

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE**



**Sanctuary  
for Families**

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

**Years Ended June 30, 2018 and 2017**

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE**

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

**YEARS ENDED JUNE 30, 2018 AND 2017**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditors' Report.....	1-2
<b>Consolidated Financial Statements:</b>	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities .....	4
Consolidated Statements of Functional Expenses .....	5-6
Consolidated Statements of Cash Flows .....	7
Notes to Consolidated Financial Statements .....	8-14
<b>Supplementary Information:</b>	
Consolidating Statements of Financial Position.....	15
Consolidating Statements of Activities .....	16-17

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Sanctuary for Families, Inc. and Affiliate ("Sanctuary"), which comprise the consolidated statements of financial position as of June 30, 2018, 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.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sanctuary as of June 30, 2018 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.

### ***Prior Period Financial Statements***

The consolidated financial statements of Sanctuary as of and for the year ended June 30, 2017, were audited by other auditors whose report dated November 28, 2017, expressed an unmodified opinion on those consolidated financial statements.

### ***Report on Consolidating Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information (shown on pages 15-17) is presented for purpose of additional analysis of the consolidated financial statements rather than to present the financial position, the changes in net assets, and cash flows of the individual organizations, and it 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 consolidating 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 auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Marks Paneth LLP*

New York, NY  
December 19, 2018

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2D and 6)	\$ 1,398,219	1,329,204
Government contracts receivable (Notes 2E and 2G)	5,233,096	4,735,503
Contributions receivable (Notes 2F, 2G and 3)	7,071,414	1,898,780
Investments (Notes 2H and 4)	2,037,777	2,373,122
Prepaid expenses and other assets	442,121	156,154
Property and equipment, net (Notes 2I and 5)	1,439,384	1,442,045
<b>TOTAL ASSETS</b>	<b>\$ 17,622,011</b>	<b>\$ 11,934,808</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 416,208	\$ 275,051
Accrued salaries and related benefits	507,571	508,786
Accrued vacation	391,552	408,746
Deferred rent (Note 2J)	593,208	55,333
Grants payable	160,734	67,812
<b>TOTAL LIABILITIES</b>	<b>2,069,273</b>	<b>1,315,728</b>
<b>COMMITMENTS AND CONTINGENCIES</b> (Note 9)		
<b>NET ASSETS</b>		
Unrestricted (Note 2C)		
Available for operations	8,553,694	7,747,759
Board designated	28,778	46,930
	8,582,472	7,794,689
Temporarily restricted (Notes 2C and 10)	6,635,791	2,489,916
Permanently restricted (Notes 2C and 11)	334,475	334,475
<b>TOTAL NET ASSETS</b>	<b>15,552,738</b>	<b>10,619,080</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 17,622,011</b>	<b>\$ 11,934,808</b>

