

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

A SANCTUARY FOR MILITARY FAMILIES, INC.
DBA: PROJECT SANCTUARY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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March 16, 2017

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, 2016, 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, 2016, 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.

Report on Summarized Comparative Information

We have previously audited A Sanctuary for Military Families, Inc., DBA: Project Sanctuary's financial statements for the year ended December 31, 2015, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

A SANCTUARY FOR MILITARY FAMILIES, INC.
DBA: PROJECT SANCTUARY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016	2015
<u>Assets</u>		
Cash and cash equivalents	\$ 724,069	\$ 444,683
Grants receivable - unrestricted and temporarily restricted (Note 3)	356,521	624,583
Prepaid expenses (Note 4)	4,974	19,403
Facility and security deposits	42,748	44,377
Property and equipment, net (Note 5)	39,609	52,812
Total assets	\$ 1,167,921	\$ 1,185,858
 <u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 5,333	\$ 28,902
Accrued payroll expenses	20,724	12,142
Total liabilities	26,057	41,044
 <u>Net assets</u>		
<u>Unrestricted net assets</u>		
Operating	727,255	442,002
Net investment in property and equipment	39,609	52,812
Board-designated operating reserve (Note 6)	30,000	30,000
Temporarily restricted (Note 7)	345,000	620,000
Total net assets	1,141,864	1,144,814
Total liabilities and net assets	\$ 1,167,921	\$ 1,185,858

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, 2016

(WITH COMPARATIVE TOTALS FOR 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue and other support</u>				
Grants	\$ 406,501	\$ 179,000	\$ 585,501	\$ 1,151,626
Contributions	237,348	22,427	259,775	175,938
Fund-raising events beneficiary	202,718	-	202,718	232,005
Special events, net (Note 8)	100,385	-	100,385	-
State and local government grants and contracts	18,629	-	18,629	22,813
All other	1,274	-	1,274	54
In-kind contributions (Note 9)	180,457	-	180,457	199,683
Net assets released from restrictions (Note 10)	476,427	(476,427)	-	-
Total revenue and other support	1,623,739	(275,000)	1,348,739	1,782,119
<u>Expense</u>				
Program services	1,200,982	-	1,200,982	1,045,209
Supporting services				
Management and general	35,728	-	35,728	80,275
Fund-raising	114,979	-	114,979	67,869
Total expense	1,351,689	-	1,351,689	1,193,353
Change in net assets	272,050	(275,000)	(2,950)	588,766
Net assets, beginning of year	524,814	620,000	1,144,814	556,048
Net assets, end of year	\$ 796,864	\$ 345,000	\$ 1,141,864	\$ 1,144,814

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, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016			2015	
		Supporting Services			
	Program Services	Management and General	Fund- raising	Total	Total
Salaries	\$ 206,295	\$ 9,680	\$ 48,871	\$ 264,846	\$ 242,893
Payroll taxes and benefits	25,193	2,044	4,890	32,127	22,712
Retreats:					
Family lodging	313,641	-	1,917	315,558	250,164
Family activity fees	223,814	-	-	223,814	163,023
Family meals	99,807	1,390	496	101,693	67,559
Contracted services - counselors	96,040	-	-	96,040	72,804
Family travel	71,514	714	7,364	79,592	121,585
Contracted services - coordinators	65,117	-	-	65,117	62,327
Follow-up services	12,133	-	-	12,133	39,976
Contracted services - marketing, development, administrative	41,916	2,109	22,903	66,928	57,985
Accounting services	14,329	1,120	4,577	20,026	13,103
Supplies	10,639	595	556	11,790	12,107
Printing	4,343	-	6,642	10,985	7,362
Internet technology	6,535	516	2,690	9,741	6,078
Insurance	3,099	215	990	4,304	8,206
Postage and shipping	1,812	324	1,496	3,632	2,276
Advertising	664	-	2,879	3,543	2,757
Rent	-	3,150	-	3,150	-
Credit card processing fees	-	129	2,973	3,102	1,235
Meetings	2,456	55	1,755	4,266	2,291
Events - local beneficiary	-	-	2,625	2,625	17,832
Telephone	1,156	246	526	1,928	2,903
All other	479	238	829	1,546	2,972
	1,200,982	22,525	114,979	1,338,486	1,180,150
Depreciation	-	13,203	-	13,203	13,203
Total expenses	\$ 1,200,982	\$ 35,728	\$ 114,979	\$ 1,351,689	\$ 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, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	<u>2016</u>	<u>2015</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (2,950)	\$ 588,766
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	13,203	13,203
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in grants and contributions receivable	268,062	(594,713)
(Increase)decrease in prepaid expenses	14,429	(19,403)
(Increase)decrease in facility and security deposits	1,629	(20,162)
Increase(decrease) in accounts payable	(23,569)	27,014
Increase(decrease) in accrued payroll expenses	8,582	12,142
Net cash provided(used) by operating activities	279,386	6,847
Cash and cash equivalents, beginning of year	444,683	437,836
Cash and cash equivalents, end of year	<u>\$ 724,069</u>	<u>\$ 444,683</u>
	-	-

