

**A SANCTUARY FOR
MILITARY FAMILIES, INC.
DBA: PROJECT SANCTUARY**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

A SANCTUARY FOR MILITARY FAMILIES, INC.
DBA: PROJECT SANCTUARY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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April 12, 2016

Independent Auditors' Report

Board of Directors
A Sanctuary for Military Families, Inc.
DBA: Project Sanctuary
Granby, Colorado

We have audited the accompanying financial statements of **A Sanctuary for Military Families, Inc., DBA: Project Sanctuary** (a Colorado nonprofit corporation), which comprise the statement of financial position as of December 31, 2015, 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 A Sanctuary for Military Families, Inc., DBA: Project Sanctuary as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

A SANCTUARY FOR MILITARY FAMILIES, INC.

DBA: PROJECT SANCTUARY

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

	<u>Amount</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 444,683
Grants receivable - unrestricted and temporarily restricted (Note 3)	624,583
Prepaid expenses (Note 4)	19,403
Facility and security deposits	44,377
Property and equipment, net (Note 5)	<u>52,812</u>
Total assets	<u>\$ 1,185,858</u>
 <u>Liabilities and net assets</u>	
<u>Liabilities</u>	
Accounts payable	\$ 28,902
Accrued payroll expenses	<u>12,142</u>
Total liabilities	<u>41,044</u>
 <u>Net assets</u>	
<u>Unrestricted net assets</u>	
Operating	442,002
Net investment in property and equipment	52,812
Board-designated operating reserve (Note 6)	30,000
Temporarily restricted (Note 7)	<u>620,000</u>
Total net assets	<u>1,144,814</u>
Total liabilities and net assets	<u>\$ 1,185,858</u>

The accompanying notes are an integral part of these financial statements

A SANCTUARY FOR MILITARY FAMILIES, INC.
DBA: PROJECT SANCTUARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Amount		
	Unrestricted	Temporarily Restricted	Total
<u>Revenue and other support</u>			
Grants	\$ 348,626	\$ 803,000	\$ 1,151,626
Fund-raising events beneficiary	232,005	-	232,005
Contributions	175,938	-	175,938
State and local government grants and contracts	22,813	-	22,813
All other	54	-	54
In-kind contributions (Note 8)	199,683	-	199,683
Net assets released from restrictions (Note 9)	203,000	(203,000)	-
Total revenue and other support	<u>1,182,119</u>	<u>600,000</u>	<u>1,782,119</u>
<u>Expense</u>			
Program services	1,045,209	-	1,045,209
Supporting services			
Management and general	80,275	-	80,275
Fund-raising	67,869	-	67,869
Total expense	<u>1,193,353</u>	<u>-</u>	<u>1,193,353</u>
Change in net assets	(11,234)	600,000	588,766
Transfers (Note 10)	125,881	(125,881)	-
Net assets, beginning of year, as originally stated	410,167	125,881	536,048
Restatement (Note 11)	-	20,000	20,000
Net assets, beginning of year, restated	<u>410,167</u>	<u>145,881</u>	<u>556,048</u>
Net assets, end of year	<u>\$ 524,814</u>	<u>\$ 620,000</u>	<u>\$ 1,144,814</u>

The accompanying notes are an integral part of these financial statements

A SANCTUARY FOR MILITARY FAMILIES, INC.

DBA: PROJECT SANCTUARY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Amount			
	<u>Supporting Services</u>			Total
	Program Services	Management and General	Fund- raising	
Salaries	\$ 178,188	\$ 29,291	\$ 36,614	\$ 244,093
Payroll taxes and benefits	7,744	12,262	1,506	21,512
Retreats:				
Family lodging	250,177	-	-	250,177
Family activity fees	163,010	-	-	163,010
Family travel	108,168	7,132	3,566	118,866
Contracted services - counselors	72,804	-	-	72,804
Family meals	67,559	-	-	67,559
Contracted services - coordinators	62,327	-	-	62,327
Contracted services - administration	57,985	-	-	57,985
Follow-up services	39,976	-	-	39,976
Events - local beneficiary	-	-	17,832	17,832
Accounting services	-	13,103	-	13,103
Supplies	10,937	677	493	12,107
Insurance	25	8,153	28	8,206
Printing	1,399	883	5,080	7,362
Internet	1,884	3,465	729	6,078
All other	9,823	5,309	2,021	17,153
	1,032,006	80,275	67,869	1,180,150
Depreciation	13,203	-	-	13,203
Total expenses	\$ 1,045,209	\$ 80,275	\$ 67,869	\$ 1,193,353

The accompanying notes are an integral part of these financial statements

A SANCTUARY FOR MILITARY FAMILIES, INC.
DBA: PROJECT SANCTUARY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Amount</u>
<u>Cash flows from operating activities</u>	
Change in net assets	\$ 588,766
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	13,203
 <u>Changes in operating assets and liabilities</u>	
(Increase)decrease in grants and contributions receivable	(594,713)
(Increase)decrease in prepaid expenses	(19,403)
(Increase)decrease in facility and security deposits	(20,162)
Increase(decrease) in accounts payable	27,014
Increase(decrease) in accrued payroll expenses	<u>12,142</u>
Net cash provided(used) by operating activities	6,847
Cash and cash equivalents, beginning of year	<u>437,836</u>
Cash and cash equivalents, end of year	<u><u>\$ 444,683</u></u>

The accompanying notes are an integral part of these financial statements

A SANCTUARY FOR MILITARY FAMILIES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 1 - NATURE OF ACTIVITIES

A Sanctuary for Military Families, Inc., DBA: Project Sanctuary (the Organization) is a Colorado not-for-profit, established in 2007 to provide therapeutic, curative, supportive, and recreational activities to veterans, active military personnel, and their families in a leisure environment in an effort to diminish the wearisome impact of returning home after a considerable period away while serving the interest of their country.

