

PROJECT SANCTUARY, INC.

UKIAH, CALIFORNIA

**ANNUAL FINANCIAL REPORT
AND
SINGLE AUDIT REPORT**

SEPTEMBER 30, 2023



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Project Sanctuary, Inc.
Ukiah, California

Opinion

We have audited the accompanying financial statements of Project Sanctuary, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Project Sanctuary, Inc. as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Project Sanctuary, Inc. 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 opinions.

Emphasis of a Matter

Implementation of New Accounting Standards

As discussed in Notes 2F, 2G, 9 and 15 to the financial statements, Project Sanctuary, Inc. implemented FASB issued ASU 2016-02, *Leases (Topic 842)*, which became effective for the year ended September 30, 2023 and had material effects on the financial statements. Our opinion is not modified with respect to this matter

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards and *Government Auditing Standards* 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 financial statements.

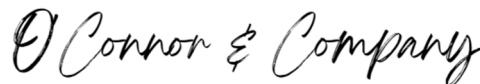
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Project Sanctuary, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Project Sanctuary, Inc.'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2024, on our consideration of Project Sanctuary, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Project Sanctuary, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Project Sanctuary, Inc.'s internal control over financial reporting and compliance.



O'Connor & Company

Novato, California
August 30, 2024

Project Sanctuary, Inc.
STATEMENT OF FINANCIAL POSITION
September 30, 2023

ASSETS

Current assets:

Cash & cash equivalents	\$ 537,885
Restricted cash	15,023
Grants receivable	494,796
Other receivable	6,594
Prepaid expenses	<u>27,324</u>
Total current assets	<u>1,081,622</u>

Non-current assets:

Deposits	16,791
Right-to-use assets	2,446,355
Fixed assets, net of accumulated depreciation	<u>577,950</u>
Total non-current assets	<u>3,041,096</u>

Total assets	<u><u>\$ 4,122,718</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 50,134
Accrued payroll	19,260
Accrued vacation	32,337
Deferred revenue	1,592
Other accrued expenses	4,922
Operating lease liability, current portion	<u>76,416</u>
Total current liabilities	<u>184,661</u>

Non-current liabilities:

Operating lease liability	<u>2,411,560</u>
Total non-current liabilities	<u>2,411,560</u>
Total liabilities	<u>2,596,221</u>

Net assets - Exhibit A:

Without donor restrictions	
Undesignated	1,300,695
Board designated	<u>215,000</u>
Total without donor restrictions	<u>1,515,695</u>

With donor restrictions

Restricted contributions	<u>10,802</u>
Total with donor restrictions	<u>10,802</u>
Total net assets	<u>1,526,497</u>

Total liabilities and net assets	<u><u>\$ 4,122,718</u></u>
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The accompanying notes are an integral part of these financial statements.

Project Sanctuary, Inc.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Federal grants	\$ 1,637,676	\$ -	\$ 1,637,676
State grants	290,698	-	290,698
Local government	19,860	-	19,860
Contributions - non-financial	240,753	-	240,753
Contributions - financial	98,583	13,290	111,873
Investment return, net	4,171	-	4,171
Miscellaneous	30,505	-	30,505
Released from restriction	11,954	(11,954)	-
Total revenues	<u>2,334,200</u>	<u>1,336</u>	<u>2,335,536</u>
Expenses:			
Program services:			
Inland	830,860	-	830,860
Coast	830,967	-	830,967
Shelter	122,560	-	122,560
Transitional	271,503	-	271,503
Subtotal program services	<u>2,055,890</u>	<u>-</u>	<u>2,055,890</u>
Support services:			
General & administrative	277,959	-	277,959
Fundraising	15,597	-	15,597
Subtotal support services	<u>293,556</u>	<u>-</u>	<u>293,556</u>
Total expenses	<u>2,349,446</u>	<u>-</u>	<u>2,349,446</u>
Change in net assets	(15,246)	1,336	(13,910)
Net assets, beginning of period	<u>1,530,941</u>	<u>9,466</u>	<u>1,540,407</u>
Net assets, end of period	<u>\$ 1,515,695</u>	<u>\$ 10,802</u>	<u>\$ 1,526,497</u>

