

SANCTUARY FOR FAMILIES, INC. AND AFFILIATE



**Sanctuary
for Families**

**Consolidated Financial Statements
and Supplementary Information
(Together with Independent Auditors' Report)**

Years Ended June 30, 2022 and 2021

SANCTUARY FOR FAMILIES, INC. AND AFFILIATE

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Sanctuary for Families, Inc. and Affiliate

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sanctuary for Families, Inc. ("Sanctuary") and its affiliate, Sanctuary for Families Housing Development Fund Corporation ("Housing") (collectively known as the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on 2021 Consolidated Financial Statements

The consolidated financial statements of the Organization as of and for the year ended June 30, 2021, were audited by another auditor whose report dated December 20, 2021, expressed an unmodified opinion on those consolidated statements.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 17-18, as of and for the year ended June 30, 2022, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The supplementary information included on pages 17 and 19, as of and for the year ended June 30, 2021, was subjected to the auditing procedures applied in the June 30, 2021 audit of the basic consolidated financial statements by another auditor, whose report on such information stated that it was fairly stated in all material respects in relation to the June 30, 2021 consolidated financial statements as a whole.

Mayer Hoffman McCann CPAs

New York, NY
March 15, 2023

SANCTUARY FOR FAMILIES, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021

| | 2022 | 2021 |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents (Notes 2D and 7A) | \$ 5,111,724 | \$ 7,857,631 |
| Government contracts receivable (Notes 2E, 2H and 7B) | 16,072,776 | 11,488,989 |
| Contributions receivable, net (Notes 2G, 2H and 4) | 8,189,798 | 4,511,616 |
| Investments (Notes 2I and 5) | 717,054 | 750,090 |
| Prepaid expenses and other assets | 448,900 | 568,695 |
| Property and equipment, net (Notes 2J and 6) | 1,197,867 | 1,014,335 |
| TOTAL ASSETS | \$ 31,738,119 | \$ 26,191,356 |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 410,704 | \$ 425,476 |
| Accrued salaries and related benefits | 272,104 | 831,887 |
| Accrued vacation | 513,454 | 509,710 |
| Deferred rent (Note 2K) | 1,254,107 | 1,088,882 |
| Deferred revenue | 8,333 | 7,206 |
| Grants payable | 239,035 | 199,640 |
| Loans payable (Note 11) | 2,000,000 | 5,323,350 |
| TOTAL LIABILITIES | 4,697,737 | 8,386,151 |
| COMMITMENTS AND CONTINGENCIES (Note 10) | | |
| NET ASSETS | | |
| Without Donor Restrictions (Note 2C) | | |
| Available for operations | 16,391,948 | 12,890,953 |
| Board designated | 145,270 | 73,218 |
| | 16,537,218 | 12,964,171 |
| With Donor Restrictions (Notes 2C, 12 and 13) | 10,503,164 | 4,841,034 |
| TOTAL NET ASSETS | 27,040,382 | 17,805,205 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 31,738,119 | \$ 26,191,356 |

The accompanying notes are an integral part of these consolidated financial statements.

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

| | Year Ended June 30, 2022 | | | Year Ended June 30, 2021 | | |
|--|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total 2022 | Without Donor Restrictions | With Donor Restrictions | Total 2021 |
| OPERATING REVENUE AND SUPPORT: | | | | | | |
| Government grants (Notes 2E and 7B) | \$ 13,340,983 | \$ - | \$ 13,340,983 | \$ 12,155,875 | \$ - | \$ 12,155,875 |
| Program service revenue (Notes 2F and 7B) | 4,575,733 | - | 4,575,733 | 4,625,572 | - | 4,625,572 |
| Contributions (Note 2G) | 3,280,309 | 10,218,898 | 13,499,207 | 6,531,860 | 4,467,448 | 10,999,308 |
| Special events (net of direct expenses of \$272,800 in 2022) | 2,047,030 | - | 2,047,030 | - | - | - |
| Pro bono legal services (Note 2L) | 50,162,178 | - | 50,162,178 | 43,274,485 | - | 43,274,485 |
| Donated goods (Note 2L) | 127,427 | - | 127,427 | 83,176 | - | 83,176 |
| Paycheck Protection Program loan forgiveness (Note 11) | 2,934,317 | - | 2,934,317 | - | - | - |
| Investment (loss) income (Note 5) | (25,966) | 591 | (25,375) | 2,265 | 141 | 2,406 |
| Other revenues | 203,341 | - | 203,341 | 154,520 | - | 154,520 |
| Net assets released from restrictions (Note 12) | 4,557,359 | (4,557,359) | - | 4,807,898 | (4,807,898) | - |
| TOTAL OPERATING REVENUE AND SUPPORT | 81,202,711 | 5,662,130 | 86,864,841 | 71,635,651 | (340,309) | 71,295,342 |
| OPERATING EXPENSES: | | | | | | |
| Program Services: | | | | | | |
| Sarah Burke House - transitional shelter | 3,234,609 | - | 3,234,609 | 3,128,600 | - | 3,128,600 |
| Clinical services | 7,288,746 | - | 7,288,746 | 6,910,987 | - | 6,910,987 |
| Legal services | 60,201,028 | - | 60,201,028 | 52,297,581 | - | 52,297,581 |
| Economic empowerment program | 2,052,810 | - | 2,052,810 | 2,037,442 | - | 2,037,442 |
| Total Program Services | 72,777,193 | - | 72,777,193 | 64,374,610 | - | 64,374,610 |
| Supporting Services: | | | | | | |
| Management and general | 2,616,445 | - | 2,616,445 | 2,381,076 | - | 2,381,076 |
| Fundraising | 2,236,026 | - | 2,236,026 | 2,013,208 | - | 2,013,208 |
| Total Supporting Services | 4,852,471 | - | 4,852,471 | 4,394,284 | - | 4,394,284 |
| TOTAL OPERATING EXPENSES | 77,629,664 | - | 77,629,664 | 68,768,894 | - | 68,768,894 |
| CHANGE IN TOTAL NET ASSETS | 3,573,047 | 5,662,130 | 9,235,177 | 2,866,757 | (340,309) | 2,526,448 |
| Net Assets - Beginning of Year | 12,964,171 | 4,841,034 | 17,805,205 | 10,097,414 | 5,181,343 | 15,278,757 |
| NET ASSETS - END OF YEAR | \$ 16,537,218 | \$ 10,503,164 | \$ 27,040,382 | \$ 12,964,171 | \$ 4,841,034 | \$ 17,805,205 |

