

# Metropolitan Inter-Faith Association

## Audited Financial Statements and Supplemental Information

June 30, 2014 and 2013



**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

# Metropolitan Inter-Faith Association

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June 30, 2014 and 2013

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## Independent Auditors' Report

The Board of Directors  
Metropolitan Inter-Faith Association

### **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, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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, 2014 and 2013, 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**

#### ***Other 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 25 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 November 10, 2014, 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*

November 10, 2014

# Metropolitan Inter-Faith Association

## Statements of Financial Position

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,438,547	\$ 697,629
Certificates of deposit	404,980	400,883
Accounts receivable	76,295	129,180
Grants receivable	635,284	855,389
Pledges receivable, net	1,445,047	24,994
Prepaid expenses and other	-	269
Investments	1,449,901	1,215,653
Land, buildings, and equipment, net	1,300,590	1,878,554
	<u>\$ 6,750,644</u>	<u>\$ 5,202,551</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Line of credit	\$ -	\$ 300,000
Accounts payable	239,240	246,543
Accrued expenses	368,122	403,469
Unearned revenue	495,642	222,990
	<u>1,103,004</u>	<u>1,173,002</u>
<b>Net Assets</b>		
Unrestricted net assets:		
Board designated	2,791,839	3,234,906
Other	1,057,860	794,643
Permanently restricted	1,797,941	-
	<u>5,647,640</u>	<u>4,029,549</u>
	<u>\$ 6,750,644</u>	<u>\$ 5,202,551</u>

See accompanying notes to financial statements.

# Metropolitan Inter-Faith Association

## Statement of Activities

For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>				
Support				
Government grants	\$ 3,861,015	\$ -	\$ -	\$ 3,861,015
Contributions	3,487,425	-	1,797,941	5,285,366
In-kind	39,058	-	-	39,058
Total support	7,387,498	-	1,797,941	9,185,439
Other revenue				
Program income	777,881	-	-	777,881
Investment income	201,247	-	-	201,247
Rental and other income	9,924	-	-	9,924
Total revenue	989,052	-	-	989,052
Total support and revenue	8,376,550	-	1,797,941	10,174,491
<b>Expenses</b>				
Program services				
Seniors	3,727,113	-	-	3,727,113
Families in Crisis	2,694,774	-	-	2,694,774
Families - Teens	278,441	-	-	278,441
Community	28,261	-	-	28,261
Total program services	6,728,589	-	-	6,728,589
Supporting services				
Management and general	735,370	-	-	735,370
Fundraising and public affairs	1,092,441	-	-	1,092,441
Total supporting services	1,827,811	-	-	1,827,811
Total expenses	8,556,400	-	-	8,556,400
Change in net assets	(179,850)	-	1,797,941	1,618,091
Net assets, beginning of year	4,029,549	-	-	4,029,549
Net assets, end of year	\$ 3,849,699	\$ -	\$ 1,797,941	\$ 5,647,640

See accompanying notes to financial statements.

# Metropolitan Inter-Faith Association

## Statement of Activities

For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>				
Support				
Government grants	\$ 4,363,288	\$ -	\$ -	\$ 4,363,288
Contributions	3,170,223	-	-	3,170,223
In-kind	23,517	-	-	23,517
Total support	7,557,028	-	-	7,557,028
Other revenue				
Program income	933,389	-	-	933,389
Investment income	151,738	-	-	151,738
Rental and other income	67,596	-	-	67,596
Total revenue	1,152,723	-	-	1,152,723
Total support and revenue	8,709,751	-	-	8,709,751
<b>Expenses</b>				
Program services				
Seniors	4,227,118	-	-	4,227,118
Families in Crisis	4,278,116	-	-	4,278,116
Families - Teens	307,117	-	-	307,117
Community	22,729	-	-	22,729
Total program services	8,835,080	-	-	8,835,080
Supporting services				
Management and general	925,579	-	-	925,579
Fundraising and public affairs	963,098	-	-	963,098
Total supporting services	1,888,677	-	-	1,888,677
Total expenses	10,723,757	-	-	10,723,757
Change in net assets	(2,014,006)	-	-	(2,014,006)
Net assets, beginning of year	6,043,555	-	-	6,043,555
Net assets, end of year	\$ 4,029,549	\$ -	\$ -	\$ 4,029,549

See accompanying notes to financial statements.

