

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

Financial Statements
Reports As Of December 31, 2017
(With Summarized Financial Information
As Of December 31, 2016)

Together With Independent Auditors' Report

JDS professional
group
certified public accountants, consultants and advisors



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
A Sanctuary for Military Families, Inc.
DBA: Project Sanctuary:

Report on the Financial Statements

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, 2017, and the related statements of activities, statement of 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 from 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.

Members:

American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants

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Independent Auditor's Report (Continued)

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, 2017, 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.

Reporting on Summarized Comparative Information

A Sanctuary for Military Families, Inc., DBA: Project Sanctuary's 2016 financial statements were audited by other auditors, which an unmodified opinion on those audited financials were issued in their report dated March 16, 2017, and have been included in this report for summarized comparative purposes only.

JDS Professional Group

April 27, 2018

A SANCTUARY FOR MILITARY FAMILIES, INC.
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Statement Of Financial Position
As Of December 31, 2017
(With Summarized Financial Information As Of December 31, 2016)

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| ASSETS | <u>2017</u> | <u>2016</u> |
|--|---------------------------|---------------------------|
| Cash and cash equivalents | \$ 964,120 | \$ 724,069 |
| Promises to give | 132,773 | 356,521 |
| Investments | 21,691 | |
| Prepaid expenses | 3,399 | 4,974 |
| Facility and security deposits | 75,694 | 42,748 |
| Property and equipment, net | <u>26,406</u> | <u>39,609</u> |
| TOTAL ASSETS | <u>\$1,224,083</u> | <u>\$1,167,921</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable | \$ 8,499 | \$ 5,333 |
| Accrued payroll liabilities | <u>23,794</u> | <u>20,724</u> |
| Total Liabilities | <u>32,293</u> | <u>26,057</u> |
| Net Assets: | | |
| Unrestricted - | | |
| Operating | 888,400 | 727,255 |
| Net investment in property and equipment | 26,406 | 39,609 |
| Board-designated operating reserve | <u>30,000</u> | <u>30,000</u> |
| Total Unrestricted | 944,806 | 796,864 |
| Temporarily restricted | <u>246,984</u> | <u>345,000</u> |
| Total Net Assets | <u>1,191,790</u> | <u>1,141,864</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$1,224,083</u> | <u>\$1,167,921</u> |

The accompanying notes are an integral part of the financial statements.

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

Statement Of Activities

For The Year Ended December 31, 2017

(With Summarized Financial Information For The Year Ended December 31, 2016)

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| | Unrestricted | Temporarily Restricted | 2017 Total | 2016 Total |
|---|-------------------|---------------------------|--------------------|--------------------|
| Support And Revenue: | | | | |
| Grants | \$ 493,844 | \$ 328,371 | \$ 822,215 | \$ 585,501 |
| Contributions | 261,698 | | 261,698 | 259,775 |
| Fundraising events held by others | 188,550 | | 188,550 | 202,718 |
| Special events, net | 189,201 | | 189,201 | 100,385 |
| In-kind contributions | 272,837 | | 272,837 | 180,457 |
| State and local government grants and contracts | 4,434 | | 4,434 | 18,629 |
| Other income | 1,218 | | 1,218 | 1,274 |
| Net assets released from restrictions - | | | | |
| Satisfaction of program and time restrictions | 426,387 | (426,387) | | |
| Total Support And Revenue | <u>1,838,169</u> | <u>(98,016)</u> | <u>1,740,153</u> | <u>1,348,739</u> |
| Expenses: | | | | |
| Program services | <u>1,499,533</u> | | <u>1,499,533</u> | <u>1,200,982</u> |
| Supporting services - | | | | |
| Management and general | 49,935 | | 49,935 | 35,728 |
| Fundraising | 140,759 | | 140,759 | 114,979 |
| Total Supporting Services | <u>190,694</u> | | <u>190,694</u> | <u>150,707</u> |
| Total Expenses | <u>1,690,227</u> | | <u>1,690,227</u> | <u>1,351,689</u> |
| CHANGES IN NET ASSETS | 147,942 | (98,016) | 49,926 | (2,950) |
| Net Assets, Beginning Of Year | <u>796,864</u> | <u>345,000</u> | <u>1,141,864</u> | <u>1,144,814</u> |
| NET ASSETS, END OF YEAR | <u>\$ 944,806</u> | <u>\$ 246,984</u> | <u>\$1,191,790</u> | <u>\$1,141,864</u> |

The accompanying notes are an integral part of the financial statements.

