<u>\$ 13,343</u>	<u>\$ 2,755,885</u>	<u>\$ 6,443,774</u>

See accompanying notes.

**Metropolitan Inter-Faith Association**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2016**

	Program Services					Supporting Services		
	Seniors	Families in Crisis	Families - Teens	Community	Total	Management and General	Fundraising and Public Affairs	Total
Salaries	\$ 1,445,192	\$ 736,689	\$ 62,911	\$ 1,477	\$ 2,246,269	\$ 481,021	\$ 761,788	\$ 3,489,078
Fringe benefits	244,468	128,495	9,862	148	382,973	71,442	122,712	577,127
Temporary agency services	4,458	2,766	169	-	7,393	34,765	1,292	43,450
Food cost	1,336,849	465	-	266	1,337,580	1,306	7,157	1,346,043
Travel and training	37,893	7,528	827	-	46,248	4,665	9,779	60,692
Utilities	43,022	12,898	15,283	177	71,380	9,452	7,509	88,341
Building and office maintenance	9,251	184	-	4	9,439	103	107	9,649
Vehicle maintenance	80,008	1,669	2,197	19	83,893	1,266	972	86,131
Vehicle fuel	62,612	-	-	9	62,621	-	-	62,621
Taxes and licenses	6,974	31	-	-	7,005	365	-	7,370
Interest	918	570	-	-	1,488	7,195	266	8,949
Contract services	305,525	34,044	20,407	575	360,551	31,745	54,898	447,194
Professional services	40,748	9,586	576	7	50,917	115,178	102,682	268,777
Stipend	175,245	-	-	-	175,245	-	-	175,245
Insurance	91,571	10,720	4,678	-	106,969	1,956	1,526	110,451
Dues and membership	905	500	-	-	1,405	1,399	2,728	5,532
Telephone	40,265	11,918	1,267	28	53,478	4,519	5,617	63,614
Postage	1,197	1,189	3	-	2,389	3,809	15,800	21,998
Advertising	1,041	-	-	-	1,041	3,225	2,625	6,891
Printing and duplication	12,883	9,970	172	858	23,883	8,571	54,563	87,017
Supplies	25,553	3,639	2,469	11	31,672	(1,297)	9,968	40,343
Direct client support	55,503	1,594,053	9,300	-	1,658,856	-	-	1,658,856
Equipment	5,028	-	-	3	5,031	451	281	5,763
Recognition	10,230	-	-	-	10,230	4,412	7,497	22,139
Bad debts	64,581	-	-	-	64,581	-	2,000	66,581
Miscellaneous	1,378	770	-	-	2,148	5,309	11,129	18,586
Total before depreciation in-kind goods and services, and contribution	4,103,298	2,567,684	130,121	3,582	6,804,685	790,857	1,182,896	8,778,438
Depreciation	91,828	25,577	29,188	338	146,931	30,526	14,776	192,233
In-kind goods and services	8,169	15,091	-	-	23,260	2,104	20,213	45,577
	<u>\$ 4,203,295</u>	<u>\$ 2,608,352</u>	<u>\$ 159,309</u>	<u>\$ 3,920</u>	<u>\$ 6,974,876</u>	<u>\$ 823,487</u>	<u>\$ 1,217,885</u>	<u>\$ 9,016,248</u>

See accompanying notes.