SANCTUARY FOR FAMILIES, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

For the Year Ended June 30, 2022

| | Program Services | | | | | Supporting Services | | | | Total 2022 | Total 2021 |
|---|---|----------------------|----------------------|------------------------------------|------------------------------|------------------------------|---------------------|---------------------------------|----------------------|----------------------|---------------|
| | Sarah Burke House - Transitional Shelter | Clinical Services | Legal Services | Economic Empowerment Program | Total Program Services | Management and General | Fundraising | Total Supporting Services | | | |
| Salaries and wages | \$ 1,851,984 | \$ 4,303,677 | \$ 6,221,246 | \$ 802,108 | \$ 13,179,015 | \$ 1,329,009 | \$ 1,282,718 | \$ 2,611,727 | \$ 15,790,742 | \$ 14,780,354 | |
| Payroll taxes and employee benefits (Notes 8 and 9) | 625,644 | 1,171,480 | 1,602,794 | 215,042 | 3,614,960 | 307,939 | 319,493 | 627,432 | 4,242,392 | 4,315,549 | |
| Total Personnel Costs | 2,477,628 | 5,475,157 | 7,824,040 | 1,017,150 | 16,793,975 | 1,636,948 | 1,602,211 | 3,239,159 | 20,033,134 | 19,095,903 | |
| Professional fees | 55,480 | 158,489 | 199,340 | 153,417 | 566,726 | 247,823 | 102,020 | 349,843 | 916,569 | 558,114 | |
| Occupancy (Note 10A) | - | 677,221 | 820,348 | 254,986 | 1,752,555 | 364,106 | 183,337 | 547,443 | 2,299,998 | 2,349,162 | |
| Food | 12,396 | 30,072 | 53,896 | 18,903 | 115,267 | - | - | - | 115,267 | 49,920 | |
| Household supplies | 7,177 | 4,996 | - | - | 12,173 | - | - | - | 12,173 | 14,668 | |
| Office supplies | 14,896 | 7,712 | 15,200 | 632 | 38,440 | 4,966 | 4,450 | 9,416 | 47,856 | 25,422 | |
| Telephone | 14,878 | 51,327 | 45,991 | 7,333 | 119,529 | 19,239 | 9,150 | 28,389 | 147,918 | 128,533 | |
| Staff transportation and activities | 7,772 | 12,968 | 13,349 | 1,170 | 35,259 | 24,732 | 1,556 | 26,288 | 61,547 | 42,692 | |
| Printing and publication | - | 1,064 | 2,877 | 411 | 4,352 | 1,827 | 1,781 | 3,608 | 7,960 | 1,887 | |
| Library resources | 4,168 | 109 | 33,008 | - | 37,285 | 1,085 | 3,904 | 4,989 | 42,274 | 34,360 | |
| Equipment and maintenance | 54,276 | 38,741 | 12,025 | 6,833 | 111,875 | 6,685 | 3,932 | 10,617 | 122,492 | 104,200 | |
| Equipment rental | 4,074 | 4,634 | 6,445 | 1,002 | 16,155 | 2,825 | 1,428 | 4,253 | 20,408 | 16,988 | |
| Utilities | 215,275 | 51,892 | 30,174 | 9,979 | 307,320 | 13,387 | 6,756 | 20,143 | 327,463 | 299,270 | |
| Postage and shipping | 4,061 | 5,508 | 44,514 | 593 | 54,676 | 3,403 | 882 | 4,285 | 58,961 | 46,261 | |
| Facility maintenance | 116,068 | 61,858 | 21,213 | 5,827 | 204,966 | 18,753 | 4,709 | 23,462 | 228,428 | 164,726 | |
| Insurance | 34,074 | 64,179 | 94,032 | 8,784 | 201,069 | 28,162 | 12,263 | 40,425 | 241,494 | 199,312 | |
| Recruitment | 14,643 | 21,131 | 48,225 | 3,140 | 87,139 | 6,795 | 2,385 | 9,180 | 96,319 | 36,646 | |
| Client financial assistance | 71,513 | 276,706 | 419,900 | 523,116 | 1,291,235 | - | - | - | 1,291,235 | 1,561,375 | |
| Training and development | 14,280 | 56,655 | 70,753 | 4,124 | 145,812 | 32,689 | 6,472 | 39,161 | 184,973 | 170,167 | |
| Catering and entertainment | - | - | - | - | - | - | 272,800 | 272,800 | 272,800 | - | |
| Events and public relations | - | - | - | - | - | - | 286,450 | 286,450 | 286,450 | 43,479 | |
| Depreciation and amortization (Note 6) | 98,924 | 6,995 | - | - | 105,919 | 53,051 | - | 53,051 | 158,970 | 134,400 | |
| Grants to clients | 11,938 | 216,441 | 189,951 | 35,204 | 453,534 | - | - | - | 453,534 | 152,447 | |
| Grants to subrecipients | - | - | 27,814 | - | 27,814 | - | - | - | 27,814 | 22,576 | |
| Lobbying | - | - | - | - | - | 133,157 | - | 133,157 | 133,157 | 130,801 | |
| Other expenses | 1,088 | 1,178 | 2,041 | 206 | 4,513 | 1,855 | 2,340 | 4,195 | 8,708 | 18,994 | |
| Bank charges | - | - | - | - | - | 14,957 | - | 14,957 | 14,957 | 8,930 | |
| | <u>3,234,609</u> | <u>7,225,033</u> | <u>9,975,136</u> | <u>2,052,810</u> | <u>22,487,588</u> | <u>2,616,445</u> | <u>2,508,826</u> | <u>5,125,271</u> | <u>27,612,859</u> | <u>25,411,233</u> | |
| Less: Cost of direct benefits to donors | - | - | - | - | - | - | (272,800) | (272,800) | (272,800) | - | |
| Add: Donated legal services (Note 2L) | - | - | 50,162,178 | - | 50,162,178 | - | - | - | 50,162,178 | 43,274,485 | |
| Add: Donated goods expense (Note 2L) | - | 63,713 | 63,714 | - | 127,427 | - | - | - | 127,427 | 83,176 | |
| Total Expenses | \$ 3,234,609 | \$ 7,288,746 | \$ 60,201,028 | \$ 2,052,810 | \$ 72,777,193 | \$ 2,616,445 | \$ 2,236,026 | \$ 4,852,471 | \$ 77,629,664 | \$ 68,768,894 | |

The accompanying notes are an integral part of these consolidated financial statements.

