

SANCTUARY FOR FAMILIES, INC.
Consolidating Financial Statements
June 30, 2017 and 2016
With Independent Auditors' Reports

Sanctuary for Families, Inc.
June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Sanctuary for Families, Inc.:

We have audited the accompanying consolidating financial statements of Sanctuary for Families, Inc. which comprise the consolidating statements of financial position as of June 30, 2017 and 2016, and the related consolidating statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidating financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of Sanctuary for Families, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



November 28, 2017

Sanctuary for Families, Inc.
Consolidating Statements of Financial Position
June 30, 2017

	Sanctuary for Families, Inc.	Housing Development Fund Corporation	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,329,204	\$ --	\$ 1,329,204
Investments	2,037,079	--	2,037,079
Accounts receivable	5,189	--	5,189
Government contracts receivable	4,735,503	--	4,735,503
Contributions receivable (net of allowance for doubtful accounts of \$97,037)	1,898,780	--	1,898,780
Prepaid expenses and other current assets	30,980	--	30,980
Total current assets	10,036,735	--	10,036,735
Endowment investments	336,043	--	336,043
Property and equipment, net	1,073,625	368,420	1,442,045
Security deposits	119,985	--	119,985
Total assets	<u>\$ 11,566,388</u>	<u>\$ 368,420</u>	<u>\$ 11,934,808</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	\$ 1,192,583	\$ --	\$ 1,192,583
Refundable advances	123,145	--	123,145
Total liabilities	1,315,728	--	1,315,728
Net assets			
Unrestricted			
Available for operations	7,379,339	368,420	7,747,759
Board designated	46,930	--	46,930
	7,426,269	368,420	7,794,689
Temporarily restricted	2,489,916	--	2,489,916
Permanently restricted	334,475	--	334,475
Total net assets	10,250,660	368,420	10,619,080
Total liabilities and net assets	<u>\$ 11,566,388</u>	<u>\$ 368,420</u>	<u>\$ 11,934,808</u>

Sanctuary for Families, Inc.
Consolidating Statements of Financial Position
June 30, 2016

	Sanctuary for Families, Inc.	Housing Development Fund Corporation	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 647,182	\$ --	\$ 647,182
Investments	429,858	--	429,858
Accounts receivable	3,919	--	3,919
Government contracts receivable	6,675,875	--	6,675,875
Contributions receivable (net of allowance for doubtful accounts of \$99,195)	2,059,240	--	2,059,240
Prepaid expenses and other current assets	2,910	--	2,910
Total current assets	9,818,984	--	9,818,984
Endowment investments	334,606	--	334,606
Contribution receivable, net of current portion	67,556	--	67,556
Property and equipment, net	1,247,790	552,630	1,800,420
Security deposits	103,158	--	103,158
Total assets	<u>\$ 11,572,094</u>	<u>\$ 552,630</u>	<u>\$ 12,124,724</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	\$ 1,242,225	\$ --	\$ 1,242,225
Refundable advances	147,477	--	147,477
Total liabilities	1,389,702	--	1,389,702
Net assets			
Unrestricted			
Available for operations	7,062,715	552,630	7,615,345
Board designated	52,980	--	52,980
	7,115,695	552,630	7,668,325
Temporarily restricted	2,732,222	--	2,732,222
Permanently restricted	334,475	--	334,475
Total net assets	10,182,392	552,630	10,735,022
Total liabilities and net assets	<u>\$ 11,572,094</u>	<u>\$ 552,630</u>	<u>\$ 12,124,724</u>

The Notes to Consolidating Financial Statements are an integral part of this statement.