**Metropolitan Inter-Faith Association**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2015**

	Program Services					Supporting Services		
	Seniors	Families in Crisis	Families - Teens	Community	Total	Management and General	Fundraising and Public Affairs	Total
Salaries	\$ 1,381,627	\$ 612,870	\$ 78,471	\$ 1,478	\$ 2,074,446	\$ 485,092	\$ 627,399	\$ 3,186,937
Fringe benefits	219,010	112,340	12,816	154	344,320	77,087	101,596	523,003
Temporary agency services	7,307	3,794	337	-	11,438	46,644	1,729	59,811
Food cost	1,016,143	-	-	2,911	1,019,054	734	5,386	1,025,174
Travel and training	27,898	6,226	966	17	35,107	13,478	4,169	52,754
Utilities	44,110	13,224	15,667	181	73,182	9,691	7,699	90,572
Building and office maintenance	14,363	167	-	13	14,543	305	-	14,848
Vehicle maintenance	80,118	1,622	2,129	101	83,970	1,008	946	85,924
Vehicle fuel	85,653	-	-	187	85,840	-	-	85,840
Taxes and licenses	5,317	-	-	7	5,324	471	-	5,795
Interest	258	137	-	-	395	2,011	-	2,406
Contract services	232,988	31,010	24,829	331	289,158	34,405	63,500	387,063
Professional services	33,511	4,014	12,355	90	49,970	56,305	103,250	209,525
Stipend	205,364	-	-	-	205,364	-	-	205,364
Insurance	98,292	13,974	6,812	-	119,078	3,186	2,484	124,748
Dues and membership	1,207	675	-	2	1,884	4,091	4,025	10,000
Telephone	29,031	10,151	1,531	33	40,746	4,599	5,657	51,002
Postage	1,904	1,100	9	-	3,013	4,184	13,629	20,826
Advertising	321	1,250	-	-	1,571	1,289	3,465	6,325
Printing and duplication	6,141	3,925	382	200	10,648	12,328	45,835	68,811
Supplies	23,536	6,954	3,261	46	33,797	6,974	7,993	48,764
Direct client support	107,783	1,136,780	13,151	-	1,257,714	-	-	1,257,714
Equipment	1,243	-	-	1	1,244	17	420	1,681
Recognition	9,712	-	-	4	9,716	3,547	7,241	20,504
Bad debts	5,713	46	-	-	5,759	90	25	5,874
Miscellaneous	2,008	672	-	-	2,680	5,527	15,061	23,268
Total before depreciation, in-kind goods and services, and contribution	3,640,558	1,960,931	172,716	5,756	5,779,961	773,063	1,021,509	7,574,533
Depreciation	108,742	24,880	29,035	336	162,993	23,693	14,459	201,145
In-kind goods and services	632	7,073	-	-	7,705	-	-	7,705
	<u>\$ 3,749,932</u>	<u>\$ 1,992,884</u>	<u>\$ 201,751</u>	<u>\$ 6,092</u>	<u>\$ 5,950,659</u>	<u>\$ 796,756</u>	<u>\$ 1,035,968</u>	<u>\$ 7,783,383</u>

See accompanying notes.

**Metropolitan Inter-Faith Association**  
**Statements of Cash Flows**  
**Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 10,661,457	\$ 796,134
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for endowments	(6,591,209)	(312,077)
Depreciation	192,233	201,145
Loss on disposal of land, buildings and equipment	-	-
Net realized and unrealized (gains) loss on investments	169,028	(18,352)
Increase in present value discount on pledges receivable	(14,674)	5,860
Gifts of securities	(1,947,699)	(107,000)
Change in assets and liabilities:		
Accounts receivable	6,331	1,003
Grants receivable	(71,619)	(8,647)
Pledges receivable	(1,430,880)	(354,541)
Prepaid expenses and other	16,892	(16,892)
Accounts payable	151,350	(89,021)
Accrued expenses	(66,053)	30,668
Unearned revenue	(186,552)	387,944
Net cash provided by operating activities	<u>888,605</u>	<u>516,224</u>
Cash flows from investing activities:		
Purchase of investments and certificates of deposit	(8,227,195)	(1,267,511)
Sale of investments and certificates of deposit	2,546,668	598,394
Capital expenditures	(47,558)	(10,773)
Net cash used in investing activities	<u>(5,728,085)</u>	<u>(679,890)</u>
Cash flows from financing activities:		
Contributions restricted for endowments	<u>6,591,209</u>	<u>312,077</u>
Net cash provided by financing activities	<u>6,591,209</u>	<u>312,077</u>
Net increase in cash and cash equivalents	1,751,729	148,411
Cash and cash equivalents, beginning of year	<u>1,586,958</u>	<u>1,438,547</u>
Cash and cash equivalents, end of year	<u>\$ 3,338,687</u>	<u>\$ 1,586,958</u>
Supplemental disclosure of cash flow information -		
Interest paid	<u>\$ 8,893</u>	<u>\$ 2,313</u>

See accompanying notes.