SANCTUARY FOR FAMILIES, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

| | Program Services | | | | Supporting Services | | | | Total 2021 |
|---|---|----------------------|----------------------|------------------------------------|------------------------------|------------------------------|---------------------|---------------------------------|----------------------|
| | Sarah Burke House - Transitional Shelter | Clinical Services | Legal Services | Economic Empowerment Program | Total Program Services | Management and General | Fundraising | Total Supporting Services | |
| Salaries and wages | \$ 1,895,203 | \$ 4,012,198 | \$ 5,685,376 | \$ 795,127 | \$ 12,387,904 | \$ 1,134,379 | \$ 1,258,071 | \$ 2,392,450 | \$ 14,780,354 |
| Payroll taxes and employee benefits (Notes 8 and 9) | 607,950 | 1,156,636 | 1,575,603 | 212,994 | 3,553,183 | 395,311 | 367,055 | 762,366 | 4,315,549 |
| Total Personnel Costs | 2,503,153 | 5,168,834 | 7,260,979 | 1,008,121 | 15,941,087 | 1,529,690 | 1,625,126 | 3,154,816 | 19,095,903 |
| Professional fees | 34,426 | 88,157 | 105,692 | 134,679 | 362,954 | 115,107 | 80,053 | 195,160 | 558,114 |
| Occupancy (Note 10A) | - | 624,285 | 835,689 | 249,511 | 1,709,485 | 425,843 | 213,834 | 639,677 | 2,349,162 |
| Food | 5,734 | 25,341 | 7,027 | 11,818 | 49,920 | - | - | - | 49,920 |
| Household supplies | 5,157 | 9,511 | - | - | 14,668 | - | - | - | 14,668 |
| Office supplies | 9,215 | 3,454 | 8,055 | 709 | 21,433 | 3,109 | 880 | 3,989 | 25,422 |
| Telephone | 19,069 | 40,051 | 37,923 | 5,784 | 102,827 | 17,661 | 8,045 | 25,706 | 128,533 |
| Staff transportation and activities | 9,671 | 2,090 | 5,862 | 1,603 | 19,226 | 22,238 | 1,228 | 23,466 | 42,692 |
| Printing and publication | - | 464 | 477 | - | 941 | - | 946 | 946 | 1,887 |
| Library resources | 281 | 1,103 | 27,896 | - | 29,280 | 1,746 | 3,334 | 5,080 | 34,360 |
| Equipment and maintenance | 57,462 | 22,831 | 7,507 | 7,334 | 95,134 | 7,309 | 1,757 | 9,066 | 104,200 |
| Equipment rental | 3,822 | 3,548 | 5,264 | 1,068 | 13,702 | 1,998 | 1,288 | 3,286 | 16,988 |
| Utilities | 209,657 | 46,357 | 22,225 | 5,502 | 283,741 | 10,342 | 5,187 | 15,529 | 299,270 |
| Postage and shipping | 3,851 | 1,984 | 34,743 | 1,258 | 41,836 | 3,141 | 1,284 | 4,425 | 46,261 |
| Facility maintenance | 74,891 | 51,232 | 20,372 | 3,353 | 149,848 | 10,073 | 4,805 | 14,878 | 164,726 |
| Insurance | 26,193 | 50,405 | 83,390 | 7,015 | 167,003 | 21,528 | 10,781 | 32,309 | 199,312 |
| Recruitment | 3,435 | 10,505 | 17,753 | 489 | 32,182 | 1,585 | 2,879 | 4,464 | 36,646 |
| Client financial assistance | 50,664 | 661,638 | 307,281 | 541,792 | 1,561,375 | - | - | - | 1,561,375 |
| Training and development | 17,892 | 49,451 | 70,809 | 4,515 | 142,667 | 23,823 | 3,677 | 27,500 | 170,167 |
| Events and public relations | - | - | - | - | - | - | 43,479 | 43,479 | 43,479 |
| Depreciation and amortization (Note 6) | 81,891 | 6,883 | - | - | 88,774 | 45,626 | - | 45,626 | 134,400 |
| Grants to clients | - | 378 | 99,251 | 52,818 | 152,447 | - | - | - | 152,447 |
| Grants to subrecipients | - | - | 22,576 | - | 22,576 | - | - | - | 22,576 |
| Lobbying | - | - | - | - | - | 130,801 | - | 130,801 | 130,801 |
| Other expenses | 12,136 | 897 | 737 | 73 | 13,843 | 526 | 4,625 | 5,151 | 18,994 |
| Bank charges | - | - | - | - | - | 8,930 | - | 8,930 | 8,930 |
| | <u>3,128,600</u> | <u>6,869,399</u> | <u>8,981,508</u> | <u>2,037,442</u> | <u>21,016,949</u> | <u>2,381,076</u> | <u>2,013,208</u> | <u>4,394,284</u> | <u>25,411,233</u> |
| Add: Donated legal services (Note 2L) | - | - | 43,274,485 | - | 43,274,485 | - | - | - | 43,274,485 |
| Add: Donated goods expense (Note 2L) | - | 41,588 | 41,588 | - | 83,176 | - | - | - | 83,176 |
| Total Expenses | <u>\$ 3,128,600</u> | <u>\$ 6,910,987</u> | <u>\$ 52,297,581</u> | <u>\$ 2,037,442</u> | <u>\$ 64,374,610</u> | <u>\$ 2,381,076</u> | <u>\$ 2,013,208</u> | <u>\$ 4,394,284</u> | <u>\$ 68,768,894</u> |