Sanctuary for Families, Inc.
Consolidating Statements of Activities
Year Ended June 30, 2017

	Sanctuary for Families, Inc.			Total	Housing Development Fund Corporation	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted			
Revenues and support						
Government contracts	\$ 13,316,943	\$ --	\$ --	\$ 13,316,943	\$ --	\$ 13,316,943
Contributions	1,893,548	2,666,991	--	4,560,539	--	4,560,539
Special events	\$ 3,213,649					
Less: Cost of direct benefit to donors	<u>325,228</u>					
Net revenues from special events	2,888,421	--	--	2,888,421	--	2,888,421
Pro bono legal services	34,461,838	--	--	34,461,838	--	34,461,838
Donated goods	170,789	--	--	170,789	--	170,789
Investment income	10,265	--	--	10,265	--	10,265
Other revenues	148,237	--	--	148,237	--	148,237
Net assets released from restrictions	<u>2,909,297</u>	<u>(2,909,297)</u>	--	--	--	--
	55,799,338	(242,306)	--	55,557,032	--	55,557,032
Expenses						
Program services						
Sarah Burke House - transitional shelter	2,927,937	--	--	2,927,937	184,210	3,112,147
Clinical services	5,725,545	--	--	5,725,545	--	5,725,545
Legal services	7,873,965	--	--	7,873,965	--	7,873,965
Economic Empowerment Program	1,631,489	--	--	1,631,489	--	1,631,489
Donated legal services	34,461,838	--	--	34,461,838	--	34,461,838
Donated goods expense	170,789	--	--	170,789	--	170,789
	<u>52,791,563</u>	--	--	52,791,563	184,210	52,975,773
Supporting services						
Management and general	1,453,591	--	--	1,453,591	--	1,453,591
Fundraising	<u>1,243,610</u>	--	--	1,243,610	--	1,243,610
	<u>2,697,201</u>	--	--	2,697,201	--	2,697,201
	<u>55,488,764</u>	--	--	55,488,764	184,210	55,672,974
Changes in net assets	310,574	(242,306)	--	68,268	(184,210)	(115,942)
Net assets - beginning of year	<u>7,115,695</u>	<u>2,732,222</u>	<u>334,475</u>	<u>10,182,392</u>	<u>552,630</u>	<u>10,735,022</u>
Net assets - end of year	<u>\$ 7,426,269</u>	<u>\$ 2,489,916</u>	<u>\$ 334,475</u>	<u>\$ 10,250,660</u>	<u>\$ 368,420</u>	<u>\$ 10,619,080</u>

The Notes to Consolidating Financial Statements are an integral part of this statement.

Sanctuary for Families, Inc.
Consolidating Statements of Activities
Year Ended June 30, 2016

	Sanctuary for Families, Inc.			Housing Development Fund Corporation	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues and support					
Government contracts	\$ 12,814,333	\$ --	\$ --	\$ 12,814,333	\$ --
Contributions	1,266,369	2,486,417	--	3,752,786	--
Special events	\$ 2,922,286				
Less: Cost of direct benefit to donors	<u>317,475</u>				
Net revenues from special events	2,604,811	--	--	2,604,811	--
Pro bono legal services	27,252,843	--	--	27,252,843	--
Donated goods	144,390	--	--	144,390	--
Investment income	70,940	--	--	70,940	--
Other revenues	97,708	--	--	97,708	--
Net assets released from restrictions	<u>3,234,312</u>	<u>(3,234,312)</u>	--	--	--
	<u>47,485,706</u>	<u>(747,895)</u>	--	<u>46,737,811</u>	--
Expenses					
Program services					
Sarah Burke House - transitional shelter	2,963,789	--	--	2,963,789	184,210
Clinical services	5,692,690	--	--	5,692,690	--
Legal services	7,300,762	--	--	7,300,762	--
Economic Empowerment Program	1,605,655	--	--	1,605,655	--
Donated legal services	27,252,843	--	--	27,252,843	--
Donated goods expense	144,390	--	--	144,390	--
	<u>44,960,129</u>	--	--	<u>44,960,129</u>	<u>184,210</u>
Supporting services					
Management and general	1,689,195	--	--	1,689,195	--
Fundraising	1,146,548	--	--	1,146,548	--
	<u>2,835,743</u>	--	--	<u>2,835,743</u>	--
	<u>47,795,872</u>	--	--	<u>47,795,872</u>	<u>184,210</u>
Changes in net assets	(310,166)	(747,895)	--	(1,058,061)	(184,210)
Net assets - beginning of year	<u>7,425,861</u>	<u>3,480,117</u>	<u>334,475</u>	<u>11,240,453</u>	<u>736,840</u>
Net assets - end of year	<u>\$ 7,115,695</u>	<u>\$ 2,732,222</u>	<u>\$ 334,475</u>	<u>\$ 10,182,392</u>	<u>\$ 552,630</u>

The Notes to Consolidating Financial Statements are an integral part of this statement.