# Metropolitan Inter-Faith Association

## Statement of Functional Expenses

For the Year Ended June 30, 2014

	Program Services					Supporting Services		
	Seniors	Families in Crisis	Families - Teens	Community	Total	Management and General	Fundraising and Public Affairs	Total
Salaries	\$ 1,421,026	\$ 595,890	\$ 136,636	\$ 2,045	\$ 2,155,597	\$ 450,761	\$ 686,927	\$ 3,293,285
Fringe benefits	232,889	96,750	20,681	11,053	361,373	89,068	109,479	559,920
Temporary agency services	22,152	532	52	3,375	26,111	6,065	199	32,375
Food cost	961,052	113	128	3,390	964,683	723	6,689	972,095
Travel and training	7,700	6,285	6,839	22	20,846	19,675	2,388	42,909
Utilities	41,273	12,373	14,662	169	68,477	9,068	7,204	84,749
Building and office maintenance	13,787	2,106	2,496	65	18,454	(1,013)	1,226	18,667
Vehicle maintenance	79,340	-	-	125	79,465	2,553	-	82,018
Vehicle fuel	152,942	-	-	606	153,548	-	-	153,548
Taxes and licenses	7,185	26	-	4	7,215	296	10	7,521
Interest	728	529	52	-	1,309	6,026	198	7,533
Contract services	161,986	491,419	27,695	360	681,460	35,885	57,807	775,152
Professional services	34,076	10,104	10,908	64	55,152	34,029	83,423	172,604
Stipend	204,768	-	-	-	204,768	-	-	204,768
Insurance	105,209	16,061	6,885	56	128,211	2,982	2,369	133,562
Dues and membership	670	310	16	-	996	1,842	3,801	6,639
Telephone	18,111	6,464	1,354	27	25,956	4,413	3,895	34,264
Postage	2,535	902	252	-	3,689	2,546	19,716	25,951
Advertising	412	-	-	-	412	930	1,880	3,222
Printing and duplication	8,187	7,907	741	341	17,176	4,538	53,360	75,074
Supplies	36,517	8,173	3,800	81	48,571	11,468	9,247	69,286
Direct client support	23,902	1,035,698	15,922	-	1,075,522	-	-	1,075,522
Equipment	150	-	-	-	150	-	192	342
Recognition	11,570	-	-	18	11,588	476	11,376	23,440
Bad debts	32,117	531	-	5,820	38,468	-	-	38,468
Miscellaneous	1,037	571	54	-	1,662	6,329	11,450	19,441
<b>Total before depreciation, in-kind goods and services, and contribution</b>	<b>3,581,321</b>	<b>2,292,744</b>	<b>249,173</b>	<b>27,621</b>	<b>6,150,859</b>	<b>688,660</b>	<b>1,072,836</b>	<b>7,912,355</b>
Depreciation	141,938	35,471	29,035	640	207,084	20,108	14,327	241,519
In-kind goods and services	3,854	3,091	233	-	7,178	26,602	5,278	39,058
Contribution of land, buildings and equipment (Note 4)	-	363,468	-	-	363,468	-	-	363,468
	<b>\$ 3,727,113</b>	<b>\$ 2,694,774</b>	<b>\$ 278,441</b>	<b>\$ 28,261</b>	<b>\$ 6,728,589</b>	<b>\$ 735,370</b>	<b>\$ 1,092,441</b>	<b>\$ 8,556,400</b>

See accompanying notes to financial statements.

