

**INTERFAITH SANCTUARY
HOUSING SERVICES INC.
(a nonprofit organization)**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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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, 2013 and 2012, 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, 2013 and 2012, 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
August 29, 2014

INTERFAITH SANCTUARY HOUSING SERVICES INC.

STATEMENTS OF FINANCIAL POSITION

December 31

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and equivalents	\$ 384,657	\$ 196,129
Grants receivable	49,736	36,985
Other receivables	19,213	99,670
Property and Equipment, net	<u>1,142,554</u>	<u>1,043,469</u>
Total Assets	1,596,160	1,376,253
LIABILITIES		
Accounts payable	56,883	4,682
Accrued expenses	76,144	52,174
Notes payable	<u>766,500</u>	<u>772,000</u>
Total Liabilities	899,527	828,856
NET ASSETS		
Unrestricted	686,633	536,397
Temporarily restricted	<u>10,000</u>	<u>11,000</u>
Total Net Assets	<u>696,633</u>	<u>547,397</u>
Total Liabilities and Net Assets	<u>\$ 1,596,160</u>	<u>\$ 1,376,253</u>

See notes to the financial statements.

INTERFAITH SANCTUARY HOUSING SERVICES INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31,

	<u>2013</u>	<u>2012</u>
REVENUE AND OTHER SUPPORT		
Contributions	\$ 389,181	\$ 308,282
Federal grants	82,382	82,807
Non-federal grants	114,509	121,048
In-kind contributions	<u>94,906</u>	<u>27,952</u>
	680,978	540,089
Net assets released from restrictions	<u>11,000</u>	<u>6,524</u>
Total Revenue and Other Support	691,978	546,613
EXPENSES		
Program services		
Operations	302,695	267,508
Support services	<u>85,669</u>	<u>64,364</u>
Total Program Services	388,364	331,872
Support services		
Fundraising	67,628	59,149
General and administrative	<u>67,024</u>	<u>74,838</u>
Total Support Services	<u>134,652</u>	<u>133,987</u>
Total Expenses	<u>523,016</u>	<u>465,859</u>
OPERATING INCOME	168,962	80,754
OTHER INCOME (EXPENSE)		
Interest income	274	340
Interest expense	<u>(19,000)</u>	<u>(15,747)</u>
Total Other Income (Expense)	<u>(18,726)</u>	<u>(15,407)</u>
Change in net assets - Unrestricted	150,236	65,347
NET ASSETS – UNRESTRICTED, Beginning of Year	<u>536,397</u>	<u>471,050</u>
NET ASSETS - UNRESTRICTED, End of Year	<u>\$ 686,633</u>	<u>\$ 536,397</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Non-federal grants	\$ 10,000	\$ 11,000
Net assets release from restrictions	<u>(11,000)</u>	<u>(6,524)</u>
Change in net assets – Temporarily restricted	(1,000)	4,476
NET ASSETS – TEMPORARILY RESTRICTED, Beginning of Year	<u>11,000</u>	<u>6,524</u>
NET ASSETS – TEMPORARILY RESTRICTED, End of Year	<u>\$ 10,000</u>	<u>\$ 11,000</u>

See notes to the financial statements.

INTERFAITH SANCTUARY HOUSING SERVICES INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>			<u>Support Services</u>			<u>Combined Total</u>
	<u>Operations</u>	<u>Supportive Services</u>	<u>Total</u>	<u>Fundraising</u>	<u>General and administrative</u>	<u>Total</u>	
OPERATING EXPENSES							
Wages	\$ 159,817	\$ 55,523	\$ 215,340	\$ 36,082	\$ 54,530	\$ 90,612	\$ 305,952
Benefits					(3,311)	(3,311)	(3,311)
Client Services	13,731		13,731				13,731
Transportation							0
Supplies	24,001		24,001				24,001
Utilities	22,851		22,851				22,851
Depreciation	26,966	2,624	29,590		560	560	30,150
Building Maintenance	8,467		8,467				8,467
Insurance	7,033		7,033				7,033
Resident Rehabilitation		27,522	27,522				27,522
Event Expenses				16,971		16,971	16,971
Professional Fees					5,000	5,000	5,000
Supplies				3,350	1,059	4,409	4,409
Printing & Postage				9,208	1,265	10,473	10,473
Bank Fees					571	571	571
Memberships					274	274	274
Taxes							0
Travel and Meetings					3,310	3,310	3,310
Volunteer Appreciation					1,266	1,266	1,266
Rent and Internet				2,017	2,460	4,477	4,477
Misc Expenses					40	40	40
In-kind expense	39,829		39,829				39,829
	<u>302,695</u>	<u>85,669</u>	<u>388,364</u>	<u>67,628</u>	<u>67,024</u>	<u>134,652</u>	<u>523,016</u>
OTHER EXPENSES							
Interest					19,000	19,000	19,000
TOTAL EXPENSES	<u>\$ 302,695</u>	<u>\$ 85,669</u>	<u>\$ 388,364</u>	<u>\$ 67,628</u>	<u>\$ 86,024</u>	<u>\$ 153,652</u>	<u>\$ 542,016</u>

See notes to the financial statements.