## **1. Summary of Significant Accounting Policies**

### ***Description of business***

Metropolitan Inter-Faith Association ("MIFA" or the "Association") is an interfaith nonprofit social service agency operating in Memphis, Tennessee, and surrounding areas. MIFA's programs support the independence of vulnerable seniors and families in crisis through high impact programs. Operations are funded through a broad base of individuals, corporations, foundations, congregations, and civic organizations. Federal, state, and local government grants are also an important source of support.

### ***Financial statement presentation***

The accompanying financial statements reflect the results of activities of the Association on the accrual basis and are prepared in accordance with the American Institute of Certified Public Accountants, Audit and Accounting Guide for Not-for-Profit Entities, which is in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### ***Revenue recognition***

The Association records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributed materials, space and food (presented as in-kind support) are recorded at their estimated fair values on the date of receipt, consumption, or performance. In accordance with GAAP, contributed services of volunteers are not reflected in the financial statements of the Association. The Association received contributed services with a value of approximately \$2,079,000 and \$2,704,000 for the years ended June 30, 2016 and 2015, respectively.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction is met in the same reporting period. 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, temporarily restricted net assets are reclassified to unrestricted net assets.

### ***Functional expenses***

Expenses are charged to each program based upon direct expenditures incurred. Any expenditures not specifically identifiable by program are allocated based upon the relative direct cost method.

### ***Cash equivalents***

Cash equivalents consist of highly liquid investments, generally with original maturity dates less than three months. Investments represent financial instruments with longer maturity dates and instruments that the Association intends to hold in excess of three months. Investments are reported at fair value with gains and losses included in the statements of activities.

Included in cash and cash equivalents at June 30, 2016 and 2015, are tenant security deposits of \$0 and \$375 respectively, and reserve funds of \$3,945 and \$23,139, respectively. Use of these funds is restricted by the U.S. Department of Housing and Urban Development ("HUD").

At times cash balances may be in excess of the Federal Deposit Insurance Corporation insurance limit.

## **Metropolitan Inter-Faith Association Notes to Financial Statements**

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### ***Pledges receivable***

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The estimated discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. The Association allows for uncollectible pledges based on historical experience.

### ***Land, buildings, and equipment***

Purchased fixed assets are stated at cost and assets donated are recorded at estimated fair values. Depreciation is computed over the estimated useful lives of the assets ranging from 3 to 20 years using the straight-line method.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified.

### ***Use of estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ***Income taxes***

The Internal Revenue Service has determined that the Association is not a private foundation and is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code ("IRC"). The Association is required to operate in conformity with the IRC in order to maintain its tax-exempt status. The Association has determined that it does not have any material unrecognized positions as of June 30, 2016, and there is no interest or penalties related to income tax assessments.

### ***Fair value measurements***

Fair value as defined under GAAP is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Association utilizes market data or assumptions that market participants would use in pricing the asset or liability under a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

### ***Subsequent events***

The Association evaluated the effect subsequent events would have on the financial statements through October 26, 2016, which is the date the financial statements were available to be issued.

**Metropolitan Inter-Faith Association**  
**Notes to Financial Statements**

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**2. Investments**

Investments of \$9,605,828 and \$2,148,788 as of June 30, 2016 and 2015, respectively, are with the Community Foundation of Greater Memphis ("CFGM"). These investments are governed by an agreement between the Association and CFGM. Under the Agreement, the MIFA Endowment Special Fund (the "Fund") of CFGM was established to benefit the current and future operations of the Association. The Association may, at any time, without premium or penalty, request that all or part of the assets constituting the Fund be granted to the Association. The investment in the Fund represents a pooled investment fund with an investment mix of approximately 75% equities and 25% fixed income investments.

**3. Fair Value Measurements**

Prices for money market mutual funds are determined based on transacted amounts, and the resulting fair values are categorized as Level 1. Prices for common stocks are determined based on listed prices for identical securities in actively traded markets and are categorized as level 1.

There is limited or no observable market data for the prices of the pooled fund investments that are held by the Association at CFGM, and the resulting fair values of these securities are categorized as Level 3. Pooled fund investments as of June 30, 2016 and 2015, include the Association's investments of \$9,605,828 and \$2,148,788, respectively, in funds which invest in publicly traded securities and fixed income investments. The fair value of the pooled funds as of June 30, 2016 and 2015, was estimated based primarily on the fair market value at June 30, 2016 and 2015, of the underlying investments.