Metropolitan Inter-Faith Association

Statement of Functional Expenses

For the Year Ended June 30, 2013

	Program Services					Supporting Services		Total
	Seniors	Families in Crisis	Families - Teens	Community	Total	Management and General	Fundraising and Public Affairs	
Salaries	\$ 1,623,411	\$ 674,100	\$ 144,584	\$ 4,267	\$ 2,446,362	\$ 646,227	\$ 590,376	\$ 3,682,965
Fringe benefits	252,916	124,653	25,965	795	404,329	110,590	103,646	618,565
Temporary agency services	17,002	164	12	14	17,192	1,498	37	18,727
Food cost	1,192,456	470	2,449	3,357	1,198,732	450	6,634	1,205,816
Travel and training	60,676	5,609	10,601	266	77,152	6,991	2,134	86,277
Space	-	1,574	-	-	1,574	-	-	1,574
Vehicle and equipment rental	4,140	-	-	194	4,334	-	657	4,991
Utilities	59,394	28,651	4,776	2,785	95,606	9,909	5,817	111,332
Building and office maintenance	12,621	30,271	186	109	43,187	3,532	183	46,902
Vehicle maintenance	63,855	-	-	89	63,944	(2,514)	-	61,430
Vehicle fuel	143,270	-	-	219	143,489	-	-	143,489
Taxes and licenses	6,883	60	4	11	6,958	553	14	7,525
Interest	623	630	45	3	1,301	5,775	142	7,218
Contract services	128,968	193,833	18,545	3,587	344,933	37,209	47,335	429,477
Professional services	4,250	9,940	7,734	23	21,947	39,403	67,456	128,806
Stipend	248,690	-	-	-	248,690	-	-	248,690
Insurance	135,943	66,300	7,582	1,399	211,224	7,312	1,703	220,239
Dues and membership	1,992	371	22	5	2,390	2,852	2,775	8,017
Telephone	24,788	12,244	2,666	105	39,803	4,123	5,942	49,868
Postage	1,985	1,173	258	6	3,422	3,193	21,305	27,920
Advertising	384	389	28	2	803	3,563	4,551	8,917
Printing and duplication	10,263	9,241	1,338	217	21,059	3,262	53,396	77,717
Supplies	26,470	9,913	2,546	450	39,379	15,931	6,917	62,227
Direct client support	24,645	1,262,617	70,016	-	1,357,278	-	-	1,357,278
Equipment	-	-	-	-	-	-	100	100
Recognition	7,274	162	15	11	7,462	1,299	12,390	21,151
Bad debts	14,354	-	-	-	14,354	-	434	14,788
Miscellaneous	911	922	66	5	1,904	8,476	10,318	20,698
<b>Total before depreciation, in-kind goods and services, and contribution</b>	<b>4,068,164</b>	<b>2,433,287</b>	<b>299,438</b>	<b>17,919</b>	<b>6,818,808</b>	<b>909,634</b>	<b>944,262</b>	<b>8,672,704</b>
Depreciation	158,166	335,058	7,673	4,810	505,707	15,144	7,572	528,423
In-kind goods and services	788	10,658	6	-	11,452	801	11,264	23,517
Contribution of land, buildings and equipment (Note 4)	-	1,499,113	-	-	1,499,113	-	-	1,499,113
<b>Total</b>	<b>\$ 4,227,118</b>	<b>\$ 4,278,116</b>	<b>\$ 307,117</b>	<b>\$ 22,729</b>	<b>\$ 8,835,080</b>	<b>\$ 925,579</b>	<b>\$ 963,098</b>	<b>\$ 10,723,757</b>

See accompanying notes to financial statements.

# Metropolitan Inter-Faith Association

## Statements of Cash Flows

For the Years Ended June 30, 2014 and 2013

	2014	2013
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,618,091	\$ (2,014,006)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	241,519	528,423
Contribution of land, buildings and equipment	363,468	1,499,113
Net realized and unrealized gains on investments	(178,647)	(130,480)
Increase in present value discount on pledges receivable	36,619	-
Change in assets and liabilities:		
Accounts receivable	52,885	(7,670)
Grants receivable	220,105	169,236
Pledges receivable	(1,456,672)	(1,594)
Prepaid expenses and other	269	1,955
Accounts payable	(7,303)	30,648
Accrued expenses	(35,347)	(43,520)
Unearned revenue	272,652	(104,678)
	1,127,639	(72,573)
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(108,924)	(19,999)
Sale of investments and certificates of deposit	49,226	45,442
Capital expenditures	(27,023)	(213,076)
	(86,721)	(187,633)
<b>Cash Flows from Financing Activities</b>		
Net change in line of credit borrowings	(300,000)	300,000
	(300,000)	300,000
Net increase in cash and cash equivalents	740,918	39,794
Cash and cash equivalents, end of year	697,629	657,835
Cash and cash equivalents, end of year	\$ 1,438,547	\$ 697,629
Supplemental disclosure of cash flow information -		
Interest paid	\$ 7,480	\$ 7,154

See accompanying notes to financial statements.