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, 2018 AND 2017**

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017
<b>OPERATING REVENUE AND SUPPORT:</b>								
Government contracts (Note 2E)	\$ 14,671,708	\$ -	\$ -	\$ 14,671,708	\$ 13,316,943	\$ -	\$ -	\$ 13,316,943
Contributions (Note 2F)	2,352,646	7,809,000	-	10,161,646	1,893,548	2,666,991	-	4,560,539
Special events (net of direct expenses of \$369,250 and \$325,228 in 2018 and 2017, respectively)	2,845,401	-	-	2,845,401	2,888,421	-	-	2,888,421
Pro bono legal services (Note 2K)	38,134,410	-	-	38,134,410	34,461,838	-	-	34,461,838
Donated goods (Note 2K)	125,082	-	-	125,082	170,789	-	-	170,789
Investment income (Note 4)	16,467	-	-	16,467	10,265	-	-	10,265
Other revenues	115,088	-	-	115,088	148,237	-	-	148,237
Net assets released from restrictions	3,663,125	(3,663,125)	-	-	2,909,297	(2,909,297)	-	-
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>61,923,927</b>	<b>4,145,875</b>	<b>-</b>	<b>66,069,802</b>	<b>55,799,338</b>	<b>(242,306)</b>	<b>-</b>	<b>55,557,032</b>
<b>OPERATING EXPENSES:</b>								
Program Services:								
Sarah Burke House - transitional shelter	3,175,840	-	-	3,175,840	3,112,147	-	-	3,112,147
Clinical services	5,925,885	-	-	5,925,885	5,810,939	-	-	5,810,939
Legal services	46,231,274	-	-	46,231,274	42,421,198	-	-	42,421,198
Economic empowerment program	1,815,662	-	-	1,815,662	1,631,489	-	-	1,631,489
<b>Total Program Services</b>	<b>57,148,661</b>	<b>-</b>	<b>-</b>	<b>57,148,661</b>	<b>52,975,773</b>	<b>-</b>	<b>-</b>	<b>52,975,773</b>
Supporting Services:								
Management and general	2,117,935	-	-	2,117,935	1,453,591	-	-	1,453,591
Fundraising	1,869,548	-	-	1,869,548	1,243,610	-	-	1,243,610
<b>Total Supporting Services</b>	<b>3,987,483</b>	<b>-</b>	<b>-</b>	<b>3,987,483</b>	<b>2,697,201</b>	<b>-</b>	<b>-</b>	<b>2,697,201</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>61,136,144</b>	<b>-</b>	<b>-</b>	<b>61,136,144</b>	<b>55,672,974</b>	<b>-</b>	<b>-</b>	<b>55,672,974</b>
<b>CHANGE IN TOTAL NET ASSETS</b>	<b>787,783</b>	<b>4,145,875</b>	<b>-</b>	<b>4,933,658</b>	<b>126,364</b>	<b>(242,306)</b>	<b>-</b>	<b>(115,942)</b>
<b>Net Assets - Beginning of Year</b>	<b>7,794,689</b>	<b>2,489,916</b>	<b>334,475</b>	<b>10,619,080</b>	<b>7,668,325</b>	<b>2,732,222</b>	<b>334,475</b>	<b>10,735,022</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 8,582,472</b>	<b>\$ 6,635,791</b>	<b>\$ 334,475</b>	<b>\$ 15,552,738</b>	<b>\$ 7,794,689</b>	<b>\$ 2,489,916</b>	<b>\$ 334,475</b>	<b>\$ 10,619,080</b>

**SANCTUARY FOR FAMILIES, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDING JUNE 30, 2018**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)**