There were no changes during the years ended June 30, 2016 and 2015, to the Association's valuation techniques used to measure fair values on a recurring basis.

The following table sets forth by level within the fair value hierarchy the Association's financial assets accounted for at fair value on a recurring basis as of June 30, 2016 and 2015. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and their placement within the fair value hierarchy levels.

	<b>Assets at Fair Value as of June 30, 2016</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money Market Mutual Fund	\$ 172,298	\$ -	\$ -	\$ 172,298
CFGM Balanced Pool	-	-	11,688	11,688
CFGM Fixed Income Pool	-	-	2,431,420	2,431,420
CFGM Equity Pool	-	-	7,162,720	7,162,720
	<b>\$ 172,298</b>	<b>\$ -</b>	<b>\$ 9,605,828</b>	<b>\$ 9,778,126</b>

**Metropolitan Inter-Faith Association**  
**Notes to Financial Statements**

	<b>Assets at Fair Value as of June 30, 2015</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Money Market Mutual Fund	\$ 113,874	\$ -	\$ -	\$ 113,874
CFGM Balanced Pool	-	-	12,103	12,103
CFGM Fixed Income Pool	-	-	538,923	538,923
CFGM Equity Pool	-	-	1,597,762	1,597,762
	<u>\$ 113,874</u>	<u>\$ -</u>	<u>\$ 2,148,788</u>	<u>\$ 2,262,662</u>

Money market mutual funds are included in cash and cash equivalents on the statements of financial position.

The following table illustrates the activity of Level 3 assets from June 30, 2014 to June 30, 2016:

Fair value at June 30, 2014	\$ 1,427,172
Realized and unrealized gains	16,120
Sales	(62,015)
Purchases	<u>767,511</u>
Fair value at July 1, 2015	2,148,788
Realized and unrealized gains	(171,185)
Sales	(98,969)
Purchases	<u>7,727,194</u>
Fair value at June 30, 2016	<u>\$ 9,605,828</u>

The realized and unrealized gains and losses in the above table are included in investment income on the statement of activities.

#### **4. Land, Buildings, and Equipment**

Land, buildings, and equipment consisted of the following as of June 30, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Land	\$ 75,850	\$ 75,850
Buildings and improvements	3,208,006	3,200,308
Office furniture and equipment	833,353	799,014
Motor vehicles	<u>814,155</u>	<u>814,155</u>
	4,931,364	4,889,327
Less accumulated depreciation	<u>(3,965,822)</u>	<u>(3,779,110)</u>
	<u>\$ 965,542</u>	<u>\$ 1,110,217</u>

**Metropolitan Inter-Faith Association  
Notes to Financial Statements**

**5. Grants Receivable and Unearned Revenue**

Government grants are recognized as revenue when related expenses are incurred. Grants receivable represent program expenditures in excess of grant funds received under specific grants. Unearned grant funds represent funds received in excess of qualifying expenditures. Grants receivable and unearned revenue consisted of the following as of June 30, 2016 and 2015:

	<b>2016</b>		
	<u>Receivable</u>	<u>Unearned Revenue</u>	<u>Net</u>
City of Memphis	\$ 352,196	\$ -	\$ 352,196
Corporation of National and Community Service	34,125	-	34,125
Aging Commission of the MidSouth	245,775	-	245,775
Housing and Urban Development	32,059	-	32,059
Community Alliance for the Homeless	51,395	-	51,395
Memphis Light Gas & Water	-	(250,060)	(250,060)
No Hungry Seniors	-	(419,500)	(419,500)
Other	-	(27,474)	(27,474)
	<u>\$ 715,550</u>	<u>\$ (697,034)</u>	<u>\$ 18,516</u>
	<b>2015</b>		
	<u>Receivable</u>	<u>Unearned Revenue</u>	<u>Net</u>
City of Memphis	\$ 122,099	\$ -	\$ 122,099
Corporation of National and Community Service	90,281	-	90,281
Aging Commission of the MidSouth	331,889	-	331,889
Housing and Urban Development	63,207	-	63,207
Memphis Light Gas & Water	-	(357,174)	(357,174)
No Hungry Seniors	-	(488,177)	(488,177)
Other	36,455	(38,235)	(1,780)
	<u>\$ 643,931</u>	<u>\$ (883,586)</u>	<u>\$ (239,655)</u>