Sanctuary for Families, Inc.
Consolidating Statements of Functional Expenses
Year Ended June 30, 2017

	Sanctuary for Families, Inc.									
	Program Services					Supporting Services			Housing Development Fund Corporation	Grand Total
	Sarah Burke House Transitional Shelter	Clinical Services	Legal Services	Economic Empowerment Program	Total	Management and General	Fundraising	Total		
Salaries	\$ 1,672,330	\$ 3,475,275	\$ 4,687,523	\$ 695,844	\$ 10,530,972	\$ 888,699	\$ 664,879	\$ 1,553,578	\$ --	\$ 12,084,550
Payroll taxes and employee benefits	610,891	1,208,631	1,550,746	233,010	3,603,278	130,775	274,635	405,410	--	4,008,688
Professional fees and contract services	51,460	87,126	78,566	132,600	349,752	5,916	139,283	145,199	--	494,951
Rent	--	392,295	439,380	115,218	946,893	158,598	108,569	267,167	--	1,214,060
Food	14,914	15,861	10,970	4,883	46,628	--	--	--	--	46,628
Household supplies	9,931	25,675	--	--	35,606	--	--	--	--	35,606
Office supplies	9,519	9,798	18,531	8,357	46,205	9,408	4,977	14,385	--	60,590
Telephone	5,251	53,920	44,033	7,497	110,701	16,661	8,593	25,254	--	135,955
Staff transportation and activities	7,402	19,732	14,698	878	42,710	5,917	1,360	7,277	--	49,987
Printing and duplication	2,024	6,916	16,850	2,347	28,137	2,527	1,847	4,374	--	32,511
Library resources	10	62	24,450	18	24,540	1,707	1,834	3,541	--	28,081
Equipment and maintenance	59,278	37,119	31,112	7,757	135,266	25,956	4,012	29,968	--	165,234
Equipment rental	5,715	4,891	13,654	3,560	27,820	5,190	2,286	7,476	--	35,296
Utilities	164,334	51,166	38,662	13,377	267,539	17,156	9,441	26,597	--	294,136
Postage and shipping	3,907	10,986	31,758	895	47,546	1,475	1,874	3,349	--	50,895
Facility maintenance	57,503	39,328	10,814	1,685	109,330	7,329	2,180	9,509	--	118,839
Insurance	22,195	36,717	61,952	5,868	126,732	10,463	6,423	16,886	--	143,618
Recruitment	5,470	8,244	16,469	949	31,132	2,138	2,667	4,805	--	35,937
Client expenses	78,217	116,524	369,371	385,116	949,228	--	--	--	--	949,228
Training and development	12,470	51,099	78,217	5,270	147,056	12,853	1,534	14,387	--	161,443
Depreciation	114,556	54,678	--	--	169,234	14,055	--	14,055	184,210	367,499
Grants to clients	17,318	14,986	98,436	4,782	135,522	--	--	--	--	135,522
Grants to subrecipients	--	--	130,316	--	130,316	--	--	--	--	130,316
Lobbying	--	--	1,445	--	1,445	125,934	12	125,946	--	127,391
Bad debt	--	--	100,000	--	100,000	--	--	--	--	100,000
Other expenses	3,242	4,516	6,012	1,578	15,348	10,571	7,204	17,775	--	33,123
Bank charges	--	--	--	--	--	263	--	263	--	263
	<u>2,927,937</u>	<u>5,725,545</u>	<u>7,873,965</u>	<u>1,631,489</u>	<u>18,158,936</u>	<u>1,453,591</u>	<u>1,243,610</u>	<u>2,697,201</u>	<u>184,210</u>	<u>21,040,347</u>
Donated legal services	--	--	34,461,838	--	34,461,838	--	--	--	--	34,461,838
Donated goods expense	--	<u>85,394</u>	<u>85,395</u>	--	<u>170,789</u>	--	--	--	--	<u>170,789</u>
	<u>\$ 2,927,937</u>	<u>\$ 5,810,939</u>	<u>\$ 42,421,198</u>	<u>\$ 1,631,489</u>	<u>\$ 52,791,563</u>	<u>\$ 1,453,591</u>	<u>\$ 1,243,610</u>	<u>\$ 2,697,201</u>	<u>\$ 184,210</u>	<u>\$ 55,672,974</u>

The Notes to Consolidating Financial Statements are an integral part of this statement.