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

| | 2022 | 2021 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 9,235,177 | \$ 2,526,448 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 158,970 | 134,400 |
| Unrealized loss on investments | 38,874 | 6,458 |
| Paycheck Protection Program loan forgiveness | (2,934,317) | - |
| Change in discount on contributions receivable | 44,595 | (36,598) |
| Subtotal | 6,543,299 | 2,630,708 |
| Changes in assets and liabilities: | | |
| Decrease (increase) in assets: | | |
| Government contracts receivable | (4,583,787) | (3,152,774) |
| Contributions receivable | (3,722,777) | 211,302 |
| Prepaid expenses and other assets | 119,795 | (9,271) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | (14,772) | (50,916) |
| Accrued salaries and related benefits | (559,783) | 88,814 |
| Accrued vacation | 3,744 | 2,275 |
| Deferred rent | 165,225 | 165,225 |
| Deferred revenue | 1,127 | (42,127) |
| Grants payable | 39,395 | 77,760 |
| Net Cash Used in Operating Activities | (2,008,534) | (79,004) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (342,502) | (166,868) |
| Purchases of investments | (5,838) | (5,037) |
| Net Cash Used in Investing Activities | (348,340) | (171,905) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Loans payable | (389,033) | - |
| Net Cash Used in Financing Activities | (389,033) | - |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (2,745,907) | (250,909) |
| Cash and cash equivalents - beginning of year | 7,857,631 | 8,108,540 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 5,111,724 | \$ 7,857,631 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid during the year for interest | \$ 5,695 | \$ - |
| NonCash Financing Activity: | | |
| Forgiveness of Paycheck Protection Program loan | \$ 2,934,317 | \$ - |

The accompanying notes are an integral part of these consolidated financial statements.

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Sanctuary for Families, Inc. ("Sanctuary") is a 501(c)(3) corporation located in New York City. Sanctuary was founded in 1983 as a small network of safe homes and has since grown to be a leading provider of integrated services for domestic violence and sex trafficking survivors and their children. Operating out of twelve sites, Sanctuary provides a continuum of care including hotline and crisis intervention, shelter, counseling, legal advice and representation, economic empowerment programming and assistance with housing and educational needs. Sanctuary also provides outreach, training and technical assistance to a wide range of government officials and other service providers on a host of domestic violence and sex trafficking issues and advocates at local, state and national levels for improved policies and practices for its clients. Sanctuary serves a widely varied population, paying particular attention to the most underserved populations in New York City including immigrants, undocumented individuals, the working poor and indigent families. In fiscal year 2022, Sanctuary provided direct services to over 7,000 adults and children, and training and outreach to approximately 6,000 other individuals.

Sanctuary employs more than 200 full and part-time staff and utilizes the services of hundreds of pro bono lawyers, law students, social work interns and other volunteers. Sanctuary's programs are funded by government contracts, foundation and corporate grants and individual contributions.

Sanctuary is governed by a 32-member Board of Directors who also serve as the members of an affiliated not-for-profit corporation, Sanctuary for Families Housing Development Fund Corporation ("Housing"). Housing is directly controlled by Sanctuary. Housing owns a building in the Bronx which serves as a transitional shelter for survivors of domestic violence and is a 501(c)(3) corporation located in New York City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. **Consolidation** – The consolidated financial statements include the activities of Sanctuary and Housing, herein referred to as the Organization. All significant intercompany balances and transactions have been eliminated in consolidation.
- B. **Basis of Accounting** – The Organization's consolidated financial statements have been prepared on the accrual basis of accounting. The Organization adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").
- C. **Basis of Presentation** – The Organization maintains their net assets under the following two classes:
- Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Board designated net assets consists of net assets whose use has been designated by the Board for future capital improvements at the Sarah Burke House facility.
 - Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization or the passage of time, stipulations that they be maintained in perpetuity by the Organization, and unappropriated endowment earnings.
- D. **Cash and Cash Equivalents** – The Organization considers all highly liquid investments with maturities of three months or less when acquired, to be cash equivalents, except for cash, short-term investments and money market funds contained in Sanctuary's investment portfolio. As of June 30, 2022 and 2021, cash equivalents include money market funds which amounted to approximately \$4,020,000 and \$6,613,000, respectively.
- E. **Government Grants** – The Organization derives its revenue from, among other sources, cost reimbursement contracts with government agencies which are recognized as revenue as those costs are incurred and the revenue is earned. Advances received on government grants are recorded as a liability until the expenses are incurred, at which time revenue is recognized. Cost reimbursement type government grants are accounted for under Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958).

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Multi-year governmental contracts included under government grants are cancellable by the funder upon its sole discretion. As of June 30, 2022 and 2021, Sanctuary was awarded conditional grants and contracts from government agencies in the aggregate amounts of \$32,048,693 and \$25,429,286, respectively, that have not been recorded in the accompanying consolidated financial statements, as they have not been earned. These grants and contracts require Sanctuary to provide qualifying expenses to conduct certain services as specified in the contracts. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and Sanctuary may be required to return the funds already remitted.

- F. **Program Service Revenue** – Program service revenue is recognized and recorded at the time a service is performed. Such services include emergency shelters and transitional shelter services. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by Sanctuary in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Sanctuary measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of June 30, 2022 and 2021. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. Sanctuary determines the transaction price based on established rates and contracts for services provided. Program service revenue consists of revenues for the following programs for the years ended June 30:

| | 2022 | 2021 |
|--|--------------|--------------|
| Sarah Burke House - Transitional Shelter | \$ 3,129,618 | \$ 3,119,471 |
| Clinical Services | 1,446,115 | 1,506,101 |
| | \$ 4,575,733 | \$ 4,625,572 |

Program service revenue is accounted for under FASB ASU 2014-09, “*Revenue from Contracts with Customers*” (Topic 606).

- G. **Contributions** – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Contributions are accounted for under FASB ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958).