**6. Pledges Receivable**

Pledges receivable relate to ongoing fundraising efforts to fund current programs and endowment campaign pledges. Pledges receivable consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Due in:		
Less than one year	\$ 967,986	\$ 599,238
One to five years	<u>2,328,449</u>	<u>1,236,969</u>
	<b>3,296,435</b>	<b>1,836,207</b>
Less present value discount (0.71%)	<u>(57,153)</u>	<u>(42,479)</u>
	<u>\$ 3,239,282</u>	<u>\$ 1,793,728</u>

**Metropolitan Inter-Faith Association  
Notes to Financial Statements**

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Approximately 55% of the Association's pledge receivable balances at June 30, 2016 were due from three donors, while approximately 53% of the Association's pledge receivable balance at June 30, 2015 were due from two donors.

**7. Conditional Promises to Give**

The Association has received indications of gifts in the form of bequests which are revocable during the donor's lifetime. Due to the uncertain nature of these intentions, the Association has not recognized an asset or contribution revenue for these gifts. The total intentions to give are approximately \$1,340,000 as of June 30, 2016.

**8. Outstanding Borrowings Under Revolving Line of Credit Agreement**

The Association maintains a revolving line of credit agreement ("LOC") with a bank with a maturity date of March 31, 2017. Funds available under the LOC are \$500,000, there were no outstanding borrowings at June 30, 2016 and 2015.

Outstanding borrowings, if any, bear interest based on the lenders base commercial lending rate less .5% (3.0% at June 30, 2016). The debt is secured by a certificate of deposit for \$500,000. This agreement also requires the Association to maintain certain financial covenants. At June 30, 2016 the Association was in compliance with all financial debt covenants.

**9. Unrestricted Net Assets**

At its discretion, the Board may designate funds for specific purposes. As of June 30, 2016 and 2015, the Board has designated unrestricted net assets as follows:

	<u>2016</u>	<u>2015</u>
Invested in land, buildings and equipment	\$ 965,542	\$ 1,110,217
Endowment – board designated	<u>1,092,543</u>	<u>1,349,354</u>
	<u>\$ 2,058,085</u>	<u>\$ 2,459,571</u>

**10. Endowment**

During fiscal 2014, the Association launched a permanent endowment campaign to raise funds in order to establish a permanent source of supplemental funding to enhance development and growth of Association programs. Donor contributions to the Permanent Endowment Fund are held by an investment manager in a segregated account and are reflected as Permanently Restricted net assets in the Association's financial statements. Permanently restricted net assets are restricted to investment in perpetuity, the income of which is expendable for operations of the Association and therefore, temporarily restricted.

## **Metropolitan Inter-Faith Association Notes to Financial Statements**

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### ***Interpretation of relevant law***

The Board of Directors of the Association has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the directions of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by SPMIFA. The Association generally appropriates and spends the temporary restricted assets in the same year; therefore, there are limited temporarily restricted endowment funds at year end.

In accordance with SPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Association and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) the investment policies of the Association.

The Association has adopted a total return concept for investing which can offer the advantage of designing long-term investment strategies as opposed to interest-sensitive short term policies and provide for the best balances between current income and long-term growth. The total return concept allows both the use of current income, and over time, a portion of capital appreciation as part of its payout rate. Allocations to operations may come from (1) dividends, (2) interest payments from debt securities, (3) growth in the value of the fund from capital appreciation of equity securities, (4) interest from cash or cash equivalents, and (5) sale of securities.

Expendable funds from board designated assets, temporarily restricted assets, and permanently restricted assets, will be determined on the basis of total return principle including interest, dividends, capital appreciation or prior year accumulations of any of those three sources.

