

**INTERFAITH SANCTUARY
HOUSING SERVICES INC.**

(a nonprofit organization)

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 and 2010**

INTERFAITH SANCTUARY HOUSING SERVICES INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9



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 statements of financial position of Interfaith Sanctuary Housing Services Inc. (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Harris & Co. PLLC

Meridian, Idaho
July 31, 2012

2289 S. Bonito Way, Ste 100
Meridian, Idaho 83642

208 333-8965
208 333-8966 FAX

www.harriscpas.com

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

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 244,837	\$ 270,995
Grants receivable	13,231	19,829
Other receivables	41,280	18,956
Property and equipment, net	993,642	1,001,060
Total Assets	\$ 1,292,990	\$ 1,310,840
LIABILITIES		
Accounts payable	\$ 2,825	\$ 3,048
Accrued expenses	37,591	24,185
Notes payable	775,000	775,000
Total Liabilities	815,416	802,233
NET ASSETS		
Unrestricted	471,050	508,607
Temporarily restricted	6,524	-
Total Net Assets	477,574	508,607
Total Liabilities and Net Assets	\$ 1,292,990	\$ 1,310,840

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

	2011	2010
CONTRIBUTIONS AND GRANTS		
Contributions	\$ 272,659	\$ 287,975
Federal grants	46,800	179,982
Non-federal grants	36,880	37,481
In-kind contributions	21,121	18,000
	377,460	523,438
Net assets released from restrictions	8,604	13,184
	386,064	536,622
EXPENSES		
Program services		
Operations	244,982	233,036
Supportive services	42,116	18,747
	287,098	251,783
Support services		
Fundraising	27,069	19,798
General and administrative	100,468	59,763
	127,537	79,561
Total expenses	414,635	331,344
OPERATING INCOME	(28,571)	205,278
OTHER INCOME (EXPENSE)		
Interest income	462	314
Interest expense	(9,448)	(5,555)
	(8,986)	(5,241)
CHANGE IN NET ASSETS - UNRESTRICTED	(37,557)	200,037
NET ASSETS - UNRESTRICTED, BEGINNING OF YEAR	508,607	308,570
NET ASSETS - UNRESTRICTED, END OF YEAR	\$ 471,050	\$ 508,607
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	\$ 15,128	\$ -
Net assets release from restrictions	(8,604)	(13,184)
Change in net assets- temporarily restricted	6,524	(13,184)
NET ASSETS - TEMPORARILY RESTRICTED, BEGINNING OF YEAR	-	13,184
NET ASSETS - TEMPORARILY RESTRICTED, END OF YEAR	\$ 6,524	\$ -

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

	Program Services			Supportive 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
TOTAL EXPENSES	<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>

See Notes to Financial Statements

INTERFAITH SANCTUARY HOUSING SERVICES INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010

	<u>Program Services</u>			<u>Supportive Services</u>		<u>Total</u>	<u>Combined Total</u>
	<u>Operations</u>	<u>Supportive Services</u>	<u>Total</u>	<u>Fundraising</u>	<u>General and administrative</u>		
OPERATING EXPENSE							
Wages	\$ 129,433	\$ 14,475	\$ 143,908	\$ 7,312	\$ 24,821	\$ 32,133	\$ 176,041
Benefits	-	-	-	-	8,930	8,930	8,930
Client Services	5,595	-	5,595	-	-	-	5,595
Transportation	3,108	-	3,108	-	-	-	3,108
Supplies	29,391	-	29,391	-	-	-	29,391
Utilities	23,440	-	23,440	-	-	-	23,440
Depreciation	28,412	866	29,278	-	866	866	30,144
Building Maintenance	6,511	-	6,511	-	-	-	6,511
Insurance	7,146	-	7,146	-	-	-	7,146
Resident Rehabilitation	-	3,406	3,406	-	-	-	3,406
Event Expenses	-	-	-	11,848	-	11,848	11,848
Supplies	-	-	-	106	3,323	3,429	3,429
Printing & Postage	-	-	-	532	1,574	2,106	2,106
Bank Fees	-	-	-	-	97	97	97
Travel and Meetings	-	-	-	-	2,010	2,010	2,010
Misc Expenses	-	-	-	-	142	142	142
In-kind expense	-	-	-	-	18,000	18,000	18,000
	<u>233,036</u>	<u>18,747</u>	<u>251,783</u>	<u>19,798</u>	<u>59,763</u>	<u>79,561</u>	<u>331,344</u>
OTHER EXPENSE							
Interest	-	-	-	-	5,555	5,555	5,555
TOTAL EXPENSES	<u>\$ 233,036</u>	<u>\$ 18,747</u>	<u>\$ 251,783</u>	<u>\$ 19,798</u>	<u>\$ 65,318</u>	<u>\$ 85,116</u>	<u>\$ 336,899</u>

INTERFAITH SANCTUARY HOUSING SERVICES INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (31,033)	\$ 186,853
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	35,169	30,144
Changes in assets and liabilities		
Grants receivable	6,598	(20,489)
Other receivable	(22,324)	-
Prepays and security deposits	-	7,591
Accounts payable	(223)	2,181
Accrued expenses	13,406	5,417
	1,593	211,697
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(27,751)	(134,506)
	(27,751)	(134,506)
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on debt	-	(25,000)
	-	(25,000)
NET CASH USED BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	(26,158)	52,191
CASH, BEGINNING OF YEAR	270,995	218,804
CASH, END OF YEAR	\$ 244,837	\$ 270,995
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Interest paid	\$ -	\$ 5,555

INTERFAITH SANCTUARY HOUSING SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

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

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. The advances are paid back upon termination of employment.

INTERFAITH SANCTUARY HOUSING SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2011 and 2010

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, 2011 and 2010

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, 2011 and 2010 totaled \$1,195 and \$532, 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 2008 and state examinations for years before 2008.

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.

Reclassifications

Certain 2010 balances have been reclassified to conform to the 2011 presentation.

Subsequent Events

The Organization has evaluated subsequent events through July 31, 2012, which is the date when the financial statements were available to be issued.

INTERFAITH SANCTUARY HOUSING SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2011 and 2010

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 352,700	\$ 352,700
Building	447,300	447,300
Building improvements	223,429	219,996
Equipment	21,542	5,829
Beds and other fixtures	59,470	59,470
Construction in process	8,605	-
	<u>1,113,046</u>	<u>1,085,295</u>
Accumulated depreciation	<u>(119,404)</u>	<u>(84,235)</u>
	<u>\$ 993,642</u>	<u>\$ 1,001,060</u>

NOTE 3 – NOTES PAYABLE

Notes payable at December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Note payable to the Idaho Housing and Finance Association, due in full September 1, 2012. Interest due accrues at a rate of one percent (1%) per annum until August 31, 2010, two percent (2%) per annum from September 1, 2010 to August 31, 2011 and three percent (3%) per annum from September 1, 2011 until the note is paid in full. As of December 31, 2012, \$17,584 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.	\$ 475,000	\$ 475,000
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.	<u>300,000</u>	<u>300,000</u>
Total notes payable	<u>\$ 775,000</u>	<u>\$ 775,000</u>

INTERFAITH SANCTUARY HOUSING SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2011 and 2010

NOTE 3 – NOTES PAYABLE (Continued)

Maturities in future years are as follows:

For the years ended December 31,

2012	\$ 478,000
2013	6,600
2014	7,800
2015	9,000
2016	10,200
Thereafter	263,400
	<u>\$ 775,000</u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2011, temporarily restricted net assets consist of unexpended donations made for a bathroom remodel project. There were no temporarily restricted net assets as of December 31, 2010.