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Statement Of Functional Expenses

For The Year Ended December 31, 2017

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(With Summarized Financial Information For The Year Ended December 31, 2016)

| | Supporting Services | | | 2017 Total | 2016 Total |
|--|---------------------|------------------------------|-------------|---------------|---------------|
| | Program Services | Management and General | Fundraising | | |
| Salaries | \$ 249,579 | \$ 21,842 | \$ 55,553 | \$ 326,974 | \$ 264,846 |
| Payroll taxes and benefits | 29,800 | 2,608 | 6,633 | 39,041 | 32,127 |
| Retreats - | | | | | |
| Family lodging | 346,897 | - | - | 346,897 | 315,558 |
| Family activity fees | 297,656 | - | - | 297,656 | 223,814 |
| Family meals | 116,966 | - | - | 116,966 | 101,693 |
| Contracted services - counselors | 78,630 | - | - | 78,630 | 96,040 |
| Family travel | 90,449 | - | - | 90,449 | 79,592 |
| Contracted services - coordinator | 107,814 | - | - | 107,814 | 65,117 |
| Follow-up services | 17,389 | - | - | 17,389 | 12,133 |
| Walton's Warrior Expenses | 75,663 | - | - | 75,663 | - |
| Contracted Services - marketing, development, administrative | 34,084 | 1,884 | 30,061 | 66,029 | 66,928 |
| Accounting services | - | 13,778 | - | 13,778 | 20,026 |
| Supplies | 1,436 | 448 | 9,386 | 11,270 | 11,790 |
| Printing | 6,097 | 24 | 8,259 | 14,380 | 10,985 |
| Internet technology | 2,667 | 768 | 1,065 | 4,500 | 9,741 |
| Insurance | 7,599 | 97 | 1,306 | 9,002 | 4,304 |
| Postage and shipping | 2,908 | 194 | 3,134 | 6,236 | 3,632 |
| Advertising | 12 | - | 4,344 | 4,356 | 3,543 |
| Rent | 2,772 | 100 | 468 | 3,340 | 3,150 |
| Credit card processing fees | - | 4,664 | - | 4,664 | 3,102 |
| Meetings | 682 | 1,460 | - | 2,142 | 4,266 |
| Events - local beneficiary | 2,031 | - | 12,101 | 14,132 | 2,625 |
| Telephone | 1,281 | 49 | 203 | 1,533 | 1,928 |
| Other expenses | 17,043 | 1,137 | 6,003 | 24,183 | 1,546 |
| | 1,489,455 | 49,053 | 138,516 | 1,677,024 | 1,338,486 |
| Depreciation | 10,078 | 882 | 2,243 | 13,203 | 13,203 |
| Total expenses | \$ 1,499,533 | \$ 49,935 | \$ 140,759 | \$ 1,690,227 | \$ 1,351,689 |

The accompanying notes are an integral part of the financial statements.

**A SANCTUARY FOR MILITARY FAMILIES, INC.
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Statement Of Cash Flows

For The Year Ended December 31, 2017

(With Summarized Financial Information For The Year Ended December 31, 2016)

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| | <u>2017</u> | <u>2016</u> |
|---|--------------------------|--------------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 49,926 | \$ (2,950) |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation | 13,203 | 13,203 |
| Realized and unrealized (gain) on investments | (524) | |
| Changes in assets and liabilities - | | |
| Decrease in grants and contributions receivable | 223,748 | 268,062 |
| Decrease in prepaid expenses | 1,575 | 14,429 |
| (Increase) decrease in facility and security deposits | (32,946) | 1,629 |
| Increase (decrease) in accounts payable | 3,166 | (23,569) |
| Increase in accrued payroll expenses | 3,070 | 8,582 |
| Net cash provided by operating activities | <u>261,218</u> | <u>279,386</u> |
| Cash flows from investing activities | | |
| Purchases of investments | <u>(21,167)</u> | |
| Net cash (used in) investing activities | <u>(21,167)</u> | |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 240,051 | 279,386 |
| Cash And Cash Equivalents, Beginning Of Year | <u>724,069</u> | <u>444,683</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 964,120</u> | <u>\$ 724,069</u> |

The accompanying notes are an integral part of the financial statements.

**A SANCTUARY FOR MILITARY FAMILIES, INC.
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Notes To Financial Statements
For The Year Ended December 31, 2017

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(1) **Nature Of The Organization**

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, contributions, and fundraising events held by others.

(2) **Summary Of Significant Accounting Policies**

Method Of Accounting

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

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. As of December 31, 2017, the Organization did not have any permanently restricted net assets.

Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash And Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and demand deposit accounts. The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

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Notes To Financial Statements (Continued)

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Investments

Investments are reflected at fair value using quoted market prices where available. Investment income (including realized and unrealized gains and losses on investments, interest and dividends) is recorded in the accompanying statements of activities as unrestricted investment income unless restricted by donor or law.

Government Grants And Contracts Service Revenue

The Organization is funded in part by grants and contracts received from state and local governments. Revenue is recognized as the Organization meets its obligations under the contracts, and revenue is deferred when payments are received prior to performance of the designated research activities. Amounts expended by the Organization prior to reimbursement are recorded as grants and contracts receivable.

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.

As of December 31, 2017, all promises to give are expected to be received within the year. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history, type of contribution, and nature of fund-raising activity. No allowance was deemed necessary as of December 31, 2017.

Contributions

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

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Notes To Financial Statements (Continued)

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regarding how long those long-lived assets must be maintained, the Organization reports the expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Property and Equipment

Property and equipment is stated at cost, or fair value if contributed. Expenditures for maintenance, repairs, and minor replacements are charged to operations, and expenditures for major replacements and betterments of \$1,000 and greater are capitalized. Property and equipment is depreciated on a straight line basis over the estimated useful life of 5 years.