The amount allocated for Association use (the "spending allocation") will be 4%-5% (the spending rate) of the market value of the Restricted Funds averaged over the most recent 12 quarters (3 years). The spending allocation is calculated by taking the average of the fair market value of the fund on the last day of each of the 12 prior quarters and multiplying that average by the spending rate. Notwithstanding the above, no distribution may be made from a fund, the gift instrument of which restricts the expenditure of its principal, which would result in a reduction of the fund below its historical dollar value.

Allocations for Association use will be distributed as needed unless the cash is not required, or is unavailable. In such cases, the funds may remain invested.

The Association has also established a Board Designated Endowment Fund that is included in the endowment. These Board designated net assets are reported as unrestricted in the Association's financial statements. The Association is authorized by the Board to use investment earnings equivalent to 5% of the five-year moving average ending fund balance to fund current operations. Investment earnings, not utilized to fund current operations, are added to the principal balance of the Board Designated Endowment Fund. Under the terms of the Board Designated Endowment Fund Agreement, the MIFA Board has the right to invade the principal amount of the Board Designated Endowment Fund upon ratification by a majority vote.

**Metropolitan Inter-Faith Association**  
**Notes to Financial Statements**

Changes in endowment net assets for the years ended June 30, 2016 and 2015, are as follows:

	<u>Board Designated Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2014	\$ 1,491,249	\$ -	\$ 1,797,941	\$ 3,289,190
Investment return:				
Investment income	102,106	43,839	-	145,945
Net unrealized loss	<u>(85,132)</u>	<u>(30,496)</u>	<u>-</u>	<u>(115,628)</u>
Total investment return	16,974	13,343	-	30,317
Contributions	-	-	957,944	957,944
Appropriation of endowment assets for expenditures	<u>(158,869)</u>	<u>-</u>	<u>-</u>	<u>(158,869)</u>
Endowment net assets, June 30, 2015	1,349,354	13,343	2,755,885	4,118,582
Investment return:				
Investment income	297,996	-	-	297,996
Net unrealized loss	<u>(455,838)</u>	<u>(13,343)</u>	<u>-</u>	<u>(469,181)</u>
Total investment return	(157,842)	(13,343)	-	(171,185)
Contributions	-	-	7,921,535	7,921,535
Appropriation of endowment assets for expenditures	<u>(98,969)</u>	<u>-</u>	<u>-</u>	<u>(98,969)</u>
Endowment net assets, June 30, 2016	<u>\$ 1,092,543</u>	<u>\$ -</u>	<u>\$ 10,677,420</u>	<u>\$ 11,769,963</u>

**11. Employee Retirement Plan**

The Association participates in a 401(k) deferred compensation plan (the "Plan"), which permits employees to elect to defer up to the maximum amount allowable by law until their retirement. The retirement benefit to be provided is based upon the amount of compensation deferred and a discretionary amount determined each year by the Association, based upon the employee's compensation and years of service with the Association. An individual generally vests immediately upon their entry date into the Plan. Deferred compensation expense was \$32,591 and \$34,532 for the years ended June 30, 2016 and 2015, respectively.

**12. Related Party Transactions**

The Association utilized the services of organizations which employ certain members of the board of directors. The amounts on deposit with related parties as of June 30, 2016 and 2015 were \$172,298 and \$113,874, respectively.

***Supplementary Information***

## **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Metropolitan Inter-Faith Association  
Memphis, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Metropolitan Inter-Faith Association (the "Association") (a non-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2016.

### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express and opinion on the effectiveness of the Association's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dixon Hughes Goodman LLP*

**Memphis, Tennessee**  
**October 26, 2016**

## **Independent Auditors' Report on Compliance for the Major Program and on Internal Control Over Compliance Required by Uniform Guidance**

Board of Directors  
Metropolitan Inter-Faith Association  
Memphis, Tennessee

### **Report on Compliance for the Major Federal Program**

We have audited Metropolitan Inter-Faith Association's (the "Association") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Association's major federal program for the year ended June 30, 2016. The Association's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the compliance for the Association's major federal program based on our audit of the type of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the type of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Association's compliance.