# Metropolitan Inter-Faith Association

## Notes to Financial Statements

June 30, 2014 and 2013

### 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 \$2,434,000 and \$2,022,000 for the years ended June 30, 2014 and 2013, 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.

Rental income is generated from housing rentals from tenants.

## **1. Summary of Significant Accounting Policies (continued)**

### **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, 2014 and 2013, are tenant security deposits of \$374 and \$389 respectively, and reserve funds of \$43,123 and \$8,801, 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.

### **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.

## **1. Summary of Significant Accounting Policies (continued)**

### **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 tax benefits or obligations as of June 30, 2014, and there is no interest or penalties related to income tax assessments. Fiscal years ending on or after June 30, 2011, remain subject to examination by federal and state tax authorities.

### **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 November 10, 2014, which is the date the financial statements were available to be issued.

## **2. Investments**

Investments of \$1,427,172 and \$1,215,653 as of June 30, 2014 and 2013, 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.

## 2. Investments (continued)

The Association also holds \$22,729 in common stock as of June 30, 2014.

## 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, 2014 and 2013, include the Association's investments of \$1,427,172 and \$1,215,653, respectively, in funds which invest in publicly traded securities and fixed income investments. The fair value of the pooled funds as of June 30, 2014 and 2013, was estimated based primarily on the fair market value at June 30, 2014 and 2013, of the underlying investments.

There were no changes during the years ended June 30, 2014 and 2013, 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, 2014 and 2013. 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.

	Assets at Fair Value as of June 30, 2014		
	(Level 1)	(Level 2)	(Level 3)
Money Market Mutual Fund	\$ 489,940	\$ -	\$ -
CFGM Balanced Pool	-	-	12,025
CFGM Fixed Income Pool	-	-	348,719
CFGM Equity Pool	-	-	1,066,428
Common Stock	22,729	-	-
Total	<u>\$ 512,669</u>	<u>\$ -</u>	<u>\$ 1,427,172</u>

	Assets at Fair Value as of June 30, 2013		
	(Level 1)	(Level 2)	(Level 3)
Money Market Mutual Fund	\$ 477,048	\$ -	\$ -
CFGM Balanced Pool	-	-	10,400
CFGM Fixed Income Pool	-	-	301,668
CFGM Equity Pool	-	-	903,585
Total	<u>\$ 477,048</u>	<u>\$ -</u>	<u>\$ 1,215,653</u>

### 3. Fair Value Measurements (continued)

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, 2012 to June 30, 2014:

Fair value at June 30, 2012	\$ 1,113,422
Realized and unrealized losses	130,480
Sales	(45,442)
Purchases	<u>17,193</u>
Fair value at July 1, 2013	1,215,653
Realized and unrealized gains	178,647
Sales	(49,226)
Purchases	<u>82,098</u>
Fair value at June 30, 2014	<u>\$ 1,427,172</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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land	\$ 75,850	\$ 110,133
Buildings and improvements	3,200,308	3,855,663
Office furniture and equipment	1,039,510	1,012,487
Motor vehicles	<u>814,155</u>	<u>866,687</u>
	5,129,823	5,844,970
Less accumulated depreciation	<u>(3,829,233)</u>	<u>(3,966,416)</u>
	<u>\$ 1,300,590</u>	<u>\$ 1,878,554</u>

During the year ended June 30, 2012, the Association made a strategic decision to move away from transitional housing and dispose of the Association's rental properties. On June 29, 2013, the Association contributed the Presley Place, Estival Place, Grizzlies Den, Idelwild Court and Ramses House properties to North Memphis Community Development Corporation. The contributed property had a book value of \$1,499,113 at the contribution date. On November 7, 2013, the Association contributed Orleans Place to Mid-South Sober Living. The contributed property had a book value of \$363,468 at the contribution date.

