

Financial Statements

Interfaith Sanctuary Housing Services, Inc.
(a nonprofit organization)
Years Ended June 30, 2020 and 2019



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Interfaith Sanctuary Housing Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 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.





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 June 30, 2020, and the changes in its net assets and its cash flows for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Interfaith Sanctuary Housing Services, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harris CPAs

Meridian, Idaho
December 4, 2020



INTERFAITH SANCTUARY HOUSING SERVICES, INC.**STATEMENTS OF FINANCIAL POSITION**

June 30, 2020

With Comparative Totals as of June 30, 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Assets		
Cash and equivalents	\$ 655,250	\$ 333,572
Prepaid expenses	10,482	13,080
Security deposits	1,800	1,450
Property and equipment, net	<u>1,225,755</u>	<u>1,231,886</u>
Total Assets	<u>\$ 1,893,287</u>	<u>\$ 1,579,988</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,702	\$ 8,067
Accrued expenses	127,128	74,018
Refundable advance - PPP loan	168,600	0
Notes payable	<u>643,300</u>	<u>657,700</u>
Total Liabilities	940,730	739,785
Net Assets		
Without donor restrictions	828,365	683,564
With donor restrictions	<u>124,192</u>	<u>156,639</u>
Total Net Assets	<u>952,557</u>	<u>840,203</u>
Total Liabilities and Net Assets	<u>\$ 1,893,287</u>	<u>\$ 1,579,988</u>

See notes to the financial statements.

INTERFAITH SANCTUARY HOUSING SERVICES, INC.**STATEMENTS OF ACTIVITIES**

For the Year Ended June 30, 2020

With Comparative Totals for the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Income and Support				
Contributions	\$ 824,197	\$ 25,200	\$ 849,397	\$ 469,234
Special event revenue, net of direct benefit expenses	345,339		345,339	258,194
Non-federal grants	114,200	144,000	258,200	207,154
In-kind contributions	142,730		142,730	85,049
Federal grants	11,645		11,645	0
Interest income	1,087		1,087	1,164
Other income	0		0	2,291
Gain on sale of fixed assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>79</u>
	1,439,198	169,200	1,608,398	1,023,165
Net assets released from restriction	<u>201,647</u>	<u>(201,647)</u>	<u>0</u>	<u>0</u>
Total Income and Support	1,640,845	(32,447)	1,608,398	1,023,165
Expenses				
Program service				
Community support	621,936		621,936	436,837
Shelter	<u>491,426</u>	<u>0</u>	<u>491,426</u>	<u>353,572</u>
Total Program Services	1,113,362	0	1,113,362	790,409
Support services				
General and administrative	236,623		236,623	259,975
Fundraising	<u>146,059</u>	<u>0</u>	<u>146,059</u>	<u>81,720</u>
Total Support Services	<u>382,682</u>	<u>0</u>	<u>382,682</u>	<u>341,695</u>
Total Expenses	<u>1,496,044</u>	<u>0</u>	<u>1,496,044</u>	<u>1,132,104</u>
Change in Net Assets	144,801	(32,447)	112,354	(108,939)
Net Assets				
Beginning of Year	<u>683,564</u>	<u>156,639</u>	<u>840,203</u>	<u>949,142</u>
End of Year	<u>\$ 828,365</u>	<u>\$ 124,192</u>	<u>\$ 952,557</u>	<u>\$ 840,203</u>

See notes to the financial statements.

INTERFAITH SANCTUARY HOUSING SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020
With Comparative Totals for the Year Ended June 30, 2019

	<u>Community Support</u>	<u>Shelter</u>	<u>General & Admin</u>	<u>Fundraising</u>	<u>2020 Total</u>	<u>2019 Total</u>
Salaries and wages	\$ 402,093	\$ 308,341	\$ 70,527	\$ 78,318	\$ 859,279	\$ 638,881
Office expense	40,782	8,010	83,519	37,545	169,856	108,541
Payroll taxes	54,728	43,377	7,941	9,110	115,156	90,069
Depreciation expense	51,039	20,637	2,995		74,671	56,347
Client support supplies	23,275	36,334	489		60,098	39,486
Equipment rental and maintenance	13,637	21,323	13,133		48,093	46,841
Payroll benefits	10,675	18,879	9,818	4,338	43,710	27,995
Utilities		29,223	1,186		30,409	27,299
Rent and occupancy	55	623	14,519		15,197	15,112
Technology and computer	8,278	575	2,793	3,240	14,886	13,850
Accounting fees			14,340		14,340	24,080
Insurance	1,021	1,192	8,997		11,210	6,553
Professional fees	8,642		820	200	9,662	15,406
Trainings and support	6,294	1,390			7,684	4,311
Advertising	25	175		5,034	5,234	1,909
Travel	883	1,049	2,519		4,451	2,848
Other expenses	<u>509</u>	<u>298</u>	<u>3,027</u>	<u>8,274</u>	<u>12,108</u>	<u>12,576</u>
Total Expenses	<u>\$ 621,936</u>	<u>\$ 491,426</u>	<u>\$ 236,623</u>	<u>\$ 146,059</u>	<u>\$ 1,496,044</u>	<u>\$ 1,132,104</u>

See notes to the financial statements.

