

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

Financial Statements
As Of September 30, 2019
(With Summarized Financial Information
As Of December 31, 2018)

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 September 30, 2019, and the related statements of activities, functional expenses and cash flows for the nine month period 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

10303 E. Dry Creek Road, Suite 400 • Englewood, CO 80112 • 303 771 0123 • 303 771 0078 fax

www.jdscpagroup.com

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 September 30, 2019, and the changes in its net assets and its cash flows for the nine month period ended in accordance with accounting principles generally accepted in the United States of America.

Reporting on Summarized Comparative Information

We have previously audited the Organization's December 31, 2018, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

JDS Professional Group

January 16, 2020

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

Statement Of Financial Position

As Of September 30, 2019

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

Page -3-

ASSETS	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 351,938	\$ 761,482
Promises to give, net	335,000	633,707
Prepaid expenses	16,980	11,954
Facility and security deposits	30,807	43,990
Property and equipment, net	<u>3,301</u>	<u>13,203</u>
TOTAL ASSETS	<u>\$ 738,026</u>	<u>\$ 1,464,336</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 97,833	\$ 36,433
Deferred revenue	42,010	
Accrued payroll liabilities	<u>45,710</u>	<u>59,194</u>
Total Liabilities	<u>185,553</u>	<u>95,627</u>
Net Assets:		
Without donor restrictions	(17,527)	419,722
With donor restrictions	<u>570,000</u>	<u>948,987</u>
Total Net Assets	<u>552,473</u>	<u>1,368,709</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 738,026</u>	<u>\$ 1,464,336</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 Nine Month Period Ended September 30, 2019

(With Summarized Financial Information For the Year ended December 31, 2018)

Page -4-

	Without Donor Restrictions	With Donor Restrictions	2019	2018
Support And Revenue:				
Grants	\$ 61,800	\$ 106,301	\$ 168,101	\$ 1,247,601
Contributions	309,432		309,432	345,976
Fundraising events held by others	145,000		145,000	174,986
Special events, net	94,130		94,130	174,825
In-kind contributions	337,770		337,770	248,503
Other income	52		52	4,727
Net assets released from restrictions - Satisfaction of program and time restrictions	485,288	(485,288)		
Total Support And Revenue	<u>1,433,472</u>	<u>(378,987)</u>	<u>1,054,485</u>	<u>2,196,618</u>
Expenses:				
Program services	1,421,884		1,421,884	1,658,972
Supporting services - Management and general	134,306		134,306	125,527
Fundraising	314,531		314,531	235,200
Total Supporting Services	<u>448,837</u>		<u>448,837</u>	<u>360,727</u>
Total Expenses	<u>1,870,721</u>		<u>1,870,721</u>	<u>2,019,699</u>
CHANGES IN NET ASSETS FROM OPERATIONS	(437,249)	(378,987)	(816,236)	176,919
Net Assets, Beginning Of Year	419,722	948,987	1,368,709	1,191,790
NET ASSETS, END OF YEAR	<u>\$ (17,527)</u>	<u>\$ 570,000</u>	<u>\$ 552,473</u>	<u>\$ 1,368,709</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 Nine Month Period Ended September 30, 2019

Page -5-

(With Summarized Financial Information For The Year Ended December 31, 2018)

	Program Services	Supporting Services		2019 Total	2018 Total
		Management and General	Fundraising		
Salaries	\$ 501,421	\$ 62,660	\$ 136,815	\$ 700,896	\$ 702,329
Payroll taxes and benefits	70,357	8,792	19,197	98,346	88,112
Retreats and client assistance	751,866		114,160	866,026	922,571
Walton's Warrior Expenses				-	63,931
Contracted services - legal, development, administrative, and accounting services	2,316	53,189	3,000	58,505	55,676
Supplies	2,919	365	796	4,080	18,875
Printing	4,325	540	1,180	6,045	10,794
Internet technology	14,945	849	3,217	19,011	10,196
Insurance	6,740	842	1,839	9,421	12,063
Postage and shipping	1,576	197	430	2,203	9,495
Advertising	9,707		445	10,152	36,548
Facilities	25,746	3,217	7,033	35,996	3,300
Credit card processing fees		521	4,713	5,234	11,499
Meetings	360	85	671	1,116	6,870
Events - local beneficiary			2,052	2,052	20,858
Telephone	8,784	1,097	2,397	12,278	1,607
Travel	2,422	243	13,904	16,569	20,389
Other expenses	11,316	824	749	12,889	11,384
	1,414,800	133,421	312,598	1,860,819	2,006,497
Depreciation	7,084	885	1,933	9,902	13,203
Total expenses	<u>\$ 1,421,884</u>	<u>\$ 134,306</u>	<u>\$ 314,531</u>	<u>\$ 1,870,721</u>	<u>\$ 2,019,700</u>

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

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

Statement Of Cash Flows

For The Nine Month Period Ended September 30, 2019

(With Summarized Financial Information For The Year Ended December 31, 2018)

