

**INTERFAITH SANCTUARY  
HOUSING SERVICES INC.**

**(a nonprofit organization)**

**FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2012 and 2011**

**INTERFAITH SANCTUARY HOUSING SERVICES INC.**

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**Harris & Co.** PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

Helping our clients make sense of a changing and complex world

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Interfaith Sanctuary Housing Services Inc.  
Boise, Idaho

We have audited the accompanying financial statements of Interfaith Sanctuary Housing Services Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interfaith Sanctuary Housing Services Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Harris & Co. PLLC*

Meridian, Idaho  
July 30, 2013

**INTERFAITH SANCTUARY HOUSING SERVICES INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31**

	2012	2011
<b>ASSETS</b>		
Cash and cash equivalents	\$ 196,129	\$ 244,837
Grants receivable	36,985	13,231
Other receivable	99,670	41,280
Property and equipment, net	1,043,469	993,642
Total Assets	\$ 1,376,253	\$ 1,292,990
<b>LIABILITIES</b>		
Accounts payable	\$ 4,682	\$ 2,825
Accrued expenses	52,174	37,591
Notes payable	772,000	775,000
Total Liabilities	828,856	815,416
<b>NET ASSETS</b>		
Unrestricted	536,397	471,050
Temporarily restricted	11,000	6,524
Total Net Assets	547,397	477,574
Total Liabilities and Net Assets	\$ 1,376,253	\$ 1,292,990

**INTERFAITH SANCTUARY HOUSING SERVICES INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31**

	2012	2011
<b>CONTRIBUTIONS AND GRANTS</b>		
Contributions	\$ 308,282	\$ 272,659
Federal grants	82,807	46,800
Non-federal grants	121,048	36,880
In-kind contributions	27,952	21,121
	540,089	377,460
Net assets released fom restrictions	6,524	8,604
	546,613	386,064
<b>EXPENSES</b>		
Program services		
Operations	239,556	244,982
Supportive services	64,364	42,116
	303,920	287,098
Support services		
Fundraising	59,149	27,069
General and administrative	102,790	100,468
	161,939	127,537
Total expenses	465,859	414,635
<b>OPERATING INCOME (LOSS)</b>	80,754	(28,571)
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	340	462
Interest expense	(15,747)	(9,448)
	(15,407)	(8,986)
<b>CHANGE IN NET ASSETS - UNRESTRICTED</b>	65,347	(37,557)
<b>NET ASSETS - UNRESTRICTED, BEGINNING OF YEAR</b>	471,050	508,607
<b>NET ASSETS - UNRESTRICTED, END OF YEAR</b>	\$ 536,397	\$ 471,050
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	\$ 11,000	\$ 15,128
Net assets release from restrictions	(6,524)	(8,604)
Change in net assets- temporarily restricted	4,476	6,524
<b>NET ASSETS - TEMPORARILY RESTRICTED, BEGINNING OF YEAR</b>	6,524	-
<b>NET ASSETS - TEMPORARILY RESTRICTED, END OF YEAR</b>	\$ 11,000	\$ 6,524

**INTERFAITH SANCTUARY HOUSING SERVICES INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2012**

	<u>Program Services</u>			<u>Support Services</u>			Combined Total
	<u>Operations</u>	<u>Supportive Services</u>	<u>Total</u>	<u>Fundraising</u>	<u>General and administrative</u>	<u>Total</u>	
<b>OPERATING EXPENSE</b>							
Wages	\$ 136,388	\$ 47,752	\$ 184,140	\$ 36,272	\$ 51,526	\$ 87,798	\$ 271,938
Benefits	-	-	-	-	5,237	5,237	5,237
Client Services	9,153	-	9,153	-	-	-	9,153
Transportation	-	-	-	-	-	-	-
Supplies	24,159	-	24,159	-	-	-	24,159
Utilities	22,772	-	22,772	-	-	-	22,772
Depreciation	31,904	1,246	33,150	-	1,546	1,546	34,696
Building Maintenance	9,315	-	9,315	-	-	-	9,315
Insurance	5,865	-	5,865	-	-	-	5,865
Resident Rehabilitation	-	15,366	15,366	-	-	-	15,366
Event Expenses	-	-	-	10,247	-	10,247	10,247
Professional Fees	-	-	-	-	5,000	5,000	5,000
Supplies	-	-	-	3,293	1,326	4,619	4,619
Printing & Postage	-	-	-	6,674	535	7,209	7,209
Bank Fees	-	-	-	-	1,275	1,275	1,275
Memberships	-	-	-	-	210	210	210
Taxes	-	-	-	-	-	-	-
Travel and Meetings	-	-	-	-	1,453	1,453	1,453
Volunteer Appreciation	-	-	-	-	3,512	3,512	3,512
Rent	-	-	-	2,663	2,640	5,303	5,303
Misc Expenses	-	-	-	-	578	578	578
In-kind expense	-	-	-	-	27,952	27,952	27,952
	<u>239,556</u>	<u>64,364</u>	<u>303,920</u>	<u>59,149</u>	<u>102,790</u>	<u>161,939</u>	<u>465,859</u>
<b>OTHER EXPENSE</b>							
Interest	-	-	-	-	15,747	15,747	15,747
<b>TOTAL EXPENSES</b>	<u><u>\$ 239,556</u></u>	<u><u>\$ 64,364</u></u>	<u><u>\$ 303,920</u></u>	<u><u>\$ 59,149</u></u>	<u><u>\$ 118,537</u></u>	<u><u>\$ 177,686</u></u>	<u><u>\$ 481,606</u></u>