Sanctuary for Families, Inc.
Consolidating Statements of Functional Expenses
Year Ended June 30, 2016

	Sanctuary for Families, Inc.									
	Program Services					Supporting Services			Housing Development Fund Corporation	Grand Total
	Sarah Burke House Transitional Shelter	Clinical Services	Legal Services	Economic Empowerment Program	Total	Management and General	Fundraising	Total		
Salaries	\$ 1,672,958	\$ 3,418,135	\$ 4,449,573	\$ 632,415	\$ 10,173,081	\$ 946,186	\$ 675,713	\$ 1,621,899	\$ --	\$ 11,794,980
Payroll taxes and employee benefits	672,071	1,205,571	1,448,260	213,613	3,539,515	140,355	199,620	339,975	--	3,879,490
Professional fees and contract services	70,868	101,700	82,256	98,240	353,064	83,694	127,802	211,496	--	564,560
Rent	313	374,514	390,732	100,057	865,616	179,814	91,706	271,520	--	1,137,136
Food	17,345	32,022	22,309	--	71,676	--	--	--	--	71,676
Household supplies	9,621	10,016	--	--	19,637	--	--	--	--	19,637
Office supplies	8,942	10,091	23,042	7,398	49,473	16,118	4,394	20,512	--	69,985
Telephone	13,385	59,092	40,115	9,396	121,988	18,808	7,472	26,280	--	148,268
Staff transportation and activities	8,302	15,368	13,869	723	38,262	13,087	1,139	14,226	--	52,488
Printing and duplication	2,677	6,831	12,937	8,744	31,189	2,069	1,181	3,250	--	34,439
Library resources	--	700	23,925	--	24,625	2,266	1,843	4,109	--	28,734
Equipment and maintenance	67,727	39,594	23,681	5,277	136,279	24,575	4,249	28,824	--	165,103
Equipment rental	4,294	4,699	12,294	2,760	24,047	2,207	1,852	4,059	--	28,106
Utilities	182,650	47,908	38,573	10,843	279,974	16,305	9,136	25,441	--	305,415
Postage and shipping	5,198	13,194	32,507	644	51,543	1,336	732	2,068	--	53,611
Facility maintenance	54,045	54,573	11,789	2,004	122,411	8,374	2,114	10,488	--	132,899
Insurance	19,656	34,352	58,460	6,301	118,769	11,129	6,164	17,293	--	136,062
Recruitment	2,561	5,826	5,753	672	14,812	15,450	2,225	17,675	--	32,487
Client expenses	48,550	171,952	361,249	489,831	1,071,582	568	126	694	--	1,072,276
Training and development	10,159	33,608	58,995	4,783	107,545	6,765	1,167	7,932	--	115,477
Depreciation	72,959	29,876	--	--	102,835	54,485	--	54,485	184,210	341,530
Grants to clients	18,278	16,470	60,555	9,964	105,267	--	--	--	--	105,267
Grants to subrecipients	--	--	119,750	--	119,750	--	--	--	--	119,750
Lobbying	--	--	--	--	--	138,279	--	138,279	--	138,279
Other expenses	1,230	6,598	10,138	1,990	19,956	7,325	7,913	15,238	--	35,194
	<u>2,963,789</u>	<u>5,692,690</u>	<u>7,300,762</u>	<u>1,605,655</u>	<u>17,562,896</u>	<u>1,689,195</u>	<u>1,146,548</u>	<u>2,835,743</u>	<u>184,210</u>	<u>20,582,849</u>
Donated legal services	--	--	27,252,843	--	27,252,843	--	--	--	--	27,252,843
Donated goods expense	--	98,500	45,890	--	144,390	--	--	--	--	144,390
	<u>\$ 2,963,789</u>	<u>\$ 5,791,190</u>	<u>\$ 34,599,495</u>	<u>\$ 1,605,655</u>	<u>\$ 44,960,129</u>	<u>\$ 1,689,195</u>	<u>\$ 1,146,548</u>	<u>\$ 2,835,743</u>	<u>\$ 184,210</u>	<u>\$ 47,980,082</u>

The Notes to Consolidating Financial Statements are an integral part of this statement.