## 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, 2014 and 2013:

	<u>2014</u>		
	<u>Receivable</u>	<u>Unearned Revenue</u>	<u>Net</u>
City of Memphis	\$ 201,073	\$ -	\$ 201,073
Corporation of National and Community Service	85,940	-	85,940
Aging Commission of the MidSouth	199,449	-	199,449
Housing and Urban Development	63,566	-	63,566
Memphis Light Gas & Water	-	(463,766)	(463,766)
Other	<u>85,256</u>	<u>(31,876)</u>	<u>53,380</u>
	<u>\$ 635,284</u>	<u>\$ (495,642)</u>	<u>\$ 139,642</u>

  

	<u>2013</u>		
	<u>Receivable</u>	<u>Unearned Revenue</u>	<u>Net</u>
City of Memphis	\$ 270,436	\$ -	\$ 270,436
Corporation of National and Community Service	100,154	-	100,154
Aging Commission of the MidSouth	348,021	-	348,021
Housing and Urban Development	75,151	-	75,151
Memphis Light Gas & Water	-	(192,854)	(192,854)
Other	<u>61,627</u>	<u>(30,136)</u>	<u>31,491</u>
	<u>\$ 855,389</u>	<u>\$ (222,990)</u>	<u>\$ 632,399</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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Due in:		
Less than one year	\$ 363,013	\$ 20,000
One to five years	<u>1,118,653</u>	<u>4,994</u>
	1,481,666	24,994
Less present value discount (.88%)	<u>(36,619)</u>	<u>-</u>
	<u>\$ 1,445,047</u>	<u>\$ 24,994</u>

Approximately 84% of the Association's pledge receivable balance at June 30, 2014 was due from two donors.

## 7. 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 1, 2015. Funds available under the LOC are \$500,000, and outstanding borrowings were \$0 and \$300,000 at June 30, 2014 and 2013, respectively.

Outstanding borrowings, if any, bear interest based at the one month LIBOR rate plus 2.25% with a floor of 3% (3% at June 30, 2014). The debt is secured by a certificate of deposit for \$250,000 and the money market mutual funds. This agreement also requires the Association to maintain certain financial covenants. At June 30, 2014 the Association was in compliance with all financial debt covenants.

## 8. Unrestricted Net Assets

At its discretion, the Board may designate funds for specific purposes. As of June 30, 2014 and 2013, the Board has designated unrestricted net assets as follows:

	<u>2014</u>	<u>2013</u>
Invested in land, buildings and equipment	\$ 1,300,590	\$ 1,878,554
Endowment – board designated	<u>1,491,249</u>	<u>1,356,352</u>
	<u>\$ 2,791,839</u>	<u>\$ 3,234,906</u>

## 9. 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.

### *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.

## 9. Endowment (continued)

### *Interpretation of Relevant Law (continued)*

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.

## 9. Endowment (continued)

Changes in endowment net assets for the years ended June 30, 2014 and 2013, are as follows:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2012	\$ 1,253,422	\$ -	\$ -	\$ 1,253,422
Investment return:				
Investment income	60,296	-	-	60,296
Net unrealized gain	83,076	-	-	83,076
Total investment return	143,372	-	-	143,372
Contributions	5,000	-	-	5,000
Appropriation of endowment assets for expenditures	(45,442)	-	-	(45,442)
Endowment net assets, June 30, 2013	1,356,352	-	-	1,356,352
Investment return:				
Investment income	138,956	-	-	138,956
Net unrealized gain	45,167	-	-	45,167
Total investment return	184,123	-	-	184,123
Contributions	-	-	1,797,941	1,797,941
Appropriation of endowment assets for expenditures	(49,226)	-	-	(49,226)
Endowment net assets, June 30, 2014	<u>\$ 1,491,249</u>	<u>\$ -</u>	<u>\$ 1,797,941</u>	<u>\$ 3,289,190</u>

## 10. 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 \$36,832 and \$38,935 for the years ended June 30, 2014 and 2013, respectively.

## 11. Related Party Transactions

The Association utilized the services of organizations which employ certain members of the board of directors. A description of each of these arrangements and the related expenditures follows:

	<u>2014</u>	<u>2013</u>
Banks providing certain financing to the Association, resulting in fees and interest expense	\$ 15,920	\$ 17,700

The amounts on deposit with the banks as of June 30, 2014 and 2013 were \$1,266,967 and \$723,143, respectively.