See Notes to Financial Statements

**INTERFAITH SANCTUARY HOUSING SERVICES INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2011**

	Program Services			Support Services		Total	Combined Total
	Operations	Supportive Services	Total	Fundraising	General and administrative		
OPERATING EXPENSE							
Wages	\$ 133,068	\$ 37,144	\$ 170,212	\$ 15,811	\$ 43,571	\$ 59,382	\$ 229,594
Benefits	-	-	-	-	13,026	13,026	13,026
Client Services	4,881	-	4,881	-	-	-	4,881
Transportation	4,809	-	4,809	-	-	-	4,809
Supplies	26,923	-	26,923	-	-	-	26,923
Utilities	24,784	-	24,784	-	-	-	24,784
Depreciation	33,159	1,005	34,164	-	1,005	1,005	35,169
Building Maintenance	11,366	-	11,366	-	-	-	11,366
Insurance	5,992	-	5,992	-	-	-	5,992
Resident Rehabilitation	-	3,967	3,967	-	-	-	3,967
Event Expenses	-	-	-	7,302	-	7,302	7,302
Professional Fees	-	-	-	-	6,000	6,000	6,000
Supplies	-	-	-	2,761	5,449	8,210	8,210
Printing & Postage	-	-	-	1,195	2,372	3,567	3,567
Bank Fees	-	-	-	-	263	263	263
Memberships	-	-	-	-	35	35	35
Taxes	-	-	-	-	2,364	2,364	2,364
Travel and Meetings	-	-	-	-	4,071	4,071	4,071
Rent	-	-	-	-	1,144	1,144	1,144
Misc Expenses	-	-	-	-	47	47	47
In-kind expense	-	-	-	-	21,121	21,121	21,121
	<u>244,982</u>	<u>42,116</u>	<u>287,098</u>	<u>27,069</u>	<u>100,468</u>	<u>127,537</u>	<u>414,635</u>
OTHER EXPENSE							
Interest	-	-	-	-	9,448	9,448	9,448
<b>TOTAL EXPENSES</b>	<u>\$ 244,982</u>	<u>\$ 42,116</u>	<u>\$ 287,098</u>	<u>\$ 27,069</u>	<u>\$ 109,916</u>	<u>\$ 136,985</u>	<u>\$ 424,083</u>



**INTERFAITH SANCTUARY HOUSING SERVICES INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2012 and 2011**

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 69,823	\$ (31,033)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	34,696	35,169
Changes in assets and liabilities		
Grants receivable	(23,754)	6,598
Other receivable	(58,390)	(22,324)
Accounts payable	1,857	(223)
Accrued expenses	14,583	13,406
	38,815	1,593
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(84,523)	(27,751)
	(84,523)	(27,751)
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on debt	(3,000)	-
	(3,000)	-
NET CASH USED BY FINANCING ACTIVITIES		
NET DECREASE IN CASH	(48,708)	(26,158)
CASH, AND CASH EQUIVALENTS, BEGINNING OF YEAR	244,837	270,995
CASH, AND CASH EQUIVALENTS, END OF YEAR	\$ 196,129	\$ 244,837
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Interest paid	\$ -	\$ -

**INTERFAITH SANCTUARY HOUSING SERVICES INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Business Activity*

Interfaith Sanctuary Housing Services (the Organization) was incorporated under the laws of the State of Idaho on June 20, 2007. The Organization is a collaboration of people of faith and people of conscience who have joined together to shelter and serve families and individuals who are experiencing homelessness.

*Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Display of Net Assets*

The Organization has provided the disclosure and display requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic ASC 958-210-50-3 (previously Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations). Accordingly, the net assets of the Organization are reported in unrestricted and temporarily restricted net assets.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

*Cash and Cash Equivalents*

Cash includes cash on hand as well as checking accounts with financial institutions. The Organization considers all short-term investments purchased with maturity of three months or less to be cash equivalents.

*Grant and Other Receivable*

Grant receivable consists of federal grants awarded for various reimbursement grants administered through the City of Boise and the Idaho Housing and Finance Association. Receivable balances consist of grant eligible expenses requested after year end but earned in the current year. Other receivables consist of fundraising receivables and advances to employees for payroll conversion performed in 2011. These receivables are paid back upon termination of employment.

**INTERFAITH SANCTUARY HOUSING SERVICES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2012 and 2011**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Contributed Support*

The Organization recognizes all contributed support received as income in the period received. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

The Organization records various types of in-kind support including equipment, professional services, advertising and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or additions to property and equipment.

Additionally, the Organization receives a significant amount of skilled, contributed time which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

*Significant Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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.

*Property and Equipment*

Property and equipment are recorded at cost, except donated assets, which are recorded at fair market value at the date of donation and recorded as contribution revenue in the period received. Depreciation is computed using a straight-line method over the estimated useful lives less salvage value of the depreciable assets. Expenditures for maintenance and repairs are charged to expense as incurred. The Organization has adopted a capitalization policy of \$500.

	Estimated Useful Life (Years)
Building	40
Building improvements	25
Equipment, beds and other fixtures	5

**INTERFAITH SANCTUARY HOUSING SERVICES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2012 and 2011**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Advertising Costs*

Advertising costs are charged to operations in the year incurred. Advertising costs during the years ending December 31, 2012 and 2011 totaled \$6,674 and \$1,195, respectively.

*Income Taxes*

The Organization is a not-for-profit organization that is exempt from income taxes under Internal Revenue Code section 501(c)(3) and comparable state law. Accordingly, no provision for income taxes has been made in the financial statements.

The Organization has adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Company is no longer subject to Federal tax examinations by tax authorities for years before 2009 and state examinations for years before 2009.

*Functional Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the programs and support services benefited based on management's estimate of employee hours devoted to each function.

*Subsequent Events*

The Organization has evaluated subsequent events through July 30, 2013 the date which the financial statements were available to be issued.

**INTERFAITH SANCTUARY HOUSING SERVICES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2012 and 2011**

**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2012 and 2011 was as follows:

	2012	2011
Land	\$ 352,700	\$ 352,700
Building	447,300	447,300
Building improvements	223,429	223,429
Equipment	21,542	21,542
Beds and other fixtures	59,470	59,470
Construction in process	93,128	8,605
	1,197,569	1,113,046
Accumulated depreciation	(154,100)	(119,404)
	\$ 1,043,469	\$ 993,642

**NOTE 3 – NOTES PAYABLE**

Notes payable at December 31, 2012 and 2011 consist of the following:

	2012	2011
<p>Note payable to the Idaho Housing and Finance Association was due in full September 1, 2012 and is past due. Interest due accrued at a rate of one percent (1%) per annum until August 21, 2010, two percent (2%) per annum from September 1, 2010 to August 31, 2011 and three percent (3%) per annum from September 1, 2011 to August 31, 2012. On September 1, 2012, the interest rate increased to a fixed four percent (4%) until the note is paid in full. As of December 31, 2012, \$33,331 in accrued interest has been recognized and not paid. The balance is included in accrued expenses on the Statement of Financial Position. The note is secured by the building.</p>	\$ 475,000	\$ 475,000
<p>Note payable to the Roman Catholic Diocese of Idaho with zero interest principal only payments starting July 1, 2012 of \$500 per month. Principal payments due increase \$100 per month each July 1 until the note is paid in full. The note is secured by a second deed in trust on the building.</p>	297,000	300,000
Total notes payable	\$ 772,000	\$ 775,000

**INTERFAITH SANCTUARY HOUSING SERVICES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2012 and 2011**

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**NOTE 3 – NOTES PAYABLE (Continued)**

Maturities in future years are:

For the years ended December 31,

2013	\$ 481,600
2014	7,800
2015	9,000
2016	10,200
2017	11,400
Thereafter	252,000
	<u>\$ 772,000</u>

**NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS**

At December 31, 2012 and 2011, temporarily restricted net assets consist of donations made for a bathroom remodel project.