Sanctuary for Families, Inc.
Consolidating Statements of Cash Flows
Year Ended June 30, 2017

	Sanctuary for Families, Inc.	Housing Development Fund Corporation	Total
Cash flows from operating activities			
Changes in net assets	\$ 68,268	\$ (184,210)	\$ (115,942)
Adjustments to reconcile changes in net assets to net cash provided by operating activities			
Depreciation	183,289	184,210	367,499
Unrealized loss on investments	22,427	--	22,427
Bad debt expense	100,000	--	100,000
Discount on receivables	32,444	--	32,444
Change in			
Accounts receivable	(1,270)	--	(1,270)
Government contracts receivable	1,840,372	--	1,840,372
Contributions receivable	195,572	--	195,572
Prepaid expenses and other current assets	(28,070)	--	(28,070)
Accounts payable and accrued expenses	(49,642)	--	(49,642)
Refundable advances	(24,332)	--	(24,332)
Net cash provided by operating activities	<u>2,322,231</u>	<u>--</u>	<u>2,322,231</u>
Cash flows from investing activities			
Capital acquisitions	(9,124)	--	(9,124)
Purchases of investments	(2,959,882)	--	(2,959,882)
Proceeds from sale of investments	1,330,234	--	1,330,234
Purchases of endowment investments	(1,437)	--	(1,437)
Net cash used by investing activities	<u>(1,640,209)</u>	<u>--</u>	<u>(1,640,209)</u>
Net change in cash and cash equivalents	682,022	--	682,022
Cash and cash equivalents			
Beginning of year	<u>647,182</u>	<u>--</u>	<u>647,182</u>
End of year	<u>\$ 1,329,204</u>	<u>\$ --</u>	<u>\$ 1,329,204</u>

Sanctuary for Families, Inc.
Consolidating Statements of Cash Flows
Year Ended June 30, 2016

	Sanctuary for Families, Inc.	Housing Development Fund Corporation	Total
Cash flows from operating activities			
Changes in net assets	\$ (1,058,061)	\$ (184,210)	\$ (1,242,271)
Adjustments to reconcile changes in net assets assets to net cash used by operating activities			
Depreciation	157,320	184,210	341,530
Unrealized gain on investments	(34,288)	--	(34,288)
Discount on receivables	29,741	--	29,741
Change in			
Accounts receivable	2,400	--	2,400
Government contracts receivable	(703,266)	--	(703,266)
Contributions receivable	124,624	--	124,624
Prepaid expenses and other current assets	5,264	--	5,264
Accounts payable and accrued expenses	(84,156)	--	(84,156)
Refundable advances	(19,045)	--	(19,045)
Net cash used by operating activities	<u>(1,579,467)</u>	<u>--</u>	<u>(1,579,467)</u>
Cash flows from investing activities			
Capital acquisitions	(72,770)	--	(72,770)
Purchases of investments	(2,035,179)	--	(2,035,179)
Proceeds from sale of investments	3,348,102	--	3,348,102
Purchase of endowment investments	(448)	--	(448)
Net cash provided by investing activities	<u>1,239,705</u>	<u>--</u>	<u>1,239,705</u>
Net change in cash and cash equivalents	(339,762)	--	(339,762)
Cash and cash equivalents			
Beginning of year	<u>986,944</u>	<u>--</u>	<u>986,944</u>
End of year	<u>\$ 647,182</u>	<u>\$ --</u>	<u>\$ 647,182</u>

Sanctuary for Families, Inc.
Notes to Consolidating Financial Statements
June 30, 2017 and 2016

1. NATURE OF ACTIVITY

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 victims and their children. Operating out of nine sites, Sanctuary provides clients with a continuum of care including hotline and crisis intervention, shelter, counseling, legal advice and representation, and assistance with housing, economic 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 2017, Sanctuary provided direct services to nearly 16,000 adults and children and training and outreach to more than 25,000 other individuals.