INTERFAITH SANCTUARY HOUSING SERVICES, INC.
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2020
With Comparative Totals as of June 30, 2019

	<u>2020</u>	<u>2019</u>
Cash Flow From Operating Activities		
Change in net assets	\$ 112,354	\$ (108,939)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	74,671	56,347
Gain on sale of fixed assets	0	(79)
Donated equipment	(16,220)	0
Changes in operating assets and liabilities:		
Grants receivable	0	15,000
Prepaid expenses	2,248	(644)
Accounts payable	(6,365)	4,542
Refundable advance - PPP loan	168,600	0
Accrued expenses	<u>53,110</u>	<u>2,982</u>
Net Cash Provided (Used) by Operating Activities	388,398	(30,791)
Cash Flow From Investing Activities		
Purchase of fixed assets	(52,320)	(51,796)
Proceeds from sale of fixed assets	<u>0</u>	<u>(750)</u>
Net Cash Provided (Used) by Investing Activities	(52,320)	(52,546)
Cash Flow From Financing Activities		
Payments on notes payable	<u>(14,400)</u>	<u>(12,300)</u>
Net Change in Cash and Cash Equivalents	321,678	(95,637)
Cash and Cash Equivalents		
Beginning of Year	<u>333,572</u>	<u>429,209</u>
End of Year	<u>\$ 655,250</u>	<u>\$ 333,572</u>

See notes to the financial statements.

INTERFAITH SANCTUARY HOUSING SERVICES, INC. NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

Nature of Organization

Interfaith Sanctuary Housing Services, Inc. (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.

Basis of Presentation

The Organization's net assets, revenues, expenses, and gains and losses are classified according to two classes: with donor restrictions and without donor restrictions. Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net asset with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

Accounting Pronouncements Adopted

For the year ended June 30, 2020, the Organization adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, timing, and uncertainty of revenue and cash flow arising from contracts with customers. The consolidated financial statements reflect the application of ASC 606 guidance beginning in 2019. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

INTERFAITH SANCTUARY HOUSING SERVICES, INC. NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The Organization uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

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.

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 June 30, 2020 and 2019, the Organization's uninsured balances totaled \$12,547 and \$0, respectively.

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 with a threshold of \$500.

Contributions and Donor Imposed Restrictions

The Organization recognizes all contributed support received as income in the period received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as contributions with donor restrictions that increases that net asset class. When donor restrictions expire, that is, when a time restriction ends and/or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

INTERFAITH SANCTUARY HOUSING SERVICES, INC. NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

In-kind Donations

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 donated tangible assets are recognized at fair market value in the period 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. For the periods ended June 30, 2020 and 2019, donated noncash assets were valued at \$142,730 and \$85,049, respectively.

The Organization also 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.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and wages, payroll taxes, and payroll benefits, which are allocated on the basis of estimates of time and effort; depreciation is allocated based on the depreciable assets identified for use in each program; and rent and occupancy is allocated to the program or function that receives the benefit from the leased expense. General and administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising

Advertising costs are charged to operations in the year incurred. The Organization incurred \$5,234 and \$1,909 in advertising expenses for the periods ended June 30, 2020 and 2019, 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.

INTERFAITH SANCTUARY HOUSING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

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 the periods ended June 30, 2020 and 2019.

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 2016.

Comparative Data

The amounts shown for the year ended June 30, 2019 in the accompanying financial statements are included to provide a basis for comparison with 2020 and present summarized totals only. Accordingly, the 2019 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Subsequent Events

The Organization has evaluated subsequent events through December 4, 2020 the date which the financial statements were available to be issued. The Organization closed on the purchase of a new building to relocate its shelter operations on September 23, 2020 for \$2,400,000. They anticipate beginning the relocation process in 2021.

INTERFAITH SANCTUARY HOUSING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

Note B – Liquidity and Availability of Resources

The Organization’s financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Total financial assets available within one year		
Cash and cash equivalents	\$	655,250
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions		<u>(124,192)</u>
Total financial assets available within one year after restriction	\$	<u>531,058</u>

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At June 30, 2020, all net assets with donor restrictions are available for payment of any major expenditures incurred.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which negatively impacted operations, however the related financial impact and duration cannot be reasonably estimated at this time.

