

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

Financial Statements  
Reports As Of December 31, 2018  
(With Summarized Financial Information  
As Of December 31, 2017)

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, 2018, 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.

### **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, 2018, 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.

**Effect of Adopting New Accounting Standard**

As discussed in Note 2, the Organization adopted the Financial Accounting Standards Board's Accounting Standards ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

**Reporting on Summarized Comparative Information**

We have previously audited the Organization's December 31, 2017, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*JDS Professional Group*

March 21, 2019

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

Statement Of Financial Position

As Of December 31, 2018

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

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<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 761,482	\$ 964,120
Promises to give, net	633,707	132,773
Investments		21,691
Prepaid expenses	11,954	3,399
Facility and security deposits	43,990	75,694
Property and equipment, net	<u>13,203</u>	<u>26,406</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,464,336</u></b>	<b><u>\$1,224,083</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 36,433	\$ 8,499
Accrued payroll liabilities	<u>59,194</u>	<u>23,794</u>
Total Liabilities	<u>95,627</u>	<u>32,293</u>
Net Assets:		
Without donor restrictions	419,722	944,806
With donor restrictions	<u>948,987</u>	<u>246,984</u>
Total Net Assets	<u>1,368,709</u>	<u>1,191,790</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,464,336</u></b>	<b><u>\$1,224,083</u></b>

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, 2018

(With Summarized Financial Information For The Year Ended December 31, 2017)

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	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
<b>Support And Revenue:</b>				
Grants	\$ 373,902	\$ 873,699	\$ 1,247,601	\$ 826,649
Contributions	345,976		345,976	261,698
Fundraising events held by others	174,986		174,986	188,550
Special events, net	174,825		174,825	189,201
In-kind contributions	248,503		248,503	272,837
Other income	4,727		4,727	1,218
Net assets released from restrictions -				
Satisfaction of program and time restrictions	171,696	(171,696)		
<b>Total Support And Revenue</b>	<u>1,494,615</u>	<u>702,003</u>	<u>2,196,618</u>	<u>1,740,153</u>
<b>Expenses:</b>				
Program services	1,658,972		1,658,972	1,499,533
Supporting services -				
Management and general	125,527		125,527	49,935
Fundraising	235,200		235,200	140,759
<b>Total Supporting Services</b>	<u>360,727</u>		<u>360,727</u>	<u>190,694</u>
<b>Total Expenses</b>	<u>2,019,699</u>		<u>2,019,699</u>	<u>1,690,227</u>
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	(525,084)	702,003	176,919	49,926
Net Assets, Beginning Of Year	944,806	246,984	1,191,790	1,141,864
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 419,722</u>	<u>\$ 948,987</u>	<u>\$ 1,368,709</u>	<u>\$ 1,191,790</u>

The accompanying notes are an integral part of the financial statements

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

**Statement Of Functional Expenses  
For The Year Ended December 31, 2018**

(With Summarized Financial Information For The Year Ended December 31, 2017)

	Program Services	Supporting Services			2017 Total
		Management and General	Fundraising	2018 Total	
Salaries *	\$ 505,677	\$ 42,140	\$ 154,512	\$ 702,329	\$ 326,974
Payroll taxes and benefits	63,441	5,286	19,385	88,112	39,041
Retreats -					
Family lodging	399,668			399,668	346,897
Family activity fees	258,839			258,839	297,656
Family meals	134,863			134,863	116,966
Contracted services - counselors	-			-	78,630
Family travel	94,938			94,938	90,449
Contracted services - coordinator	16,953			16,953	107,814
Follow-up services	17,311			17,311	17,389
Walton's Warrior Expenses	63,931			63,931	75,663
Contracted Services - marketing, development, administrative	2,011	53,257	408	55,676	79,807
Supplies	16,325	620	1,930	18,875	11,270
Printing	7,772	647	2,375	10,794	14,380
Internet technology	7,341	612	2,243	10,196	4,500
Insurance	8,686	724	2,653	12,063	9,002
Postage and shipping	6,836	570	2,089	9,495	6,236
Advertising	26,314	2,193	8,041	36,548	4,356
Rent	2,376	198	726	3,300	3,340
Credit card processing fees		11,499		11,499	4,664
Meetings	4,484	727	1,659	6,870	2,142
Events - local beneficiary			20,858	20,858	14,132
Telephone	1,157	96	354	1,607	1,533
Travel	1,416	4,421	14,552	20,389	
Other expenses	9,129	1,745	510	11,384	24,183
	1,649,466	124,735	232,295	2,006,496	1,677,024
Depreciation	9,506	792	2,905	13,203	13,203
<b>Total expenses</b>	<b>\$ 1,658,972</b>	<b>\$ 125,527</b>	<b>\$ 235,200</b>	<b>\$ 2,019,699</b>	<b>\$ 1,690,227</b>

\* The increase in salary expense from 2017 to 2018 reflects additional hiring, 20 individuals moving from contractor status to part-time or full-time employee status, along with normal cost of living and compensation survey market adjustments.