Sanctuary employs more than 200 full and part-time staff and also 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 29-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 Development Fund Corporation” or “Housing”). Housing owns a building in the Bronx which serves as a transitional shelter for victims of domestic violence.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidating financial statements include Sanctuary and Housing (the “Organization”). Intercompany transactions and balances have been eliminated.

Basis of Presentation

For the years ended June 30, 2017 and 2016, the Organization had accounting transactions in the following net asset categories. The unrestricted net asset category represents net assets that are not subject to donor imposed restrictions; the temporarily restricted net asset category represents net assets that are subject to time or purpose donor imposed restrictions; and the permanently restricted net assets category which represents net assets subject to donor-imposed restrictions that will not expire by the passage of time nor be fulfilled or otherwise resolved by the actions of the Organization.

Revenue and Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged and the Organization records these revenues as unrestricted or restricted support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidating statements of activities as net assets released from restrictions.

Earnings on permanently and temporarily restricted net assets are recorded as unrestricted or temporarily restricted revenues and follow the restrictions set forth by the donor.

The Organization accounts for those grant and contract revenues which have been determined to be exchange transactions in the consolidating statements of activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. Program revenues received in advance of their usage are classified as liabilities in the consolidating statements of financial position. In applying this concept, the legal and contractual requirements of each individual contract are used as guidance.

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Unrestricted revenues are obtained from contributions, special events, investment and miscellaneous income. These revenues are used to offset program expenses as well as the cost of property and equipment acquisitions and general and administrative expenses.

Cash and Cash Equivalents

For purposes of the consolidating statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Investments

Investments of Sanctuary are recorded at fair value as determined by quoted market prices.

Fair Value Accounting

Recurring Fair Value Measurements

Sanctuary has provided fair value disclosure information for relevant assets and liabilities in these consolidating financial statements. The following table summarizes assets (liabilities) which have been accounted for at fair value on a recurring basis as of June 30, 2017 and 2016, along with the basis for the determination of fair value:

	2017	
	Total	Basis for Valuation Quoted Prices in Active Markets (Level I)
Money Market Funds	\$ 336,043	\$ 336,043
Mutual Funds - Intermediate Government	\$ 2,037,079	\$ 2,037,079

	2016	
	Total	Basis for Valuation Quoted Prices in Active Markets (Level I)
Money Market Funds	\$ 334,606	\$ 334,606
Mutual Funds - Intermediate Government	\$ 429,858	\$ 429,858

For applicable assets (liabilities), Sanctuary will value such assets (liabilities) using quoted market prices in active markets (Level 1) for identical assets (liabilities) to the extent possible. To the extent that such markets are not available, Sanctuary will next attempt to value such assets (liabilities) using observable measurement criteria (Level 2), including quoted market prices of similar assets (liabilities) in active and inactive markets and other corroborated factors. In the event that quoted market prices in active markets and other observable measurement criteria are not available, Sanctuary will develop measurement criteria based on the best information available (Level 3).

Property, Equipment and Depreciation

Property and equipment is recorded at cost. Depreciation is provided over the estimated useful lives of the assets of three to thirty years utilizing the straight-line method. Leasehold improvements are amortized over the term of the lease. At the time of retirement or other disposition of assets, the cost and accumulated depreciation are removed from the accounts and any gains or losses are reflected in the consolidating statements of activities.

Contributed property and equipment is recorded at fair value on the date of donation. When donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

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Income Taxes

The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal or state income taxes has been recorded in the consolidating financial statements. The Organization follows the accounting pronouncement dealing with uncertain tax positions. The Organization had no unrecognized tax benefits at June 30, 2017 and 2016. In addition, the Organization has no income tax related penalties or interest for the periods reported in these consolidating financial statements.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis. Accordingly, certain expenses have been allocated to program services based on the percentage of each program's salaries to total salaries, or other reasonable basis consistent with the benefit derived by each program.

Estimates

The preparation of consolidating financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash, accounts and contributions receivable and accounts payable approximate their fair values because of the relatively short maturity of these instruments.

Valuation of Long-Lived Assets

Sanctuary reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. No impairment was recognized or assessed during the years ended June 30, 2017 and 2016.