For the Year Ended June 30, 2018

	Program Services				Supporting Services				Total 2018	Total 2017
	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	\$ 1,634,154	\$ 3,281,554	\$ 4,673,333	\$ 719,115	\$ 10,308,156	\$ 1,090,075	\$ 879,750	\$ 1,969,825	\$ 12,277,981	\$ 12,084,550
Payroll taxes and employee benefits (Note 7)	597,128	1,102,023	1,404,118	181,627	3,284,896	226,537	268,749	495,286	3,780,182	4,008,688
<b>Total Personnel Costs</b>	2,231,282	4,383,577	6,077,451	900,742	13,593,052	1,316,612	1,148,499	2,465,111	16,058,163	16,093,238
Professional fees	137,472	166,826	105,760	159,288	569,346	157,867	316,575	474,442	1,043,788	494,951
Occupancy (Note 9)	-	604,257	905,367	151,597	1,661,221	322,078	235,253	557,331	2,218,552	1,214,060
Food	11,402	13,106	8,953	7,351	40,812	-	-	-	40,812	46,628
Household supplies	7,218	9,873	-	-	17,091	-	-	-	17,091	35,606
Office supplies	13,267	8,711	19,477	10,133	51,588	6,751	9,043	15,794	67,382	60,590
Telephone	5,729	54,373	46,437	6,457	112,996	20,069	8,871	28,940	141,936	135,955
Staff transportation and activities	7,691	15,578	17,714	1,888	42,871	11,699	3,014	14,713	57,584	49,987
Printing and publication	221	3,147	6,281	945	10,594	2,245	3,424	5,669	16,263	32,511
Library resources	39	146	27,737	17	27,939	2,598	532	3,130	31,069	28,081
Equipment and maintenance	76,865	26,606	17,967	19,743	141,181	22,230	8,621	30,851	172,032	165,234
Equipment rental	5,660	5,668	12,174	4,606	28,108	4,768	2,753	7,521	35,629	35,296
Utilities	181,191	45,512	35,173	9,091	270,967	12,529	9,151	21,680	292,647	294,136
Postage and shipping	3,730	10,012	33,630	428	47,800	1,304	1,011	2,315	50,115	50,895
Facility maintenance	72,641	45,118	18,744	3,974	140,477	19,587	4,717	24,304	164,781	118,839
Insurance	23,946	43,619	68,902	5,612	142,079	11,962	8,715	20,677	162,756	143,618
Recruitment	5,624	16,148	29,901	1,761	53,434	21,621	1,773	23,394	76,828	35,937
Client financial assistance	60,890	145,827	335,732	521,772	1,064,221	-	-	-	1,064,221	949,228
Training and development	3,564	68,401	80,609	5,242	157,816	20,228	2,852	23,080	180,896	161,443
Depreciation and amortization (Note 5)	306,818	58,521	-	-	365,339	15,042	-	15,042	380,381	367,499
Grants to clients	16,883	2,812	138,153	3,197	161,045	-	-	-	161,045	135,522
Grants to subrecipients	-	129,470	38,430	-	167,900	-	-	-	167,900	130,316
Lobbying	-	-	-	-	-	130,223	-	130,223	130,223	127,391
Bad debt	-	-	-	-	-	-	100,000	100,000	100,000	100,000
Other expenses	3,707	6,036	9,731	1,818	21,292	9,706	4,744	14,450	35,742	33,123
Bank charges	-	-	-	-	-	8,816	-	8,816	8,816	263
	3,175,840	5,863,344	8,034,323	1,815,662	18,889,169	2,117,935	1,869,548	3,987,483	22,876,652	21,040,347
Donated legal services	-	-	38,134,410	-	38,134,410	-	-	-	38,134,410	34,461,838
Donated goods expense	-	62,541	62,541	-	125,082	-	-	-	125,082	170,789
<b>Total Expenses</b>	<b>\$ 3,175,840</b>	<b>\$ 5,925,885</b>	<b>\$ 46,231,274</b>	<b>\$ 1,815,662</b>	<b>\$ 57,148,661</b>	<b>\$ 2,117,935</b>	<b>\$ 1,869,548</b>	<b>\$ 3,987,483</b>	<b>\$ 61,136,144</b>	<b>\$ 55,672,974</b>

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

**SANCTUARY FOR FAMILIES, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

For the Year Ended June 30, 2017

	Program Services					Supporting Services			Total 2017
	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	\$ 1,672,330	\$ 3,475,275	\$ 4,687,523	\$ 695,844	\$ 10,530,972	\$ 888,699	\$ 664,879	\$ 1,553,578	\$12,084,550
Payroll taxes & employee benefits (Note 7)	610,891	1,208,631	1,550,746	233,010	3,603,278	130,775	274,635	405,410	4,008,688
<b>Total Personnel Costs</b>	<b>2,283,221</b>	<b>4,683,906</b>	<b>6,238,269</b>	<b>928,854</b>	<b>14,134,250</b>	<b>1,019,474</b>	<b>939,514</b>	<b>1,958,988</b>	<b>16,093,238</b>
Professional fees	51,460	87,126	78,566	132,600	349,752	5,916	139,283	145,199	494,951
Occupancy (Note 9)	-	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 publication	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 financial assistance	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 (Note 5)	298,766	54,678	-	-	353,444	14,055	-	14,055	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
	3,112,147	5,725,545	7,873,965	1,631,489	18,343,146	1,453,591	1,243,610	2,697,201	21,040,347
Donated legal services	-	-	34,461,838	-	34,461,838	-	-	-	34,461,838
Donated goods expense	-	85,394	85,395	-	170,789	-	-	-	170,789
<b>Total Expenses</b>	<b>\$ 3,112,147</b>	<b>\$ 5,810,939</b>	<b>\$ 42,421,198</b>	<b>\$ 1,631,489</b>	<b>\$ 52,975,773</b>	<b>\$ 1,453,591</b>	<b>\$ 1,243,610</b>	<b>\$ 2,697,201</b>	<b>\$55,672,974</b>