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

Project Sanctuary, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2023

	Program Services					Support Services			Total
	Inland	Coast	Shelter	Transitional	Subtotal	GM&A	Fundraising	Subtotal	
Expenses:									
Salaries & wages	\$ 384,394	\$ 392,003	\$ 67,752	\$ 11,169	\$ 855,318	\$ 141,653	\$ -	\$ 141,653	\$ 996,971
Payroll taxes & benefits	72,569	76,969	20,542	8,396	178,476	30,082	-	30,082	208,558
Direct services: program	114,747	125,441	-	-	240,188	-	-	-	240,188
Direct materials: program	-	-	215	350	565	-	-	-	565
Outside services	30,671	20,359	-	3,029	54,059	5,881	13,430	19,311	73,370
Office supplies	30,174	10,724	151	1,911	42,960	15,327	87	15,414	58,374
Shelter supplies	1,813	-	589	5,503	7,905	-	-	-	7,905
Program supplies & expenses	3,442	2,657	-	50	6,149	445	-	445	6,594
Occupancy	26,697	4,462	3,194	18,842	53,195	25,913	1,105	27,018	80,213
Communications	20,970	16,166	335	7,563	45,034	-	-	-	45,034
Insurance	317	262	-	52	631	15,713	-	15,713	16,344
Travel & training	6,604	4,085	49	230	10,968	765	-	765	11,733
Printing & postage	3,736	1,684	-	327	5,747	8	519	527	6,274
Equipment maintenance & rental	19,665	11,514	93	7,095	38,367	149	245	394	38,761
Client specific assistance	74,710	132,148	4,367	176,412	387,637	36,198	-	36,198	423,835
Outreach	5,467	9,813	-	2	15,282	-	-	-	15,282
Utilities	10,536	12,729	10,067	28,400	61,732	15	-	15	61,747
Interest	-	-	-	-	-	3	-	3	3
Depreciation	17,549	8,651	15,206	2,141	43,547	2,474	-	2,474	46,021
Miscellaneous	6,799	1,300	-	31	8,130	3,333	211	3,544	11,674
Total expenses	<u>\$ 830,860</u>	<u>\$ 830,967</u>	<u>\$ 122,560</u>	<u>\$ 271,503</u>	<u>\$ 2,055,890</u>	<u>\$ 277,959</u>	<u>\$ 15,597</u>	<u>\$ 293,556</u>	<u>\$ 2,349,446</u>

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

Project Sanctuary, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2023

Cash flows from operating activities:	
Change in net assets	\$ (13,910)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	46,021
Amortization	113,850
Changes in certain assets and liabilities:	
Grants receivable	82,436
Other receivable	(2,418)
Prepaid expenses	(16,653)
Accounts payable	(34,193)
Accrued payroll	9,804
Accrued vacation	(3,492)
Deferred revenue	1,592
Other accrued expenses	4,922
Operating lease	(72,229)
Net cash provided by operating activities	<u>115,730</u>
Cash flows from investing activities:	
Acquisition of fixed assets	(53,899)
Net cash used by investing activities	<u>(53,899)</u>
Net increase (decrease) in cash during the period	61,831
Cash & cash equivalents balance, beginning of period	<u>491,077</u>
Cash & cash equivalents balance, end of period	<u>\$ 552,908</u>
Summary of cash and cash equivalents at end of period:	
Cash and cash equivalents	\$ 537,885
Restricted cash and cash equivalents	15,023
Total cash and cash equivalents at end of period	<u>\$ 552,908</u>
Supplemental disclosure of cash flow information:	
Interest paid	<u>\$ 3</u>

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

Project Sanctuary, Inc.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - GENERAL