Recent Accounting Pronouncements

In August 2016 the FASB issued ASU 2016-14 – Not-for-profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-profit Entities*. ASU 2016-14, which is effective for fiscal years beginning after December 15, 2017 with early adoption permitted will require a change to two areas of not-for-profit accounting and significant new financial statement presentation and disclosure requirements. Under ASU 2016-14 (the “ASU”) underwater funds will be accounted for within net assets with donor restrictions and not within net assets without donor restrictions as is the current practice. In addition, the ASU eliminates the accounting policy election to release donor imposed restrictions over the useful life of donated property and equipment when the donor does not explicitly specify the period of time the property must be used. Instead, entities will be required to relieve the donor’s restrictions at the time the asset is placed in service.

In addition to the above disclosures the ASU changes the presentation and disclosure requirements of not-for-profit entities in the following areas: expense disclosures, display of net asset classes, cash flow presentation, quantitative and qualitative liquidity disclosures and presentation of investment returns. The Organization is evaluating the impact the ASU will have on its consolidating financial statements.

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3. PROPERTY AND EQUIPMENT

Property and equipment at June 30, consists of the following:

Description	2017	2016
Building	\$ 5,065,779	\$ 5,065,779
Furniture and fixtures	499,964	499,964
Autos	33,150	33,150
Equipment	612,554	1,207,862
Leasehold improvements	<u>2,665,307</u>	<u>2,664,557</u>
	8,876,754	9,471,312
Less: Accumulated depreciation	<u>7,434,709</u>	<u>7,670,892</u>
	<u>\$ 1,442,045</u>	<u>\$ 1,800,420</u>

Depreciation expense amounted to \$367,499 and \$341,530 for the years ended June 30, 2017 and 2016, respectively.

4. INVESTMENTS

During the years ended June 30, 2017 and 2016, the Organization's investments, including gains and losses on investments bought and sold, as well as held during the year, depreciated in value by \$22,427 and appreciated in value by \$34,288, respectively. Dividend and interest income related to the investment amounted to \$32,692 and \$36,652 for the years ended June 30, 2017 and 2016, respectively.

5. CONTRIBUTIONS RECEIVABLE

Pledges receivable at June 30, consisted of the following:

	2017	2016
Receivable in less than one year	\$ 1,995,817	\$ 2,158,435
Receivable in one to five years	<u>--</u>	<u>100,000</u>
Total contributions receivable	1,995,817	2,258,435
Less: Discounts to present value	--	(32,444)
Less: Allowance for uncollectable pledges receivable	<u>(97,037)</u>	<u>(99,195)</u>
Net contributions receivable	<u>\$ 1,898,780</u>	<u>\$ 2,126,796</u>

6. NET ASSETS

Unrestricted Net Assets

As of June 30, 2017 and 2016, unrestricted net assets include \$46,930 and \$52,980, respectively of net assets designated by the Board for future capital improvements at the Sarah Burke House facility.

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Temporarily Restricted Net Assets

Components of temporarily restricted net assets at June 30, were as follows:

	2017	2016
Legal services	\$ 810,614	\$ 1,149,138
Economic empowerment program	441,071	343,750
Residential and nonresidential programs	187,476	121,115
Sarah Burke House	560,755	535,719
General support - time restrictions	490,000	582,500
	<u>\$ 2,489,916</u>	<u>\$ 2,732,222</u>

Temporarily restricted net assets from grants were released for the following purposes as of June 30:

	2017	2016
Legal services	\$ 1,406,515	\$ 1,285,118
Economic empowerment program	831,679	1,107,500
Residential and nonresidential programs	242,639	376,530
Sarah Burke House	35,964	177,464
General support - time restrictions	392,500	287,700
	<u>\$ 2,909,297</u>	<u>\$ 3,234,312</u>

Permanently Restricted Net Assets

Permanently restricted net assets represent monies contributed for the legal center and agency endowment. All income derived from these investments will be used to fund the legal services program, and other programs run by Sanctuary for Families, Inc.