The accompanying notes are an integral part of these financial statements

A SANCTUARY FOR MILITARY FAMILIES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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, contributions, and fund-raising events held by others.

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.

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.

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

6. Donations (concluded)

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, 2016.

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.

11. Functional Reporting of Expenses

For the year ended December 31, 2016, 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. Reclassifications

Certain fiscal year 2015 balances have been reclassified to conform to the fiscal year 2016 financial statement presentation.

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

13. Summarized Prior-Year 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, 2015, from which the summarized information was derived.

14. Subsequent Events

Management has evaluated subsequent events through March 16, 2017, the date the financial statements were available to be issued.

NOTE 3 - GRANTS RECEIVABLE

Grants receivable represent \$356,521 in grants awarded on or before December 31, 2016. No provision for uncollectible amounts was deemed necessary by management at December 31, 2016.

NOTE 4 - PREPAID EXPENSES

Prepaid expenses include \$4,974 in expenses paid in advance at December 31, 2016, for a special event to be held in 2017.

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>(26,406)</u>
Net property and equipment	<u>\$ 39,609</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	\$ 315,000
A.R.T. Program	30,000
Total	<u>\$ 345,000</u>

NOTE 8 - SPECIAL EVENTS, NET

Special events for the year consisted of:

<u>Description</u>	<u>Amount</u>
Special events revenue	\$ 178,064
Less: direct expenses	<u>(77,679)</u>
Total	<u>\$ 100,385</u>

For the year, 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 \$37,665 in donated items for auction which are included in special events revenue at the amount received at December 31, 2016. (See Note 9, In-kind Contributions.)

NOTE 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 are:

<u>Description</u>	<u>Amount</u>
Rent - retreat facilities	\$ 121,856
Photography	21,833
Retreat family activities	18,790
Food and beverages	6,498
Website design	4,390
Classroom materials and instruction	3,225
Accounting services	2,751
Other	<u>1,114</u>
Total	<u>\$ 180,457</u>

The Organization received non-cash contributions of \$37,665 in donated items for auction which are included in special events revenue at the amount received at December 31, 2016. (See Note 8, Special Events, Net).

NOTE 9 - IN-KIND CONTRIBUTIONS (concluded)

In addition, the Organization received an additional 10,134 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 \$263,079. These donated services were not recognized in the financial statements because they did not meet the criteria for recognition.

NOTE 10 - 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	\$ 266,427
Peer mentoring training program grant	100,000
Time-restricted general operating grant	100,000
Returning veterans grant	10,000
Total	<u>\$ 476,427</u>

NOTE 11 - 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, 2016, were \$6,739.

NOTE 12 - 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 13 - 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, 2016. As a result, for the year ended December 31, 2016, the Organization is reporting expenses of \$310,000 with a corresponding release of temporarily restricted revenue (Note 10).

NOTE 14 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.