Project Sanctuary, Inc. (the Agency) was incorporated as a California non-profit public benefit corporation in 1978. The Agency operates a crisis shelter and a transitional duplex for battered persons and their children. In addition to these operations, the Agency provides 24-hour crisis response, group and individual counseling, and court support for families affected by domestic violence or sexual assault, but not in need of safe emergency housing. The Agency also makes educational presentations to community groups and schools. The Agency offers the following programs:

- 24/7 Crisis Response
- Individual Counseling – Scheduled and Walk-In
- Group Counseling - Adults Molested as Children, Anger Management, and Empowerment
- Prevention Education - K-12, college, and community settings
- Temporary Restraining Order Assistance
- Hospital Accompaniment for Sexual Assault Evidence Exams
- Emergency, confidential shelter
- Transitional Housing

These programs are offered at inland, coast, and shelter locations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements and fiscal records of the Agency are prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether the support and revenues or expenses were received or paid as of the end of a fiscal period. Grants are recognized as support when earned in accordance with the terms of each grant or agreement.

B. Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 and the provisions of the American Institute of Certified Public Accountants (AICPA) *Audit and Accounting Guide for Not-for-Profit Organizations*.

The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the balance sheet date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

C. Description of Net Assets

Without Donor Restrictions is defined as that portion of net assets that has no use or time restrictions. The Agency's bylaws include a variance provision giving the Board of Directors the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board of Directors (without the necessity of the approval of any other party), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Based on that provision, the Agency classifies contributions, except as noted below, as without donor restriction for financial statement presentation.

Project Sanctuary, Inc.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Description of Net Assets (concluded)

With Donor Restrictions is defined as that portion of net assets that consists of a restriction on the specific use or the occurrence of a certain future event. Contributions unconditionally promised, including irrevocable planned gifts, which are scheduled to be received more than one year in the future, are recorded at fair value, classified as with donor restrictions until the funds are received, and are discounted at a rate commensurate with the risks involved. Net assets consisting of the initial fair value of the gifts where the donor has specified that the assets donated are to be retained in an endowment, providing a permanent source of revenue for charitable purposes are classified as with donor restrictions. The accumulation of assets, above historic gift value, in donor restricted endowment funds is classified as with donor restrictions until appropriated for use based on the Agency's spending policy.

The Agency also receives grants from charitable foundations and local agencies for initiatives and special projects for which purpose restrictions apply. Such grants and contributions are recorded as with donor restriction until the purpose restrictions are met. When the purpose restriction is accomplished, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported as net assets released from restrictions.

D. Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, cash and cash equivalents include cash on deposit with financial institutions with a maturity of three months or less.

E. Fixed Assets

Assets acquired through grant resources are considered to be owned by the grantor while such assets are in use under the funded program, or while they are being used for a similar program, unless otherwise stated. Any disposition of restricted assets or any funds derived therefrom are subject to grant regulations.

It is the Agency's policy to capitalize individual purchases of property and equipment costing in excess of \$5,000. Purchased property and equipment is capitalized at cost.

Fixed assets are stated at cost and depreciation is computed on the straight-line basis of accounting over estimated useful lives; 39 years for buildings and building improvements and 5 years for all other eligible assets.

F. Right to Use Assets

The Agency has recorded right to use assets. These assets consist of the right to use office space for both program and administrative purposes as well as multi-family property for program uses. The related leases are discussed in the Lease subsection of Note 15. The right to use assets are amortized on a straight-line basis over the terms of the related leases.

It is the Agency's policy to capitalize leases with initial values in excess of \$30,000. Leases are recorded at the initial cost and are subject to adjustment based on changes in agreements.

G. Leases

The Agency recognizes a right to use asset and a lease liability on the statement of financial position at the commencement of the lease term.

Project Sanctuary, Inc.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Leases (concluded)

At the commencement of a lease, the Agency initially measures the lease liability at the present value of the payments expected to be paid during the lease terms. Subsequently, the lease liability is reduced by the principal portion of lease payments paid. The right to use asset is initially measured as the initial amount of the lease payable, adjusted for lease payments paid at or before the lease commencement date. Subsequently, the right to use asset is amortized on a straight-line basis over the life of the lease term.