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, 2018

(With Summarized Financial Information For The Year Ended December 31, 2017)

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	2018	2017
Cash flows from operating activities:		
Changes in net assets	\$ 176,919	\$ 49,926
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 -		
(Increase) decrease in grants and contributions receivable	(500,934)	223,748
(Increase) decrease in prepaid expenses	(8,555)	1,575
(Increase) decrease in facility and security deposits	31,704	(32,946)
Increase in accounts payable	27,934	3,166
Increase in accrued payroll expenses	35,400	3,070
Net cash (used in) provided by operating activities	<u>(224,329)</u>	<u>261,218</u>
Cash flows from investing activities		
Sale of investments	21,691	
Purchases of investments		(21,167)
Net cash provided by (used in) investing activities	<u>21,691</u>	<u>(21,167)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(202,638)</b>	<b>240,051</b>
Cash And Cash Equivalents, Beginning Of Year	<u>964,120</u>	<u>724,069</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 761,482</u></b>	<b><u>\$ 964,120</u></b>

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 (Continued)

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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. The Organization believes that everyone has the right and the ability to heal, and that when one person serves the whole family serves. The Organization takes a human-centered, solution-based approach to helping military families heal and move forward in life. The Organization assists military service members by reconnecting the family unit through holistic approach and innovative long-term programming focused on connectedness. The Organization restores hope empowers families to recover and thrive. The program heals the traumatic effects of military service, treating all members of the family at their level of need and enabling the service members to reintegrate into their families and communities in a healthy and sustainable manner. The Organization's work preserves the family unit, strengthening the community, the military, and the 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 Accounting**

Financial statement presentation follows the recommendations of *Financial Statements for Not-for-Profit Organizations*. Under this standard, the Organization is required to report information regarding financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.



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Notes To Financial Statements (Continued)

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Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non operating activities. Operating activities consists of those items attributable to the Organization's ongoing program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

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 support, 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.

Investments

Investments are reflected at fair value using quoted market prices. Investment income (including realized and unrealized gains and losses on investments, and 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. During the year ended December 31, 2018, contributions expected to be received after one year were discounted at a rate of 2.61%. Amortization of discounts

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Notes To Financial Statements (Continued)

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is recorded as additional contribution revenue in accordance with donor-imposed restrictions on the contributions.

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, 2018.

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), 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 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 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 live 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. Such allocations are determined by management on an equitable basis. Costs not directly attributable to a function, including depreciation, payroll, office expense, advertising, rent, and utilities are allocated to a function based on estimates of time and effort.

Fair Value Measurements

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

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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, 2017, from which the summarized information was derived.

Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The change required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Evaluation of Subsequent Events

The Organization has performed an evaluation of subsequent events through March 21, 2019, 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.

Reclassifications

Certain amounts have been reclassified in the prior year for comparative purposes.

(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 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

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Notes To Financial Statements (Continued)

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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, 2018, 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, 2015. 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) **Promises to Give**

Promises to give as of December 31, 2018, consisted of the following:

Amounts due in:	
Less than one year	\$ 420,008
One to two years	225,000
Total promise to give	<u>645,008</u>
Less unamortized discount	(11,301)
Net promises to give	<u>\$ 633,707</u>

(5) **Concentration Of Credit Risk**

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, 2018, the Organization exceeded the limit by approximately \$478,000.

(6) **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.

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Notes To Financial Statements (Continued)

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(7) **Property and Equipment**

Property and equipment consisted of the following as of December 31, 2018:

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

Depreciation expense for the year ended December 31, 2018, was \$13,203.

(8) **Net Assets With Donor Restrictions**

As of December 31, 2018, donor restricted net assets consisted of the following:

Walton Warriors	\$ 15,280
Time restricted - promises to give	633,707
Time restricted - utilized in 2019	300,000
	<u>\$ 948,987</u>

(9) **Liquidity and Availability of Financial Assets**

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

Cash and cash equivalents	\$ 761,482
Promise to give, current	420,008
	<u>\$ 1,181,490</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.

Financial assets, at year end	\$ 1,181,490
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restriction by donor with time or purpose restrictions	228,979
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 952,511</u>

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Notes To Financial Statements (Continued)

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(10) **Special Events**

Special events for the year ended December 31, 2018, consisted of the following:

Special events revenue	\$ 269,454
Less: direct expenses	(94,629)
	<u>\$ 174,825</u>

(11) **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, 2018, are as follows:

Rent - retreat facilities	\$ 10,840
Photography	5,960
Retreat family activities	128,506
Lodging and retreats	43,154
Food and beverages	19,477
Classroom materials and instruction	1,411
Events expenses	28,456
Accounting services	8,969
Other	1,730
	<u>\$ 248,503</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 10,582 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 \$261,257. These donated services were not recognized in the financial statements because they did not meet the criteria for recognition.

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Notes To Financial Statements (Continued)

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(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, 2018, were \$9,286.

(13) **Expenses**

Total expenses incurred during the year ended December 31, 2018, are as follows:

Total expenses reported by function	\$ 2,019,699
Direct benefit to donor	94,629
Total expenses	<u>\$ 2,114,328</u>

(14) **New Accounting Pronouncements**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers* (Topic 606), which deferred the effective date of the new revenue recognition standard for one year. The new standard is effective for the Organization for the year ended December 31, 2019. Early application is permitted for the Organization. The Organization is evaluating the effect that ASU 2015-14 will have on its financial statement and related disclosures.

In June 2018, the FASB issued ASU no. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies how entities will determine whether to account for a transfer of assets as an exchange transaction or a contribution. The distinction is important because contributions are accounted for under Accounting Standards Codification (ASC) 958-605, *Not-For-Profit Entities - Revenue Recognition*, which exchange transactions are accounted for under other guidance such as ASC 606, *Revenue from Contracts with Customers*. The guidance also clarifies how entities will determine whether a contribution is conditional. The timing of revenue and expense recognition depends upon

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whether a contribution is conditional or unconditional. The new standard is effective for the Organization for the year ended December 31, 2019. Early adoption is permitted. The Organization is evaluating the effect that ASU No. 2018-08 will have on its financial statements and related disclosures.