#### ***Opinion of the Major Federal Program***

In our opinion, the Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

## **Report on Internal Control Over Compliance**

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for a major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Dixon Hughes Goodman LLP*

**Memphis, Tennessee**  
**October 26, 2016**

**Metropolitan Inter-Faith Association and Related Companies**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

<u>Program Name</u>	<u>CFDA#</u>	<u>Grantor Agency</u>	<u>Grant Number</u>	<u>Receivable at June 30, 2015</u>	<u>Grant Receipts</u>	<u>Matching Receipts</u>	<u>Program Expenditures</u>	<u>Receivable at June 30, 2016</u>
Homelessness Prevention and Rapid Re-Housing:								
Estival Place- Satellite Housin	14.235	Housing and Urban Development	TN 0224L4J011300	\$ 63,207	\$ 344,830	\$ 33,552	\$ 315,175	\$ -
Estival Place- Satellite Housin	14.235	Housing and Urban Development	TN 0224L4J011401	-	372,506	87,837	492,402	32,059
Housing Opportunity	14.225	City of Memphis	31894	18,412	18,412	-	-	-
Housing Opportunity	14.225	City of Memphis	32785	-	95,409	1,019	114,141	17,713
Housing Opportunity	14.225	City of Memphis	32620	-	78,573	6,618	105,747	20,556
Housing Opportunity	14.262	City of Memphis	31823	18,490	65,135	-	46,645	-
Housing Opportunity	14.262	City of Memphis	32785	-	127,716	1,235	174,015	45,064
Subtotal (14.235, 14.225, 14.262)				100,109	1,102,581	130,261	1,248,125	115,392
Aging Program Cluster:								
Senior Transportation	93.044	Aging Commission of the Mid-South	2015-ACMS9-215	29,438	227,454	293,862	518,880	27,002
Meals Dis Prev Hlth Prom	93.044	Aging Commission of the Mid-South	2015-ACMS9-215	1,980	1,980	-	-	-
Congregate Meals	93.045	Aging Commission of the Mid-South	2015-ACMS9-215	127,486	580,919	308,809	866,004	103,762
Home Delivered Meals	93.045	Aging Commission of the Mid-South	2015-ACMS9-215	153,464	617,116	252,604	814,687	98,431
Ombudsman Program	93.044	Aging Commission of the Mid-South	2015-ACMS9-104	19,521	95,165	49,517	141,741	16,580
Subtotal (93.044 and 93.045)				331,889	1,522,634	904,792	2,341,312	245,775
Senior Companion	94.016	Corporation for National and Community Service	12SCSTN001	90,281	346,003	75,178	365,025	34,125
Senior Companion	94.016	City of Memphis	30726	2,849	2,849	-	-	-
Subtotal (94.016)				93,130	348,852	75,178	365,025	34,125
Total Federal Assistance				\$ 525,128	\$ 2,974,067	\$ 1,110,231	\$ 3,954,462	\$ 395,292

**Metropolitan Inter-Faith Association**  
**Schedule of Expenditures of Federal Awards**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Metropolitan Inter-Faith Association and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Association has not elected to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

**Metropolitan Inter-Faith Association  
Schedule of Findings and Questioned Costs**

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**Part I – Summary of Audit Results**

1. The independent auditors' report on the financial statements of Metropolitan Inter-Faith Association (the "Association") expressed an unmodified opinion.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. No material weaknesses relating to the audit of major federal award programs is reported in the Independent Auditors' Report on Compliance for the Major Program and on Internal Control Over Compliance Required by Uniform Guidance.
5. The Independent Auditors' Report on Compliance for the Major Program and on Internal Control Over Compliance Required by Uniform Guidance expressed an unmodified opinion.
6. There were no audit findings relative to the major federal awards program.
7. The Association's major program was the Aging Program Cluster (CFDA 93.044 and 93.045).
8. A threshold of \$750,000 was used to distinguish between Type A and Type B programs as those terms are defined in Uniform Guidance.
9. The Association qualified as a low-risk auditee as that term is defined in Uniform Guidance.

**Part II – Findings – Financial Statements Audit**

None

**Part III – Finds and Questioned Costs – Major Federal Awards**

None

**Metropolitan Inter-Faith Association  
Summary Schedule of Prior Audit Findings**

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**Financial Statement Findings**

None noted.

**Federal Award Findings and Questioned Costs**

None noted.