## Supplemental 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*

The Board of Directors  
Metropolitan Inter-Faith Association

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, 2014, 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 November 10, 2014.

**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 an 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*

November 10, 2014



Independent Auditor's Report on Compliance for the Major  
Program and on Internal Control Over Compliance  
Required by OMB Circular A-133

The Board of Directors  
Metropolitan Inter-Faith Association

**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 *U.S. Office of Management and Budget OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Association's major federal program for the year ended June 30, 2014. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

### **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 OMB Circular A-133, 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 charge 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Dixon Hughes Goodman LLP*

November 10, 2014

Metropolitan Inter-Faith Association and Related Companies

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Program Name	CFDA#	Grantor Agency	Grant Number	(Unearned Revenue) Receivable at June 30, 2013	Grant Receipts	Matching Receipts	Program Expenditures	(Unearned Revenue) Receivable at June 30, 2014
Supportive Housing:								
Estival Place - Satellite Housing	14.235	Housing and Urban Development	TN 0027L4J011205	\$ -	\$ 543,823	\$ -	\$ 607,391	\$ 63,568
Estival Place - Satellite Housing	14.235	Housing and Urban Development	TN 0028B4J011104	12,468	60,857	-	48,389	-
Estival Place	14.235	Housing and Urban Development	TN0027B4J011104	62,683	62,685	-	-	(2)
Subtotal (14.235)				75,151	667,365	-	655,780	63,566
Homelessness Prevention and Rapid Re-Housing:								
Housing Opportunity	14.225	City of Memphis	29916	39,276	39,276	-	-	-
Housing Opportunity	14.225	City of Memphis	31120	-	100,851	795	122,617	20,971
Housing Opportunity	14.262	City of Memphis	31017	-	86,149	-	118,554	32,405
Housing Opportunity	14.262	City of Memphis	30276	47,528	242,355	8,825	203,652	-
Subtotal (14.225, 14.262)				86,804	468,631	9,620	444,823	53,376
Aging Program Cluster:								
Senior Transportation	93.044	Aging Commission of the Mid-South	2006-DCA-9-215	29,030	171,546	458,880	614,214	12,818
Meals Dis Prev Hlth Prom	93.044	Aging Commission of the Mid-South	2011-DCA-9-215	2,970	2,970	-	2,970	2,970
Congregate Meals	93.045	Aging Commission of the Mid-South	2011-DCA-9-215	131,659	655,834	203,141	787,443	60,127
Home Delivered Meals	93.045	Aging Commission of the Mid-South	2011-DCA-9-215	145,104	748,993	35,980	748,124	108,255
Ombudsman Program	93.044	Aging Commission of the Mid-South	2011-DCA9-104	25,285	94,003	30,098	111,786	12,970
Subtotal (93.044 and 93.045)				334,048	1,673,346	728,099	2,264,537	197,140
Senior Companion	94.016	Aging Commission of the Mid-South	2011-DCA9-117	12,819	12,819	-	-	-
Senior Companion	94.016	Corporation for National and Community Service	12SCSTN001	100,154	312,353	10,839	308,978	85,940
	94.016	City of Memphis	30726	-	23,881	936	25,880	1,063
Senior Companion	94.016	City of Memphis	28304	8,885	8,885	-	-	-
Subtotal (94.016)				121,858	357,938	11,775	334,858	87,003
Community Block Development Block Grants	14.218	City of Memphis	27237	7,103	7,103	-	-	-
Subtotal (14.218)				7,103	7,103	-	-	-
<b>Total Federal Assistance</b>				<b>\$ 624,964</b>	<b>\$ 3,174,383</b>	<b>\$ 749,494</b>	<b>\$ 3,699,998</b>	<b>\$ 401,085</b>

# Metropolitan Inter-Faith Association

## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

### **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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

# Metropolitan Inter-Faith Association

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2014

### **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 OMB Circular A-133.
5. The Independent Auditors' Report on Compliance for the Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 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 \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Association qualified as a low-risk auditee as that term is defined in OMB Circular A-133.

### **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

For the Year Ended June 30, 2014

### **Financial Statement Findings**

None noted.

### **Federal Award Findings and Questioned Costs**

None noted.