Functional Allocation Of Expenses

The costs of providing the programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the programs and supporting services benefitted.

Fair Value Measurements

The carrying amount reported in the statement of financial position for cash and cash equivalents, promises to give, accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Evaluation of Subsequent Events

The Organization has performed an evaluation of subsequent events through April 27, 2018, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

(3) **Tax Exempt Status**

The Organization is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. As such, donors are entitled to a

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Notes To Financial Statements (Continued)

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charitable deduction for their contribution to the Organization.

The Organization follows the *Accounting for Uncertainty in Income Taxes* accounting standard which requires the Organization to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the year ended December 31, 2017, the Organization's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an affect on its tax-exempt status.

The Organization is no longer subject to U.S. federal tax audits on its Form 990 by taxing authorities for years ending prior to December 31, 2014. The years subsequent to this year contain matters that could be subject to differing interpretations of applicable tax laws and regulations. Although the outcome of tax audits is uncertain, the Organization believes no issues would arise.

(4) **Investments and Concentration Of Credit Risk**

Investments consisted of the following as of December 31, 2017:

| | |
|------------------------------|------------------|
| Money markets | \$ 1,946 |
| Exchange-Traded Funds | |
| Real estate | 1,736 |
| High yield bond | 1,900 |
| Diversified emerging markets | 954 |
| Foreign large blend | 4,283 |
| Convertibles | 1,771 |
| Short term bond | 5,780 |
| Large blend | 3,321 |
| Total | <u>\$ 21,691</u> |

The investments in exchange-traded funds are considered Level 1 under the fair value hierarchy.

Investment income is included in other income and consisted of the following as of December 31, 2017:

| | |
|------------------------|---------------|
| Interest and dividends | \$ 232 |
| Unrealized net gains | 524 |
| Total | <u>\$ 756</u> |

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Notes To Financial Statements (Continued)

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The Organization's cash deposits are held at financial institutions at which deposits are insured up to \$250,000 per institution by the FDIC. As of December 31, 2017, the Organization exceeded the limit by approximately \$604,000.

(5) **Commitments And Contingencies**

The Organization receives certain revenues from contracts with various government agencies. The disbursement of funds received under these contracts generally requires compliance with terms and conditions specified in the contracts and is subject to audit by the contracting agencies. The amounts of charges to these contracts that may be disallowed, if any, by such audits cannot presently be determined and no provision for any liability that may result has been made in the financial statements. However, management believes that the Organization is in compliance with its requirements, and no material liability has arisen in the past or is currently expected.

(6) **Property and Equipment**

Property and equipment consisted of the following as of December 31, 2017:

| | |
|--------------------------------|------------------|
| Vehicles | \$ 66,015 |
| Less: accumulated depreciation | (39,609) |
| Net property and equipment | <u>\$ 26,406</u> |

Depreciation expense for the year ended December 31, 2017, was \$13,203.

(7) **Temporarily Restricted Net Assets**

As of December 31, 2017, temporarily restricted net assets consisted of the following:

| | |
|--------------------|-------------------|
| 2018 Spring Appeal | \$ 15,000 |
| Walton Warriors | 79,211 |
| Time restricted | <u>152,773</u> |
| | <u>\$ 246,984</u> |

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Notes To Financial Statements (Continued)

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(8) **Special Events**

Special events for the year ended December 31, 2017 consisted of the following:

| | |
|------------------------|-------------------|
| Special events revenue | \$ 269,604 |
| Less: direct expenses | <u>(81,054)</u> |
| | <u>\$ 188,550</u> |

For the year ended December 31, 2017, special events consisted of a poker tournament and auction, as well as a gala dinner with a silent auction. Direct fund-raising event expenses consisted of items that are of direct benefit to the attendees. The Organization received non-cash contributions of \$69,066 in donated items for auction which are included in special events revenue at the amount received at December 31, 2017.

(9) **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 ended December 31, 2017, are as follows:

| | |
|-------------------------------------|-------------------|
| Rent - retreat facilities | \$ 142,920 |
| Photography | 29,714 |
| Retreat family activities | 60,719 |
| Food and beverages | 10,407 |
| Classroom materials and instruction | 22,343 |
| Other | <u>6,734</u> |
| | <u>\$ 272,837</u> |

The volunteer services pertaining to photography and classroom instruction are reflected in the Family activity fees in the statement of functional expenses.

In addition, the Organization received an additional 11,147 hours of contributed services consisting primarily of gala event assistance; retreat support services, including food preparation; child care; recreation activity assistance; housekeeping; and emotional support valued at \$289,377. These

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donated services were not recognized in the financial statements because they did not meet the criteria for recognition.

(10) **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, 2017, were \$5,664.

(11) **Expenses**

Total expenses incurred during the year ended December 31, 2017, are as follows:

| | |
|-------------------------------------|---------------------|
| Total expenses reported by function | \$ 1,690,227 |
| Direct benefit to donor | 81,054 |
| Total expenses | <u>\$ 1,771,281</u> |