The Organization is supported primarily by grants, fund-raising events held by others, and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

5. Grant and Contract Service Revenue

The Organization is funded in part by grants and contracts received from state and local governments. Expenditures made under grant and contract agreements are recorded as revenue when incurred. Amounts expended by the Organization prior to reimbursement are recorded as grants and contracts receivable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

6. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires (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 reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

7. Promises to Give

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity. No allowance was deemed necessary at December 31, 2015.

8. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment of \$1,000 or more. The fair value of donated assets is similarly capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful life is 5 years for vehicles.

9. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

10. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements. The Organization's federal *Return of Organization Exempt from Income Tax* (IRS Form 990) is subject to review, generally for three years after filing.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (concluded)

11. Functional Reporting of Expenses

For the year ended December 31, 2015, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

12. Subsequent Events

Management has evaluated subsequent events through April 12, 2016, the date the financial statements were available to be issued.

NOTE 3 - GRANTS RECEIVABLE

Grants receivable represent \$624,583 in grants awarded on or before December 31, 2015. No provision for uncollectible amounts was deemed necessary by management at December 31, 2015.

NOTE 4 - PREPAID EXPENSES

Prepaid expenses include \$19,403 in expenses paid in advance at December 31, 2015, for a special event to be held in 2016.

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Vehicles	\$ 66,015
Less: accumulated depreciation	<u>(13,203)</u>
Net property and equipment	<u>\$ 52,812</u>

Depreciation expense for the year was \$13,203.

NOTE 6 - BOARD-DESIGNATED OPERATING RESERVE

The Board of Directors has variance power over the ultimate use of the board-designated funds of \$30,000 to be used for any unexpected needs or unanticipated funding reductions. Because the Board has control, the designated operating reserve is included in unrestricted funds of the Organization.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Retreat sponsorships	\$ 520,000
Time restricted - operating grant	100,000
Total	<u>\$ 620,000</u>

NOTE 8 - IN-KIND CONTRIBUTIONS

Donated services which require recognition are those that create or enhance non-financial assets or that specifically require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated goods and services are reflected in the accompanying statements at their estimated values at date of receipt. The value of in-kind contributions included in the financial statements and the corresponding expenses for the year are:

<u>Description</u>	<u>Amount</u>
Rent - retreat facilities	\$ 130,487
Food and beverages	20,439
Retreat family activities	17,785
Classroom materials and instruction	15,000
Photography	11,950
Other	4,022
Total	<u>\$ 199,683</u>

In addition, the Organization received an additional 5,055 hours of contributed services consisting primarily of retreat support services, including food preparation, child care, recreation activity assistance, housekeeping, and emotional support valued at \$129,812. These donated services were not recognized in the financial statements because they did not meet the criteria for recognition.

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes:

<u>Description</u>	<u>Amount</u>
Retreat sponsorships	<u>\$ 203,000</u>

NOTE 10 - TRANSFERS

During the year, the Organization received approval from donors for the transfer of funds originally donated for the Organization's capital campaign. Donors approved the use of these funds for operations of the Organization. As a result, \$125,881 was transferred from temporarily restricted net assets to unrestricted net assets during the year ended December 31, 2015.

NOTE 11 - RESTATEMENT

During the current year, it was discovered that a grant receivable from a foundation in the amount of \$20,000 had not been recorded in the prior year. To correct this error, an adjustment of \$20,000 was made to increase the December 31, 2014, balances of grants receivable and temporarily restricted net assets. This adjustment increased the 2014 change in net assets by \$20,000.

NOTE 12 - PENSION PLAN

The Organization offers a Simple IRA retirement plan for all employees. After an employee has earned \$5,000 in at least one of the two prior years and has the expectation of earning \$5,000 in the year of election to participate, they may choose to designate part of their salary to be placed in the tax-deferred Simple IRA plan. The Organization contributes 2% of the employee's compensation, regardless of the employee's level of participation, after the conclusion of each plan year. Employees are 100% vested upon the first elected deferral contribution. The Organization's contributions for the year ended December 31, 2015, were \$2,212.

NOTE 13 - CONTINGENCIES

The grants require the fulfillment of certain conditions set forth in the instrument of the grant. Failure to fulfill the conditions could result in disallowed claims or questioned costs and may constitute a liability of the Organization

NOTE 14 - REVENUE RECOGNITION

During the year ended December 31, 2015, the Organization received multiple-year grants from two foundations totaling \$860,000, to be paid out in years 2015-2017. Per generally accepted accounting principles, the entire amount of these awards of \$860,000 was recognized as unrestricted and temporarily restricted revenue in the amount of \$100,000 and \$760,000, respectively, at December 31, 2015. As a result, for the year ended December 31, 2015, the Organization recognized \$610,000 in revenue with corresponding expenses that will not be incurred until subsequent years.

NOTE 15 CONCENTRATION OF CREDIT RISK

The Organization's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents. The Organization's cash and cash equivalents are in demand deposit accounts placed with federally insured financial institutions. Such deposit accounts at times may exceed the federally insured limited. As of the date of this report, the Organization has not experienced any losses on these accounts.