- H. **Allowance for Doubtful Accounts** – The Organization determines whether an allowance for uncollectible receivables should be provided for government contracts receivable and contributions receivable. Such estimates are based on management’s assessment of the aged basis of its receivable, creditworthiness of its donors and borrowers, current economic conditions and historical information. As of June 30, 2022 and 2021, Sanctuary determined an allowance of \$89,835 and \$95,435, respectively, was necessary for contributions receivable and no allowance was necessary for government contracts receivable.
- I. **Investments and Fair Value Measurements** – Investments are recorded at fair value. Fair value measurements are the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

SANCTUARY FOR FAMILIES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. **Property and Equipment** – Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the lease. The Organization capitalizes all property and equipment having a cost of \$1,000 or more and a useful life of at least one year.

Contributed property and equipment is recorded at fair value on the date of donation. When donors stipulate restrictions on the use of the assets, such contributions are recorded as net assets with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as net assets without donor restrictions.

K. **Deferred Rent** – Rent expense is recorded on the straight-line basis. The portion of rent expense accrued due to straight-lining of the lease is reflected as deferred rent on the accompanying consolidated statements of financial position.

L. **In-Kind Contributions** – For the years ended June 30, 2022 and 2021, Sanctuary recorded income and expense for contributed goods and services of \$50,289,605 and \$43,357,661, respectively. Such contributed goods and services are reflected in the consolidated financial statements as follows:

| | 2022 | 2021 |
|-------------------------|---------------|---------------|
| Pro bono legal services | \$ 50,162,178 | \$ 43,274,485 |
| Donated goods | 127,427 | 83,176 |
| | \$ 50,289,605 | \$ 43,357,661 |

The Organization recognized contributed nonfinancial assets within revenue, including donated goods and professional services. Pro bono legal services recognized comprise of legal fees from attorneys advising the Organization on various administrative legal matters. These services are valued and reported at the estimated fair value in the consolidated financial statements based on current rates for similar legal services. Donated goods consist of various goods such as event tickets, beauty products, care packages, etc. and are recorded at their fair value on the date of receipt. The contributed services and goods are utilized for the Clinical Services and Legal Services programs.

M. **Functional Expense Allocation** – The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, amortization and insurance, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology and other, which are allocated on the basis of estimates of time and effort.

N. **Use of Estimates** – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the consolidated financial statements. Actual results could differ from those estimates.

O. **Adoption of New Accounting Standards** – On September 17, 2020, FASB issued ASU No. 2020-07 that increases transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit (“NFP”) organizations – including transparency on how those assets are used and how they are valued. The Organization adopted ASU 2020-07 during the year ended June 30, 2022 and the adoption had no impact on the change in net assets for the year ended June 30, 2021.

SANCTUARY FOR FAMILIES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, within one year of the consolidated statements of financial position date, comprise the following as of June 30:

| | <u>2022</u> | <u>2021</u> |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$ 5,111,724 | \$ 7,857,631 |
| Government contracts receivable | 16,072,776 | 11,488,989 |
| Contributions receivable | 8,189,798 | 4,511,616 |
| Investments | <u>717,054</u> | <u>750,090</u> |
| Total financial assets | 30,091,352 | 24,608,326 |
| Less: Net assets designated by the Board | 145,270 | 73,218 |
| Less: Contributions receivable due in more than one year | 2,679,666 | 1,207,000 |
| Less: Investments held for endowments | <u>334,475</u> | <u>334,475</u> |
| | <u>\$ 26,931,941</u> | <u>\$ 22,993,633</u> |

As part of the Organization’s liquidity management plan, the Organization invests cash in excess of daily requirements in short-term investments and money market funds. In addition, Sanctuary has a maximum line of credit totaling \$1,200,000 with a financial institution (Note 10D), which can be drawn upon if needed.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Sanctuary considers all expenditures related to its ongoing activities of programs, as well as the conduct of services undertaken to support those activities, to be general expenditures. Donor restricted funds for various programs are considered available for the general expenditures to conduct those programs. Sanctuary’s endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is used to fund the legal services program, and other programs run by Sanctuary. The endowment is subject to an annual spending rate of up to 7% as described in Note 13.

NOTE 4 – CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consisted of the following as of June 30:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Receivable in less than one year | \$ 5,664,030 | \$ 3,419,519 |
| Receivable in one to five years | <u>2,679,666</u> | <u>1,207,000</u> |
| | 8,343,696 | 4,626,519 |
| Less: Allowance for doubtful accounts | (89,835) | (95,435) |
| Discount to present value | <u>(64,063)</u> | <u>(19,468)</u> |
| | <u>\$ 8,189,798</u> | <u>\$ 4,511,616</u> |

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

- Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

SANCTUARY FOR FAMILIES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

- Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models or similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Investments in treasury money market funds and mutual funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2022 and 2021 there were no transfers between levels.

Investments measured at fair value on a recurring basis are classified as Level 1 and consisted of the following at June 30:

| | Level 1 | |
|--|------------|------------|
| | 2022 | 2021 |
| Investments: | | |
| Treasury money market funds | \$ 344,493 | \$ 343,902 |
| Mutual funds – intermediate government | 372,561 | 406,188 |
| Total | \$ 717,054 | \$ 750,090 |

Investments are subject to market volatility that could substantially change their carrying values in the near term. Investment (loss) income consisted of the following for the years ended June 30:

| | 2022 | 2021 |
|--------------------------------|-------------|----------|
| Interest and dividends | \$ 13,499 | \$ 8,864 |
| Unrealized loss on investments | (38,874) | (6,458) |
| Net investment (loss) income | \$ (25,375) | \$ 2,406 |

NOTE 6 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following as of June 30:

| | 2022 | 2021 | Estimated Useful Lives |
|---|--------------|--------------|---------------------------|
| Building | \$ 5,065,779 | \$ 5,065,779 | 27.5 years |
| Furniture and fixtures | 270,625 | 267,825 | 5-15 years |
| Vehicles | 33,150 | 33,150 | 3 years |
| Equipment | 360,474 | 303,069 | 5-10 years |
| Leasehold improvements | 1,806,528 | 1,529,183 | Lease term |
| | 7,536,556 | 7,199,006 | |
| Less: Accumulated depreciation and amortization | (6,338,689) | (6,184,671) | |
| | \$ 1,197,867 | \$ 1,014,335 | |

SANCTUARY FOR FAMILIES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 – PROPERTY AND EQUIPMENT, NET (Continued)

Depreciation and amortization expense amounted to \$158,970 and \$134,400 for the years ended June 30, 2022 and 2021, respectively. During the year ended June 30, 2022, Sanctuary disposed of fixed assets with original costs and accumulated depreciation of \$4,952. During the year ended June 30, 2021, Sanctuary disposed of fixed assets with an original cost and accumulated depreciation of \$5,465.