Key estimates and judgments include how the Agency determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Agency uses their incremental borrowing rate of 3.94% to discount leases.
- The lease terms include the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are provided in the lease agreement.

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease liability and right to use asset if certain changes occur that are expected to significantly affect the amount of the lease payable.

H. Public Support and Revenue

Donations represent contributions to the Agency from private agencies, individuals, and companies and are recognized as support when received.

Contributions are recognized at their fair value when the donor makes an unconditional promise to give to the Agency. Contributions restricted by the donor are reported as an increase in without donor restrictions net assets if the restriction is released in the same reporting period in which the support is received. All other contributions with donor restrictions are reported as an increase in with donor restrictions net assets, depending on the nature of the restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions.

I. Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions and Presentation of Financial Statements*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Agency.

J. Functional Expenses

The Agency charges directly identifiable expenditures to program services. Expenses related to more than one function are charged to program services on the basis of periodic time and expense studies. The Agency's employees will track their time spent on each program (Inland, Coast, Shelter, Transitional, Fundraising or Administration) and this will determine a percentage of how to allocate a portion of salaries and benefits to each specific program. The same percentage is used to allocate other expenses including human resources, information technologies, occupying and maintaining facilities to each specific program.

Administration services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Project Sanctuary, Inc.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

K. Fundraising Expenses

Fundraising expenses are recognized when incurred, regardless of the campaign year to which they relate.

L. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted auditing standards and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality as well as the uncertainty of future events. Actual results could differ from those estimates.

M. Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Agency carries commercial insurance.

N. Contingencies

The Agency participates in numerous grants. Disbursement of funds received under these grants requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed costs resulting from such an audit could become a liability of the general fund or other applicable funds.

O. Recent Accounting Pronouncements

ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, for entities other than public business entities, effective for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years. The Agency is currently evaluating the impact of this statement on its financial statements.

ASU 2022-04, *Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the roll forward requirement, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. The Agency is currently evaluating the impact of this statement on its financial statements.

ASU 2022-05, *Financial Services-Insurance (Topic 944): Transition for Sold Contracts*, effective date is for fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2025, which is consistent with ASU 2020-11. The Agency is currently evaluating the impact of this statement on its financial statements.

ASU 2023-02, *Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force)*, for entities other than public business entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods in such years. The Agency is currently evaluating the impact of this statement on its financial statements.

ASU 2023-05, *Business Combinations-Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*, effective prospectively for joint venture formations dated on or after January 1, 2025. The Agency is currently evaluating the impact of this statement on its financial statements.

Project Sanctuary, Inc.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023

NOTE 3 - INCOME TAXES

The Agency is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Agency is also exempt from California franchise taxes under Section 23701(d) of the Revenue and Taxation code and, therefore, has made no provision for Federal or California income taxes. In addition, the Agency has been determined by the Internal Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

The Agency adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

The Agency has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Agency believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Agency's financial condition, results of operations or cash flows. Accordingly, the Agency has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at September 30, 2023. The Agency is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 4 - CONCENTRATIONS

The Agency receives a substantial amount of revenue from grants and contracts with the State of California. During the year ended September 30, 2023, revenues from this source totaled \$1,948,234, 83% of the Agency's total revenues.

NOTE 5 - CASH AND CASH EQUIVALENTS

Cash balances as of September 30, were as follows:

Unrestricted:	2023
Savings Bank of Mendocino County	\$ 529,698
Mendo Lake Credit Union	7,312
PayPal	485
Petty cash	390
Total unrestricted cash and cash equivalents	<u>537,885</u>
Restricted:	
Savings Bank of Mendocino County*	<u>15,023</u>
Total restricted cash and cash equivalents	<u>15,023</u>
Total cash and cash equivalents	<u>\$ 552,908</u>

*These restricted funds consist of client savings accounts managed by the Agency. These funds are expected to be returned within one year; therefore, they are reported in Accounts Payable on the Statement of Financial Position.