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



**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 4,933,658	\$ (115,942)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	380,381	367,499
Unrealized loss on investments	33,790	22,427
Bad debt	100,000	100,000
Discount on receivables	85,346	32,444
Subtotal	5,533,175	406,428
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Government contracts receivable	(497,593)	1,840,372
Contributions receivable	(5,357,980)	195,572
Prepaid expenses and other assets	(285,967)	(46,167)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	141,157	(86,487)
Accrued salaries and related benefits	(1,215)	65,631
Accrued vacation	(17,194)	(28,786)
Deferred rent	537,875	-
Grants payable	92,922	(24,332)
<b>Net Cash Provided by Operating Activities</b>	<b>145,180</b>	<b>2,322,231</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(377,720)	(9,124)
Purchases of investments	(1,848,105)	(2,961,319)
Proceeds from sale of investments	2,149,660	1,330,234
<b>Net Cash Used in Investing Activities</b>	<b>(76,165)</b>	<b>(1,640,209)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	69,015	682,022
Cash and cash equivalents - beginning of year	1,329,204	647,182
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 1,398,219</b>	<b>\$ 1,329,204</b>

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, 2018 AND 2017**

**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 victims and their children. Operating out of nine sites, Sanctuary provides 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 2018, Sanctuary provided direct services to over 13,200 adults and children and training and outreach to approximately 20,000 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 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 is directly controlled by Sanctuary. Housing owns a building in the Bronx which serves as a transitional shelter for victims 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. Upon consolidation, all significant intercompany balances and transactions have been eliminated in consolidation.
- B. **Basis of Accounting** – Sanctuary's consolidated financial statements have been prepared on the accrual basis of accounting. Sanctuary adheres to accounting principles generally accepted in the United States of America.
- C. **Basis of Presentation** – Sanctuary and Housing maintain its net assets under the following three classes:
- Unrestricted – represents resources available for support of Sanctuary and Housing's operations over which the Board of Directors has discretionary control. Board designated net assets consists of unrestricted net assets whose use has been designated by the Board for future capital improvements at the Sarah Burke House facility.
  - Temporarily Restricted – represents net assets subject to donor-imposed stipulations that will be met by actions of Sanctuary and Housing or by the passage of time. In addition, earnings from donor restricted endowment assets are classified as temporarily restricted until appropriated for operations by the Board of Directors. When a stipulated time restriction ends or purpose restriction is accomplished or endowment earnings are appropriated for operations, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.
  - Permanently Restricted – represents net assets subject to donor-imposed stipulations that they be maintained permanently by Sanctuary and Housing. Generally, the donors of these assets permit Sanctuary to use all or part of the income earned on related investments for unrestricted or donor-specified purposes. Under New York law, these earnings that might otherwise be donor unrestricted are considered temporarily restricted until appropriated by the Board of Directors.

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- D. **Cash and Cash Equivalents** – Sanctuary considers all highly liquid investments with maturities of three months or less when acquired, to be cash equivalents, except for cash and money market funds contained in Sanctuary’s investment portfolio.
- E. **Government Contracts** – Sanctuary derives its revenue from, among other sources, cost reimbursement contracts and fees for service programs 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.
- F. **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. Conditional promises to give are not included as support until the conditions are substantially met.
- G. **Allowance for doubtful Accounts** – Sanctuary 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, 2018 and 2017, Sanctuary determined an allowance of \$128,328 and \$97,037, respectively, was necessary for contributions receivable and no allowance for government contracts receivable.
- H. **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 4.
- I. **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. Sanctuary capitalizes all property and equipment having a cost of \$500 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 restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.
- J. **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.
- K. **In-Kind Contributions** – In-kind contributions are recorded at their fair value on the date of receipt. Donated services are reported as contributions when the services create or enhance nonfinancial assets, would be purchased if they had not been provided by contribution, require specialized skills and are provided by individuals possessing those skills. For the years ended June 30, 2018 and 2017, Sanctuary recorded income and expense for contributed goods and services of \$38,259,492 and \$34,632,627, respectively. Such contributed goods and services are reflected in the consolidated financial statements as follows:

	2018	2017
Pro bono legal services	\$ 38,134,410	\$ 34,461,838
Donated goods	125,082	170,789
	\$ 38,259,492	\$ 34,632,627

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

L. **Functional Allocation of Expenses** – The costs of providing various programs and other activities of Sanctuary have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services.