NOTE 7 – CONCENTRATIONS

- A. Cash and cash equivalents that potentially subject the Organization to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Cash accounts are insured up to \$250,000 per depositor, per insured institution. As of June 30, 2022 and 2021, there was approximately \$4,830,000 and \$7,409,000, respectively, of cash and cash equivalents that exceeded FDIC limits.

- B. Sanctuary received grants from various government agencies totaling \$17,916,716 and \$16,781,447, which represent 21% and 24% of total operating revenue and support, during the years ended June 30, 2022 and 2021, respectively. Government contracts receivable from two funders represented 33% and 37% of total government contracts receivable as of June 30, 2022 and 2021, respectively.

NOTE 8 – PENSION PLAN

Sanctuary maintains a 403(b) defined contribution pension plan covering all employees who satisfy certain eligibility requirements. Under the terms of the plan, Sanctuary makes annual discretionary contributions based upon a percentage of eligible employee wages, three percent for each of the years ended June 30, 2022 and 2021. Pension expense for the years ended June 30, 2022 and 2021 was approximately \$346,000 and \$379,000, respectively.

NOTE 9 – DEFERRED COMPENSATION

A deferred compensation agreement was entered into with senior executives of Sanctuary and funded in accordance with the requirements of Section 457(b) of the Internal Revenue Code. Under the current agreement, Sanctuary maintains the investment. The 457(b) expenses for the years ended June 30, 2022 and 2021 amounted to \$121,419 and \$99,900, respectively. Discretionary contributions are made in accordance with the plan document. Benefits earned under the plan are fully vested.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

- A. Sanctuary rents space for administrative and programmatic uses. Rental expense under these non-cancelable operating leases amounted to \$2,034,907 and \$2,034,912 for the years ended June 30, 2022 and 2021, respectively. Annual future minimum rental payments for real property under long-term non-cancelable operating leases are as follows:

| | | |
|------------|----|-------------------|
| 2023 | \$ | 1,708,045 |
| 2024 | | 1,877,158 |
| 2025 | | 1,877,158 |
| 2026 | | 1,877,158 |
| 2027 | | 1,877,158 |
| Thereafter | | <u>11,964,768</u> |
| | \$ | <u>21,181,445</u> |

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 10 – COMMITMENTS AND CONTINGENCIES (Continued)

- B. The Organization believes it had no uncertain tax positions as of June 30, 2022 and 2021 in accordance with FASB Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- C. During 2007, Sanctuary extended the deed restriction on a building Housing owns in the Bronx with the New York City Human Resources Administration and agreed to continue operating the property as a transitional shelter for victims of domestic violence through March 31, 2023.
- D. Sanctuary has a revolving line of credit with TD Bank for \$1.2 million. Borrowings are secured by all assets of Sanctuary. The interest rate on the line as of June 30, 2022 was One Month Secured Overnight Finance Rate plus 2.00%. As of June 30, 2022 and March 15, 2023, there were no borrowings under this line of credit. The expiration date of the agreement is February 28, 2023.
- E. In most instances, grants are subject to audits by city, state and federal auditors, and costs charged to grantors may be adjusted as a result of an audit. The Organization believes that no material provision is required for costs adjustments.

NOTE 11 – LOANS PAYABLE

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (“SBA”). If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven.

Sanctuary applied for and received a loan under this program through an SBA authorized lender amounting to \$3,323,350 on April 21, 2020. Management has opted to account for the proceeds as a loan under FASB ASC Topic 470 until the loan is, in part or wholly, forgiven and Sanctuary has been legally released.

On September 23, 2021, Sanctuary was notified by the lender that \$2,934,317 of the PPP loan was forgiven on September 20, 2021 and a loan balance of \$389,033 was payable. During the year ended June 30, 2022, the Organization recognized \$2,934,317 of gain resulting from the forgiveness upon legal release of its obligation from the bank and/or SBA. The amount payable was paid off during the year.

On June 18, 2020, Sanctuary secured a working capital loan of \$2,000,000 from a nonprofit corporation. The loan bears no interest (except in the event of default as defined by the agreement) and is unsecured, as a general obligation of Sanctuary. The loan matures on July 1, 2023 with payments commencing January 1, 2023.

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of June 30:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|------------------|
| Subject to expenditures for specified purpose and (or) passage of time: | | |
| Legal Services | \$ 1,366,339 | \$ - |
| Invest in Our Future Campaign | 4,508,500 | 2,212,500 |
| Economic Empowerment Program | 1,565,000 | 319,434 |
| Clinical Services | 600,415 | 832,225 |
| Sarah Burke House | 385,935 | 418,900 |
| Time Restrictions | <u>1,742,500</u> | <u>723,500</u> |
| Subtotal | <u>10,168,689</u> | <u>4,506,559</u> |

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

| | 2022 | 2021 |
|---|---------------|--------------|
| Endowment principal held in perpetuity: | | |
| Operating endowment funds | \$ 225,475 | \$ 225,475 |
| Legal endowment funds | 109,000 | 109,000 |
| | 334,475 | 334,475 |
| | \$ 10,503,164 | \$ 4,841,034 |

Net assets with donor restrictions from grants were released for the following purposes for the years ended June 30:

| | 2022 | 2021 |
|-------------------------------|--------------|--------------|
| Legal Services | \$ 538,386 | \$ 867,301 |
| Invest in Our Future Campaign | 1,445,000 | 892,000 |
| Economic Empowerment Program | 693,399 | 698,400 |
| Clinical Services | 1,207,110 | 1,494,854 |
| Sarah Burke House | 32,964 | 69,129 |
| Time Restrictions | 640,500 | 786,214 |
| | \$ 4,557,359 | \$ 4,807,898 |

NOTE 13 – ENDOWMENT FUNDS

Sanctuary has two endowment funds – Operating and Legal. These funds have distinct investment and expenditure policies adopted by Sanctuary. The principal is held in two separate Vanguard Admiral Treasury Money Market Accounts – one for the Operating fund, another is for the Legal fund. All income derived from these investments is used to fund the legal services program, and other programs run by Sanctuary.