The corresponding current bank balance for Savings Bank of Mendocino County is in excess of the \$250,000 blanket umbrella by the Federal Deposit Insurance Corporation (FDIC). It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

Project Sanctuary, Inc.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023

NOTE 6 - LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Agency's financial assets as of September 30, 2023 reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments, and accumulated earnings net of appropriations within one year and board designated endowments. These board designations could be drawn upon if the board approves that action.

Financial assets	2023
Cash & cash equivalents	\$ 552,908
Grants receivable	494,796
Other receivable	<u>6,594</u>
Total financial assets	<u>1,054,298</u>
Less those unavailable for general expenditures within one year due to:	
Restricted cash and deposits	(31,814)
Board designated reserves	(215,000)
With donor restrictions	<u>(10,802)</u>
Total unavailable financial assets	<u>(257,616)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 796,682</u>

NOTE 7 - GRANTS RECEIVABLE

Grant receivable as of September 30, 2023, represents that portion of grants earned, but funds not yet drawn down or received as of year-end. The amounts of funds to be received are:

<u>Fund</u>	2023
OES #13	\$ 79,328
OES #20	130,004
OES #23	101,807
OES #30	82,359
CalWorks #19	4,843
Mendocino County HMIS	95,195
County Violence Prevention	<u>1,260</u>
Total grant receivable	<u>\$ 494,796</u>

The Agency has not accrued a loss for allowances for uncollectible receivables since it is the opinion of management that it is highly probable all receivables will be collected.

NOTE 8 - ACCOUNTS RECEIVABLE

Accounts receivable represents that portion of trade receivables/contracts earned, but from which funds have not been received as of year-end. The amount of other accounts receivable totaled \$6,594 for the year ended September 30, 2023. The Agency has not accrued a loss for allowances for uncollectible receivables since it is the opinion of management that it is highly probable all receivables will be collected.

Project Sanctuary, Inc.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023

NOTE 9 - FIXED ASSETS

The following is a summary of changes in property, plant and equipment during the years ended September 30:

	Balance 9/30/22	Increase	Decrease	Balance 9/30/23
Fixed assets, not being depreciated:				
Land	\$ 132,000	\$ -	\$ -	\$ 132,000
Construction in progress	35,854	-	35,854	-
Total fixed assets, not being depreciated	167,854	-	-	132,000
Fixed assets, being depreciated/amortized:				
Buildings & improvements	749,570	89,753	-	839,323
Equipment & software	67,820	-	-	67,820
Vehicles	30,000	-	-	30,000
Right-to-use assets:				
RTU - Lease	-	2,560,205	-	2,560,205
Total fixed assets, being depreciated/amortized	847,390	2,649,958	-	3,497,348
Total accumulated depreciation/amortization	(445,172)	(159,871)	-	(605,043)
Total fixed assets being depreciated/amortized-net	402,218	2,490,087	-	2,892,305
Fixed assets-net	\$ 570,072	\$ 2,490,087	\$ 35,854	\$ 3,024,305

Depreciation and amortization expenses for the year ended September 30, 2023 was \$46,021 and \$113,850 respectively, totaling \$159,871.

NOTE 10 - ACCRUED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Agency. The amount of accumulated vacation for the year ending September 30, 2023 was \$32,337.

NOTE 11 - DEFERRED REVENUE

Deferred revenue for the year ending September 30, 2023 consisted of advanced funds received for the CalOES #30 grant in the amount of \$1,592. Revenue recognition is anticipated in the future.

NOTE 12 - CONTRIBUTIONS OF NON-FINANCIAL ASSETS

For the year ended September 30, 2023, contributed nonfinancial assets recognized within the statement of activities include:

	Revenue Recognized	Program Utilization	Donor Restrictions	Valuation
Volunteer Hours	\$ 240,188	VOCA call center support	No associated donor restrictions	Estimated fair value based on Grade A, Step 1: starting hourly wages provided to Project Sanctuary employees.
Services	565	Program occupancy repairs & maintenance	No associated donor restrictions	Estimated fair value based on provided vendor service invoices.
Total	\$ 240,753			