Page -6-

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Changes in net assets from operations	\$ (816,236)	\$ 176,919
Adjustments to reconcile changes in net assets from operations to net cash provided by operating activities:		
Depreciation	9,902	13,203
Discount on promises to give	(11,301)	11,301
Changes in assets and liabilities -		
(Increase) decrease in grants and contributions receivable	310,008	(512,235)
(Increase) in prepaid expenses	(5,026)	(8,555)
Decrease in facility and security deposits	13,183	31,704
Increase in deferred revenue	42,010	
Increase in accounts payable	61,400	27,934
(Decrease) increase in accrued payroll expenses	(13,484)	35,400
Net cash (used in) operating activities	<u>(409,544)</u>	<u>(224,329)</u>
Cash flows from investing activities		
Sale of investments		21,691
Net cash provided by investing activities		<u>21,691</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(409,544)	(202,638)
Cash And Cash Equivalents, Beginning Of Year	<u>761,482</u>	<u>964,120</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 351,938</u>	<u>\$ 761,482</u>

The accompanying notes are an integral part of the financial statements

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

Notes To Financial Statements
For The Nine Month Period Ended September 30, 2019

Page -7-

(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.

The Organization changed their year end to a fiscal year ended September 30, 2019. Accordingly, the financial statements for 2019 are for a nine month period.

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.

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

Notes To Financial Statements (Continued)
For The Nine Months Ended September 30, 2019

Page -8-

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 that must be maintained in perpetuity. The Organization does not have any funds to be maintained in perpetuity.

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. 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.

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 nine month period September 30, 2019, all promises to give are expected be collected within one year. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions on the contributions.

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

Notes To Financial Statements (Continued)
For The Nine Months Ended September 30, 2019

Page -9-

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 September 30, 2019.

Deferred Revenue

As of September 30, 2019, deferred revenue represent sponsorships paid in advance for events to be held in fiscal year 2020.

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.

Methods Used for Allocation of Expenses from Management and General Activities

The cost of providing program and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Such allocations are determined by management on an equitable basis based on time and effort. Allocated expenses include salaries, payroll tax and benefits, supplies, printing, internet technology, insurance, postage and shipping and facilities.

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

Notes To Financial Statements (Continued)
For The Nine Months Ended September 30, 2019

Page -10-

Fair Value Measurements

The carrying amount reported in the statement of financial position for cash and cash equivalents, promise 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, 2018, from which the summarized information was derived.

Adoption of New Accounting Pronouncement

For the nine month period ended September 30, 2019, 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 January 16, 2020, 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 charitable deduction for their contribution to the Organization.

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

Notes To Financial Statements (Continued)
For The Nine Months Ended September 30, 2019

Page -11-

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 nine months ended September 30, 2019, 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, 2016. 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) **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 September 30, 2019, the Organization exceeded the limit by approximately \$69,000.

As of September 30, 2019, 96% of the promises to give are from one donor and represents a concentration risk.

(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.

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

Notes To Financial Statements (Continued)
For The Nine Months Ended September 30, 2019

Page -12-

(6) **Property and Equipment**

Property and equipment consisted of the following as of September 30, 2019:

Vehicles	\$ 66,015
Less: accumulated depreciation	(62,714)
Net property and equipment	<u>\$ 3,301</u>

Depreciation expense for the nine month period ended September 30, 2019, was \$9,902.

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

Net assets with donor restrictions consisted of the following as of September 30, 2019:

<u>Subject to expenditure for specified purpose:</u>	
Retreats	\$ 320,000
 <u>Subject to the passage of time:</u>	
Time restricted contributions	250,000
	<u>\$ 570,000</u>

(8) **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 as of September 30, 2019:

Financial assets, at year end	
Cash and cash equivalents	\$ 351,938
Promises to give	<u>335,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 686,938</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.

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

Notes To Financial Statements (Continued)
For The Nine Months Ended September 30, 2019

Page -13-

(9) **Special Events**

Special events for the nine months ended September 30, 2019, consisted of the following:

Special events revenue	\$ 151,433
Less: direct benefit to donor	(57,303)
	<u>\$ 94,130</u>

(10) **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 nine month period ended September 30, 2019, are as follows:

Retreat - rent, family activities, lodging and other	\$ 200,135
Publications and outreach	108,525
Fund-raising events	5,385
Photography	23,725
	<u>\$ 337,770</u>

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

In addition, the Organization received an additional 6,161 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 \$156,674. These donated services were not recognized in the financial statements because they did not meet the criteria for recognition.

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

Notes To Financial Statements (Continued)
For The Nine Months Ended September 30, 2019

Page -14-

(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 3% 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 nine month period ended September 30, 2019, were \$10,431.

(12) **Expenses**

Total expenses incurred during the nine month period ended September 30, 2019, are as follows:

Total expenses reported by function	\$ 1,870,721
Direct benefit to donor	57,303
Total expenses	<u>\$ 1,928,024</u>

(13) **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 September 30, 2020. 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 off 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*

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

Notes To Financial Statements (Continued)
For The Nine Months Ended September 30, 2019

Page -15-

Customers. The guidance also clarifies how entities will determine whether a contribution is conditional. The timing of revenue and expense recognition depends upon whether a contribution is conditional or unconditional. The new standard is effective for the Organization for the year ended September 30, 2020. Early adoption is permitted. The Organization is evaluating the effect that ASU No. 2018-08 will have on its financial statements and related disclosures.