The resolution prescribes that (i) income from the funds, net of expenses, would be added to the operating revenues of Sanctuary for general support purposes, (ii) the principal would be held, invested, and reinvested in perpetuity in accordance with such policies and in such manner as the Board, or duly authorized Board agents, would from time to time determine.

The Board of Directors of Sanctuary has adopted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). NYPMIFA moved away from the “historical dollar value” standard and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. In accordance with NYPMIFA, Sanctuary classifies as net assets with permanent restrictions, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as restricted in perpetuity is classified as net assets with donor restrictions (purpose and time-restricted for future periods) until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA. Sanctuary recognizes that NYPMIFA creates a rebuttable presumption of imprudence if it appropriates more than 7% of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year.

In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor restricted funds that fall below the level the donor requires Sanctuary to retain in perpetuity. The deficiencies may result from unfavorable market fluctuations that occurred in the economy as a whole that may have affected the donor restricted fund where the fair value of the donor restricted fund fell below the amount that is required to be retained permanently. As of June 30, 2022 and 2021, Sanctuary had not incurred a deficiency in its donor-restricted endowment funds.

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 13 – ENDOWMENT FUNDS (Continued)

Changes in endowment funds for year ended June 30, 2022 are as follows:

| | <u>Endowment Earnings</u> | <u>Endowment Corpus</u> | <u>Total</u> |
|---|-------------------------------|-----------------------------|-------------------|
| Investment activity gain | \$ 591 | \$ - | \$ 591 |
| Amount appropriated by the Board of Directors | <u>(591)</u> | <u>-</u> | <u>(591)</u> |
| Net change | - | - | - |
| Balance, beginning of year | <u>-</u> | <u>334,475</u> | <u>334,475</u> |
| Balance, end of year | <u>\$ -</u> | <u>\$ 334,475</u> | <u>\$ 334,475</u> |

Changes in endowment funds for year ended June 30, 2021 are as follows:

| | <u>Endowment Earnings</u> | <u>Endowment Corpus</u> | <u>Total</u> |
|---|-------------------------------|-----------------------------|-------------------|
| Investment activity gain | \$ 141 | \$ - | \$ 141 |
| Amount appropriated by the Board of Directors | <u>(141)</u> | <u>-</u> | <u>(141)</u> |
| Net change | - | - | - |
| Balance, beginning of year | <u>-</u> | <u>334,475</u> | <u>334,475</u> |
| Balance, end of year | <u>\$ -</u> | <u>\$ 334,475</u> | <u>\$ 334,475</u> |

Endowment net assets of \$334,475 are included with investments on the consolidated statements of financial position as of both June 30, 2022 and 2021.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the consolidated statement of financial position through March 15, 2023, the date the consolidated financial statements were available to be issued.

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021**

| | As of June 30, 2022 | | | As of June 30, 2021 | | |
|---|---------------------------------|---|----------------------------|---------------------------------|---|----------------------------|
| | Sanctuary for Families, Inc. | Housing Development Fund Corporation | Consolidated Total 2022 | Sanctuary for Families, Inc. | Housing Development Fund Corporation | Consolidated Total 2021 |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 5,111,724 | \$ - | \$ 5,111,724 | \$ 7,857,631 | \$ - | \$ 7,857,631 |
| Government contracts receivable | 16,072,776 | - | 16,072,776 | 11,488,989 | - | 11,488,989 |
| Contributions receivable, net | 8,189,798 | - | 8,189,798 | 4,511,616 | - | 4,511,616 |
| Investments | 717,054 | - | 717,054 | 750,090 | - | 750,090 |
| Prepaid expenses and other assets | 448,900 | - | 448,900 | 568,695 | - | 568,695 |
| Property and equipment, net | <u>1,197,867</u> | <u>-</u> | <u>1,197,867</u> | <u>1,014,335</u> | <u>-</u> | <u>1,014,335</u> |
| TOTAL ASSETS | <u>\$ 31,738,119</u> | <u>\$ -</u> | <u>\$ 31,738,119</u> | <u>\$ 26,191,356</u> | <u>\$ -</u> | <u>\$ 26,191,356</u> |
| LIABILITIES | | | | | | |
| Accounts payable and accrued expenses | \$ 410,704 | \$ - | \$ 410,704 | \$ 425,476 | \$ - | \$ 425,476 |
| Accrued salaries and related benefits | 272,104 | - | 272,104 | 831,887 | - | 831,887 |
| Accrued vacation | 513,454 | - | 513,454 | 509,710 | - | 509,710 |
| Deferred rent | 1,254,107 | - | 1,254,107 | 1,088,882 | - | 1,088,882 |
| Deferred revenue | 8,333 | - | 8,333 | 7,206 | - | 7,206 |
| Grants payable | 239,035 | - | 239,035 | 199,640 | - | 199,640 |
| Loans payable | <u>2,000,000</u> | <u>-</u> | <u>2,000,000</u> | <u>5,323,350</u> | <u>-</u> | <u>5,323,350</u> |
| TOTAL LIABILITIES | <u>4,697,737</u> | <u>-</u> | <u>4,697,737</u> | <u>8,386,151</u> | <u>-</u> | <u>8,386,151</u> |
| NET ASSETS | | | | | | |
| Without Donor Restrictions | | | | | | |
| Available for operations | 16,391,948 | - | 16,391,948 | 12,890,953 | - | 12,890,953 |
| Board designated | <u>145,270</u> | <u>-</u> | <u>145,270</u> | <u>73,218</u> | <u>-</u> | <u>73,218</u> |
| | 16,537,218 | - | 16,537,218 | 12,964,171 | - | 12,964,171 |
| With Donor Restrictions | <u>10,503,164</u> | <u>-</u> | <u>10,503,164</u> | <u>4,841,034</u> | <u>-</u> | <u>4,841,034</u> |
| TOTAL NET ASSETS | <u>27,040,382</u> | <u>-</u> | <u>27,040,382</u> | <u>17,805,205</u> | <u>-</u> | <u>17,805,205</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 31,738,119</u> | <u>\$ -</u> | <u>\$ 31,738,119</u> | <u>\$ 26,191,356</u> | <u>\$ -</u> | <u>\$ 26,191,356</u> |

See independent auditors' report.