7. DONATED SERVICES

Donated legal services represent the value of contributed time by volunteer attorneys and interns based upon the actual hours worked at standard billing rates, which range from \$380 - \$635 per hour, and interns at \$15 per hour, performing similar duties. For the years ended June 30, 2017 and 2016, these services were valued at \$34,461,838 and \$27,252,843, respectively, in the consolidating statements of activities.

8. CONCENTRATIONS

Financial instruments which potentially subject the Organization to a concentration of credit risk are interest-bearing cash accounts with a major financial institution in excess of FDIC insurance limits. This financial institution has a strong credit rating and management believes that credit risk related to these accounts is minimal.

Approximately 30 percent of total revenues and support, excluding pro bono legal services, were from the City of New York, Human Resources Administration for each of the years ended June 30, 2017 and 2016. Approximately 38 percent and 43 percent of total government contracts receivable for the years ended June 30, 2017 and 2016, respectively, were from the City of New York, Human Resources Administration.

Approximately 39 percent and 38 percent of total contributions receivable for the years ended June 30, 2017 and 2016, respectively, were from one foundation.

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9. 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, 3 percent for both the years ended June 30, 2017 and 2016. Pension expense for the years ended June 30, 2017 and 2016, was approximately \$358,000 and \$274,000, respectively.

10. DEFERRED COMPENSATION

A deferred compensation agreement was entered into with Senior Executives of the Organization, and funded in accordance with the requirements of Section 457(b) of the Internal Revenue Service. Under the current agreement, the Organization maintains the investment. The 457(b) expense for the years ended June 30, 2017 and 2016, amounted to \$82,998 and \$42,002, respectively. Discretionary contributions are based on a percentage of compensation of the officer in accordance with the plan document. Benefits earned under the plan are fully vested.

11. LEASE COMMITMENTS

Sanctuary rents space for administrative and programmatic uses. Rental expense under these non-cancelable operating leases amounted to \$1,214,060 and \$1,137,136 for the years ended June 30, 2017 and 2016, respectively. Sanctuary is moving their offices in fiscal year 2018, and signed a new lease effective October 1, 2017. Future minimum lease payments are as follows:

Years Ending June 30,	Amount
2018	\$ 1,281,869
2019	1,674,222
2020	1,674,222
2021	1,674,222
2022	1,674,222
Thereafter	<u>20,488,080</u>
	<u>\$ 28,466,837</u>

12. DONOR-DESIGNATED ENDOWMENTS

Sanctuary has two endowments funds – Operating and Legal. These funds have distinct investment and expenditure policies and Sanctuary for Families, Inc. adopted a formal resolution.

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 accord with such policies and in such manner as the Board, or duly authorized Board agents, would from time to time determine, (iii) the Board could authorize loans from the funds to pay operating or project expenses for which other funds were not readily available, such loans to be repaid as promptly as practicable.

The principal is held in two separate Vanguard Admiral Treasury Money Market Accounts – one for the Operating fund, another is for the Legal fund. Transfers of income from the funds were made in accordance with the aforementioned spending policy.

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Endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	Permanently Restricted	Total
Operating endowment funds	\$ 225,475	\$ 225,475
Legal endowment funds	<u>109,000</u>	<u>109,000</u>
	<u>\$ 334,475</u>	<u>\$ 334,475</u>

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	Permanently Restricted	Total
Operating endowment funds	\$ 225,475	\$ 225,475
Legal endowment funds	<u>109,000</u>	<u>109,000</u>
	<u>\$ 334,475</u>	<u>\$ 334,475</u>

Changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	Permanently Restricted
Endowment net assets, July 1, 2015	\$ 334,475
Investment income	447
Amounts appropriated for expenditure	<u>(447)</u>
Endowment net assets, June 30, 2016	334,475
Investment income	1,438
Amounts appropriated for expenditure	<u>(1,438)</u>
Endowment net assets, June 30, 2017	<u>\$ 334,475</u>

13. COMMITMENT

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.

14. SUBSEQUENT EVENTS

Sanctuary has evaluated subsequent events occurring after the consolidating statement of financial position date through the date of November 28, 2017, which is the date the consolidating financial statements were available to be issued. Based upon this evaluation, Sanctuary has determined that no subsequent events have occurred, which require disclosure in or adjustment to the consolidating financial statements.