M. **Use of Estimates** – The preparation of 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 at the date of the consolidated financial statements. Actual results could differ from those estimates.

N. **Reclassification** – Certain items in the June 30, 2017 consolidated financial statements have been reclassified to conform with the June 30, 2018 presentation. These reclassifications had no impact on the net assets as of June 30, 2018.

**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 3,933,088	\$ 1,995,817
Receivable in one to five years	<u>3,352,000</u>	<u>-</u>
Less: Allowance for doubtful accounts	(128,328)	(97,037)
Discount to present value	<u>(85,346)</u>	<u>-</u>
	<u>\$ 7,071,414</u>	<u>\$ 1,898,780</u>

**NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

In determining fair value, Sanctuary 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.
- 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 equity securities 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, 2018 and 2017 there were no transfers between levels.

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

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

	<u>Level 1</u>	
	<u>2018</u>	<u>2017</u>
Investments:		
Money market funds	\$ 340,279	\$ 336,043
Mutual funds – intermediate government	<u>1,697,498</u>	<u>2,037,079</u>
Total	<u>\$ 2,037,777</u>	<u>\$ 2,373,122</u>

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

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 50,257	\$ 32,692
Unrealized loss on investments	<u>(33,790)</u>	<u>(22,427)</u>
Net investment income	<u>\$ 16,467</u>	<u>\$ 10,265</u>

**NOTE 5 – PROPERTY AND EQUIPMENT, NET**

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

	<u>2018</u>	<u>2017</u>	<u>Estimated Useful Lives</u>
Building	\$ 5,065,779	\$ 5,065,779	27.5 years
Furniture and fixtures	231,822	499,964	5-15 years
Vehicles	33,150	33,150	3 years
Equipment	269,113	612,554	5-10 years
Leasehold improvements	<u>1,895,694</u>	<u>2,665,307</u>	Lease term
	7,495,558	8,876,754	
Less: Accumulated depreciation and amortization	<u>(6,056,174)</u>	<u>(7,434,709)</u>	
	<u>\$ 1,439,384</u>	<u>\$ 1,442,045</u>	

Depreciation and amortization expense amounted to \$380,381 and \$367,499 for the years ended June 30, 2018 and 2017, respectively. During the year ended June 30, 2018, \$1,758,916 of fully depreciated fixed assets were written off, primarily related to the relocation of Sanctuary's office space during 2018.

**NOTE 6 – CONCENTRATION**

Cash and cash equivalents that potentially subject Sanctuary 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. As of June 30, 2018 and 2017, there was approximately \$787,000 and \$1,196,000, respectively, of cash and cash equivalents held by one bank that exceeded FDIC limits.

**NOTE 7 – 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 years ended June 30, 2018 and 2017. Pension expense for the years ended June 30, 2018 and 2017, was approximately \$293,000 and \$358,000, respectively.

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 8 – 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 Service. Under the current agreement, Sanctuary maintains the investment. The 457(b) expenses for the years ended June 30, 2018 and 2017, amounts to \$81,000 and \$82,998, 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.

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

A. Sanctuary rents space for administrative and programmatic uses. Rental expense under these non-cancelable operating leases amounted to \$2,054,111 and \$1,214,060 for the years ended June 30, 2018 and 2017, respectively. Annual future minimum rental payments for real property under long-term non-cancellable operating leases are as follows:

2019	\$	1,674,222
2020		1,674,222
2021		1,674,222
2022		1,674,222
2023		1,708,045
Thereafter		<u>19,473,400</u>
	\$	<u>27,878,333</u>

B. Sanctuary believes it had no uncertain tax positions as of June 30, 2018 and 2017 in accordance with 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, 2018 was 4.00%. As of June 30, 2018, there were no borrowings under this line of credit. The expiration date of the agreement is February 28, 2019.

**NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purposes as of June 30:

	2018	2017
Legal Services	\$ 1,572,500	\$ 810,614
Invest in our Future Campaign	3,412,500	-
Economic Empowerment Program	200,000	441,071
Clinical Services	280,000	187,476
Sarah Burke House	535,791	560,755
Time Restrictions	<u>635,000</u>	<u>490,000</u>
	<u>\$ 6,635,791</u>	<u>\$ 2,489,916</u>

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS (Continued)**

Temporarily restricted net assets from grants were released for the following purposes as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Legal Services	\$ 1,348,614	\$ 1,406,515
Invest in our Future Campaign	297,500	-
Economic Empowerment Program	1,063,131	831,679
Clinical Services	472,916	242,639
Sarah Burke House	85,964	35,964
Time Restrictions	<u>395,000</u>	<u>392,500</u>
	<u>\$ 3,663,125</u>	<u>\$ 2,909,297</u>

**NOTE 11 – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets represent monies contributed for the legal center and Sanctuary's endowment. All income derived from these investments are used to fund the legal services program, and other programs run by Sanctuary.

Sanctuary has two endowment funds – Operating and legal. These funds have distinct investment and expenditure polices adopted 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 accord with such polices 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 permanently restricted net assets, (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 in permanently restricted net assets is classified as temporarily restricted net assets 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, 2018 and 2017, Sanctuary had not incurred a deficiency in its donor-restricted endowment funds.

The principal is held in two separate Vanguard Admiral Treasury Money Market Accounts – one for the Operating fund, another is for the Legal fund. The income generated is expendable to support the general operating activities of Sanctuary once appropriated.

**SANCTUARY FOR FAMILIES, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 11 – PERMANENTLY RESTRICTED NET ASSETS (Continued)**

Endowment net asset composition by type of fund as of June 30, 2018 and 2017 is as follows:

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

Changes in permanently restricted endowment net assets for year ended June 30, 2018:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment activity gain	\$ 4,237	\$ -	\$ 4,237
Amount appropriated by the Board of Directors	<u>(4,237)</u>	<u>-</u>	<u>(4,237)</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 permanently restricted endowment net assets for year ended June 30, 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment activity gain	\$ 1,438	\$ -	\$ 1,438
Amount appropriated by the Board of Directors	<u>(1,438)</u>	<u>-</u>	<u>(1,438)</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 June 30, 2018 and 2017.

**NOTE 12 – SUBSEQUENT EVENTS**

Sanctuary has evaluated events subsequent to the date of the statements of financial position through December 19, 2018, the date the consolidated financial statements were available to be issued. Sanctuary has determined that no subsequent events have occurred which require disclosure in or adjustments to the consolidated financial statements.