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

| | Sanctuary for Families, Inc. | | | Housing Development Fund Corporation | Consolidated Total 2022 |
|--|-------------------------------|----------------------------|----------------------|--|----------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | | |
| OPERATING REVENUE AND SUPPORT: | | | | | |
| Government grants | \$ 13,340,983 | \$ - | \$ 13,340,983 | \$ - | \$ 13,340,983 |
| Program service revenue | 4,575,733 | - | 4,575,733 | - | 4,575,733 |
| Contributions | 3,280,309 | 10,218,898 | 13,499,207 | - | 13,499,207 |
| Special events (net of direct expenses of \$272,800) | 2,047,030 | - | 2,047,030 | - | 2,047,030 |
| Pro bono legal services | 50,162,178 | - | 50,162,178 | - | 50,162,178 |
| Donated goods | 127,427 | - | 127,427 | - | 127,427 |
| Paycheck Protection Program loan forgiveness | 2,934,317 | - | 2,934,317 | - | 2,934,317 |
| Investment (loss) income | (25,966) | 591 | (25,375) | - | (25,375) |
| Other revenues | 203,341 | - | 203,341 | - | 203,341 |
| Net assets released from restrictions | 4,557,359 | (4,557,359) | - | - | - |
| TOTAL OPERATING REVENUE AND SUPPORT | 81,202,711 | 5,662,130 | 86,864,841 | - | 86,864,841 |
| OPERATING EXPENSES: | | | | | |
| Program Services: | | | | | |
| Sarah Burke House - transitional shelter | 3,234,609 | - | 3,234,609 | - | 3,234,609 |
| Clinical services | 7,288,746 | - | 7,288,746 | - | 7,288,746 |
| Legal services | 60,201,028 | - | 60,201,028 | - | 60,201,028 |
| Economic empowerment program | 2,052,810 | - | 2,052,810 | - | 2,052,810 |
| Total Program Services | 72,777,193 | - | 72,777,193 | - | 72,777,193 |
| Supporting Services: | | | | | |
| Management and general | 2,616,445 | - | 2,616,445 | - | 2,616,445 |
| Fundraising | 2,236,026 | - | 2,236,026 | - | 2,236,026 |
| Total Supporting Services | 4,852,471 | - | 4,852,471 | - | 4,852,471 |
| TOTAL OPERATING EXPENSES | 77,629,664 | - | 77,629,664 | - | 77,629,664 |
| CHANGE IN TOTAL NET ASSETS | 3,573,047 | 5,662,130 | 9,235,177 | - | 9,235,177 |
| Net Assets - Beginning of Year | 12,964,171 | 4,841,034 | 17,805,205 | - | 17,805,205 |
| NET ASSETS - END OF YEAR | \$ 16,537,218 | \$ 10,503,164 | \$ 27,040,382 | \$ - | \$ 27,040,382 |

See independent auditors' report.

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

| | Sanctuary for Families, Inc. | | | Housing Development Fund Corporation | Consolidated Total 2021 |
|--|-------------------------------|----------------------------|----------------------|--|----------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | | |
| OPERATING REVENUE AND SUPPORT: | | | | | |
| Government grants | \$ 12,155,875 | \$ - | \$ 12,155,875 | \$ - | \$ 12,155,875 |
| Program service revenue | 4,625,572 | - | 4,625,572 | - | 4,625,572 |
| Contributions | 6,531,860 | 4,467,448 | 10,999,308 | - | 10,999,308 |
| Pro bono legal services | 43,274,485 | - | 43,274,485 | - | 43,274,485 |
| Donated goods | 83,176 | - | 83,176 | - | 83,176 |
| Investment income | 2,265 | 141 | 2,406 | - | 2,406 |
| Other revenues | 154,520 | - | 154,520 | - | 154,520 |
| Net assets released from restrictions | 4,807,898 | (4,807,898) | - | - | - |
| TOTAL OPERATING REVENUE AND SUPPORT | <u>71,635,651</u> | <u>(340,309)</u> | <u>71,295,342</u> | <u>-</u> | <u>71,295,342</u> |
| OPERATING EXPENSES: | | | | | |
| Program Services: | | | | | |
| Sarah Burke House - transitional shelter | 3,128,600 | - | 3,128,600 | - | 3,128,600 |
| Clinical services | 6,910,987 | - | 6,910,987 | - | 6,910,987 |
| Legal services | 52,297,581 | - | 52,297,581 | - | 52,297,581 |
| Economic empowerment program | 2,037,442 | - | 2,037,442 | - | 2,037,442 |
| Total Program Services | <u>64,374,610</u> | <u>-</u> | <u>64,374,610</u> | <u>-</u> | <u>64,374,610</u> |
| Supporting Services: | | | | | |
| Management and general | 2,381,076 | - | 2,381,076 | - | 2,381,076 |
| Fundraising | 2,013,208 | - | 2,013,208 | - | 2,013,208 |
| Total Supporting Services | <u>4,394,284</u> | <u>-</u> | <u>4,394,284</u> | <u>-</u> | <u>4,394,284</u> |
| TOTAL OPERATING EXPENSES | <u>68,768,894</u> | <u>-</u> | <u>68,768,894</u> | <u>-</u> | <u>68,768,894</u> |
| CHANGE IN TOTAL NET ASSETS | 2,866,757 | (340,309) | 2,526,448 | - | 2,526,448 |
| Net Assets - Beginning of Year | <u>10,097,414</u> | <u>5,181,343</u> | <u>15,278,757</u> | <u>-</u> | <u>15,278,757</u> |
| NET ASSETS - END OF YEAR | <u>\$ 12,964,171</u> | <u>\$ 4,841,034</u> | <u>\$ 17,805,205</u> | <u>\$ -</u> | <u>\$ 17,805,205</u> |

See independent auditors' report.