INTERFAITH SANCTUARY HOUSING SERVICES INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2012

	<u>Program Services</u>			<u>Support Services</u>			<u>Combined Total</u>
	<u>Operations</u>	<u>Supportive Services</u>	<u>Total</u>	<u>Fundraising</u>	<u>General and administrative</u>	<u>Total</u>	
OPERATING EXPENSES							
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							0
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
Grant Writing & Management							0
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							0
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>267,508</u>	<u>64,364</u>	<u>331,872</u>	<u>59,149</u>	<u>74,838</u>	<u>133,987</u>	<u>465,859</u>
OTHER EXPENSES							
Interest					15,747	15,747	15,747
TOTAL EXPENSES	<u>\$ 267,508</u>	<u>\$ 64,364</u>	<u>\$ 331,872</u>	<u>\$ 59,149</u>	<u>\$ 90,585</u>	<u>\$ 149,734</u>	<u>\$ 481,606</u>

See notes to the financial statements.

INTERFAITH SANCTUARY HOUSING SERVICES INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 149,236	\$ 69,823
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	30,150	34,696
Donated improvements included in contributions	(55,077)	0
Changes in operating assets and liabilities:		
Grants receivable	(12,751)	(23,754)
Other receivables	80,457	(58,390)
Accounts payable	52,201	1,857
Accrued expenses	<u>23,970</u>	<u>14,583</u>
Net Cash Provided by Operating Activities	268,186	38,815
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(74,158)</u>	<u>(84,523)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on debt	<u>(5,500)</u>	<u>(3,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	188,528	(48,708)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>196,129</u>	<u>244,837</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 384,657</u>	<u>\$ 196,129</u>

See notes to the financial statements.

INTERFAITH SANCTUARY HOUSING SERVICES INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 and 2012

NOTE A - 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 other activity.

INTERFAITH SANCTUARY HOUSING SERVICES INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2013 and 2012

NOTE A - 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.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and temporary cash investments. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation for up to \$250,000 per institution. At December 31, 2013, the Organization's uninsured balances totaled \$11,755. All of the Organization's deposits were insured at December 31, 2012.

Advertising Costs

Advertising costs are charged to operations in the year incurred. Advertising costs during the years ending December 31, 2013 and 2012 totaled \$9,208 and \$6,674, respectively.

INTERFAITH SANCTUARY HOUSING SERVICES INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, which ranges from 5 to 40 years. Expenditures for maintenance and repairs are charged to expense as incurred. The Organization has adopted a capitalization policy of \$500.

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.

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2013 and 2012.

The Organization files Form 990 in the U.S. federal jurisdiction. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2010.

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 August 29, 2014 the date which the financial statements were available to be issued.

INTERFAITH SANCTUARY HOUSING SERVICES INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2013 and 2012

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment at December 31 was as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 352,700	\$ 352,700
Building	447,300	447,300
Building improvements	371,634	223,429
Equipment	21,542	21,542
Beds and other fixtures	59,470	59,470
Construction in process	<u>74,158</u>	<u>93,128</u>
	1,326,804	1,197,569
Accumulated depreciation	<u>(184,250)</u>	<u>(154,100)</u>
Property and equipment, net	<u>\$ 1,142,554</u>	<u>\$ 1,043,469</u>

NOTE C – COMPENSATED ABSENCES

The Organization accrues paid time off. Eligible employees are allowed to accumulate 85 hours beyond the fiscal year end. Unpaid PTO balances as of December 31, 2013 and 2012 were \$9,966 and 7,359, respectively.

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2013 and 2012, temporarily restricted net assets consist of donations made for a bathroom remodel project. At December 31, 2013 and 2012, amounts restricted for the bathroom project were \$10,000 and \$11,000, respectively.

INTERFAITH SANCTUARY HOUSING SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2013 and 2012

NOTE E – NOTES PAYABLE

Notes payable at December 31 consist of the following:

	<u>2013</u>	<u>2012</u>
<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, 2013, \$52,331 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>	<u>291,500</u>	<u>297,000</u>
Total Notes Payable	<u>\$ 766,500</u>	<u>\$ 772,000</u>

Maturities in future years are:

For the years ended December 31,

2014	\$ 483,900	
2015	9,000	
2016	10,200	
2017	11,400	
2018	12,600	
Thereafter	<u>239,400</u>	
	<u>\$ 766,500</u>	