**SANCTUARY FOR FAMILIES, INC.  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Sanctuary for Families, Inc.			Total	Housing Development Fund Coporation	Consolidated Total 2018
	Unrestricted	Temporarily Restricted	Permanently Restricted			
<b>OPERATING REVENUE AND SUPPORT:</b>						
Government contracts	\$ 14,671,708	\$ -	\$ -	\$ 14,671,708	\$ -	\$ 14,671,708
Contributions	2,352,646	7,809,000	-	10,161,646	-	10,161,646
Special events (net of direct expenses of \$369,250)	2,845,401	-	-	2,845,401	-	2,845,401
Pro bono legal services	38,134,410	-	-	38,134,410	-	38,134,410
Donated goods	125,082	-	-	125,082	-	125,082
Investment income	16,467	-	-	16,467	-	16,467
Other revenues	115,088	-	-	115,088	-	115,088
Net assets released from restrictions	3,663,125	(3,663,125)	-	-	-	-
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>61,923,927</b>	<b>4,145,875</b>	<b>-</b>	<b>66,069,802</b>	<b>-</b>	<b>66,069,802</b>
<b>OPERATING EXPENSES:</b>						
Program Services:						
Sarah Burke House - transitional shelter	2,991,630	-	-	2,991,630	184,210	3,175,840
Clinical services	5,925,885	-	-	5,925,885	-	5,925,885
Legal services	46,231,274	-	-	46,231,274	-	46,231,274
Economic empowerment program	1,815,662	-	-	1,815,662	-	1,815,662
<b>Total Program Services</b>	<b>56,964,451</b>	<b>-</b>	<b>-</b>	<b>56,964,451</b>	<b>184,210</b>	<b>57,148,661</b>
Supporting Services:						
Management and general	2,117,935	-	-	2,117,935	-	2,117,935
Fundraising	1,869,548	-	-	1,869,548	-	1,869,548
<b>Total Supporting Services</b>	<b>3,987,483</b>	<b>-</b>	<b>-</b>	<b>3,987,483</b>	<b>-</b>	<b>3,987,483</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>60,951,934</b>	<b>-</b>	<b>-</b>	<b>60,951,934</b>	<b>184,210</b>	<b>61,136,144</b>
<b>CHANGE IN TOTAL NET ASSETS</b>	<b>971,993</b>	<b>4,145,875</b>	<b>-</b>	<b>5,117,868</b>	<b>(184,210)</b>	<b>4,933,658</b>
<b>Net Assets - Beginning of Year</b>	<b>7,426,269</b>	<b>2,489,916</b>	<b>334,475</b>	<b>10,250,660</b>	<b>368,420</b>	<b>10,619,080</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 8,398,262</b>	<b>\$ 6,635,791</b>	<b>\$ 334,475</b>	<b>\$ 15,368,528</b>	<b>\$ 184,210</b>	<b>\$ 15,552,738</b>

See independent auditors' report.

**SANCTUARY FOR FAMILIES, INC.  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Sanctuary for Families, Inc.			Total	Housing Development Fund Coporation	Consolidated Total 2017
	Unrestricted	Temporarily Restricted	Permanently Restricted			
<b>OPERATING REVENUE AND SUPPORT:</b>						
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 (net of direct expenses of \$325,228)	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	2,909,297	(2,909,297)	-	-	-	-
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>55,799,338</b>	<b>(242,306)</b>	<b>-</b>	<b>55,557,032</b>	<b>-</b>	<b>55,557,032</b>
<b>OPERATING EXPENSES:</b>						
Program Services:						
Sarah Burke House - transitional shelter	2,927,937	-	-	2,927,937	184,210	3,112,147
Clinical services	5,810,939	-	-	5,810,939	-	5,810,939
Legal services	42,421,198	-	-	42,421,198	-	42,421,198
Economic empowerment program	1,631,489	-	-	1,631,489	-	1,631,489
<b>Total Program Services</b>	<b>52,791,563</b>	<b>-</b>	<b>-</b>	<b>52,791,563</b>	<b>184,210</b>	<b>52,975,773</b>
Supporting Services:						
Management and general	1,453,591	-	-	1,453,591	-	1,453,591
Fundraising	1,243,610	-	-	1,243,610	-	1,243,610
<b>Total Supporting Services</b>	<b>2,697,201</b>	<b>-</b>	<b>-</b>	<b>2,697,201</b>	<b>-</b>	<b>2,697,201</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>55,488,764</b>	<b>-</b>	<b>-</b>	<b>55,488,764</b>	<b>184,210</b>	<b>55,672,974</b>
<b>CHANGE IN TOTAL NET ASSETS</b>	<b>310,574</b>	<b>(242,306)</b>	<b>-</b>	<b>68,268</b>	<b>(184,210)</b>	<b>(115,942)</b>
<b>Net Assets - Beginning of Year</b>	<b>7,115,695</b>	<b>2,732,222</b>	<b>334,475</b>	<b>10,182,392</b>	<b>552,630</b>	<b>10,735,022</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 7,426,269</b>	<b>\$ 2,489,916</b>	<b>\$ 334,475</b>	<b>\$ 10,250,660</b>	<b>\$ 368,420</b>	<b>\$ 10,619,080</b>

See independent auditors' report.