Note C – Property and Equipment

Property and equipment at June 30 was as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 352,700	\$ 352,700
Building	447,300	447,300
Building improvements	698,104	697,173
Equipment	175,558	107,018
Construction in progress	0	931
Beds and other fixtures	<u>73,060</u>	<u>73,060</u>
	1,746,722	1,678,182
Accumulated depreciation	<u>(520,967)</u>	<u>(446,296)</u>
Property and equipment, net	<u>\$ 1,225,755</u>	<u>\$ 1,231,886</u>

INTERFAITH SANCTUARY HOUSING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

Note C – Property and Equipment (Continued)

For the periods ended June 30, 2020 and 2019, the Organization recognized \$74,671 and \$56,347 in depreciation expense, respectively. Depreciation expense is included in Operations, Support Services, and General and Administrative expense in the Statement of Activities. The Organization completed renovations to the Organization's laundry facilities during the fiscal year ending June 30, 2020.

Note D – Compensated Absences

The Organization accrues paid time off (PTO). Eligible employees are allowed to accumulate 120 hours beyond the fiscal year end. Due to COVID-19 coronavirus, the Organization has suspended the maximum capacity of PTO accruals. Unpaid PTO balances as of June 30, 2020 and 2019 were \$65,193 and \$38,675, respectively.

Note E – Refundable Advance

In April 2020, the Organization was granted a paycheck protection program loan (the "PPP Loan") from Zions First National Bank in the amount of \$168,600, pursuant to the Paycheck Protection Program ("PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The PPP Loan matures in April 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing in November 2020. The Organization may only use funds from the PPP Loan for purposes specified in the CARES Act and related PPP rules, which include payroll costs, costs used to continue group health care benefits, rent, and utilities; other uses will constitute a default under the PPP Loan. Under the terms of the PPP, certain amounts of the PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act during the 24-week period commencing on the date of disbursement of the PPP Loan. The Organization believes that it has met all of the conditions required for the PPP loan to be forgiven. As of June 30, 2020, the entire balance of the PPP Loan has been recorded as a refundable advance.

INTERFAITH SANCTUARY HOUSING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

Note F – Notes Payable

Notes payable at June 30 consist of the following:

	<u>2020</u>	<u>2019</u>
Note payable to the Idaho Housing and Finance Association was due in full September 1, 2012 and is past due. The note bears no interest and is secured by the building. The Association does not consider the note defaulted and payments are not required as of June 30, 2020.	\$ 475,000	\$ 475,000
Note payable to the Roman Catholic Diocese of Idaho with principal only payments due monthly of \$1,200 through June 30, 2020. Principal payments increase to \$1,500 a month until maturity in October 2033. The loan bears no interest. The note is secured by a second deed in trust on the building.	<u>168,300</u>	<u>182,700</u>
Total Notes Payable	<u>\$ 643,300</u>	<u>\$ 657,700</u>

Future maturities for the years ended June 30, are as follows:

2021	\$ 490,600
2022	16,800
2023	16,800
2024	18,000
2025	18,000
Thereafter	<u>83,100</u>
	<u>\$ 643,300</u>

INTERFAITH SANCTUARY HOUSING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

Note G – Net Assets

All net assets with donor restrictions are restricted for the purpose of use within the program for which the grants or donations were received. The detail of the Organization’s net asset categories at June 30, is as follows:

	<u>2020</u>	<u>2019</u>
Without donor restrictions:		
Invested in property and equipment	\$ 582,455	\$ 574,186
Undesignated surplus	<u>245,910</u>	<u>109,378</u>
Total without donor restrictions	828,365	683,564
With donor restrictions:		
Work program	95,833	156,639
Shelter and support operations	<u>28,359</u>	<u>0</u>
Total with donor restrictions	<u>124,192</u>	<u>156,639</u>
Total net assets	<u>\$ 952,557</u>	<u>\$ 840,203</u>

Note H – Operating Leases

The Organization entered into an operating lease agreement for office space located on Americana Boulevard in Boise, Idaho commencing on May 1, 2019 and expiring April 30, 2020 with option to renew. The Organization elected to renew the lease for an additional year, expiring in April 2021.

Rent expenses under the operating leases were \$15,197 and \$15,112 for the years ended June 30, 2020 and 2019, respectively. The future minimum lease payments under the agreements are as follows:

2021	<u>\$ 11,000</u>
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