Project Sanctuary, Inc.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023

NOTE 13 - WITH DONOR RESTRICTIONS NET ASSETS

Donor designated funds as of September 30 were available for the following purposes:

<u>Program Activities</u>	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Releases</u>	<u>Ending Balance</u>
Subject to Expenditure for Specific Purpose:				
ASCK	\$ 4,792	\$ 1,500	\$ 3,600	\$ 2,692
Coast only	2,774	8,650	4,578	6,846
Legacy Church	-	2,345	2,345	-
MCCF	1,344	-	1,344	-
Sponsor-a-family	556	795	87	1,264
	<u>\$ 9,466</u>	<u>\$ 13,290</u>	<u>\$ 11,954</u>	<u>\$ 10,802</u>

NOTE 14 - WITHOUT DONOR RESTRICTIONS BOARD DESIGNATED FUNDS

Without Donor Restrictions board designated funds are for multiple year projects and operating reserve. At September 30, the Without Donor Restrictions board designated funds consisted of the following:

	<u>2023</u>
Capital assets replacement	\$ 50,000
Operating reserve	125,000
Facilities	40,000
Total	<u>\$ 215,000</u>

NOTE 15 - LEASE COMMITMENTS

The Agency has entered into an operating lease to rent the facility at 564 South Dora Street, Ukiah, CA 95482 pursuant to a lease agreement entered into on August 1, 2022. This lease expires July 31, 2027. The rental payments begin at \$3,500 per month and the security deposit is not applicable to the last month's rental payment. Annual rental increases are 3.00% based on the signed agreement.

The Agency has also entered into an operating lease to rent a multi-unit residential building at 101 S. Hortense Street, Ukiah CA 95482 pursuant to a lease agreement entered into on January 1, 2019. This lease is set to expire on December 31, 2054. The rental payments are currently \$900 per room per month with a 12 bedroom minimum and a 14 bedroom maximum. The Agency has agreed to special term conditions based on the annual receipt of federal and state funding.

Under the above lease agreements, the lease liabilities at September 30, 2023 are as follows:

<u>Lease payable</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Amount Due in One Year</u>
564 S. Dora St., Ukiah, CA	\$ -	\$ 195,939	\$ (35,116)	\$ 160,823	\$ 37,814
101 S. Hortense St., Ukiah, CA	-	2,364,266	(37,113)	2,327,153	38,602
Total	<u>\$ -</u>	<u>\$ 2,560,205</u>	<u>\$ (72,229)</u>	<u>\$ 2,487,976</u>	<u>\$ 76,416</u>

<u>Years End June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 76,416	\$ 96,660	\$ 173,076
2025	80,810	93,570	174,380
2026	85,421	90,304	175,725
2027	82,128	86,865	168,993
2028	45,180	84,420	129,600
Thereafter	2,118,021	1,283,980	3,402,001
Total	<u>\$ 2,487,976</u>	<u>\$ 1,735,799</u>	<u>\$ 4,223,775</u>

Project Sanctuary, Inc.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2023

NOTE 16 - SUBSEQUENT EVENTS

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through August 30, 2024, the date the financial statements were available to be issued.

Project Sanctuary, Inc.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Award Amount</u>	<u>Award Expenditures</u>
<u>U.S Department of Housing and Urban Development</u>				
Pass-through California Department of Housing and Community Development/ Mendocino County Health & Human Services Agency Community Planning and Development: Continuum of Care Program	14.267	20-ESGV1-00039	\$ 1,006,277	\$ 218,011
Total U.S. Department of Housing and Urban Development			<u>1,006,277</u>	<u>218,011</u>
<u>U.S Department of Justice</u>				
Pass-through California Governor's Office of Emergency Services:				
Victims of Crime Act*	16.575	DV22 37 1030	255,710	255,710
Victims of Crime Act*	16.575	RC22 42 1030	341,609	341,609
Victims of Crime Act*	16.575	RC21 41 1030	203,825	12,109
Victims of Crime Act*	16.575	RC22 33 1030	283,788	283,788
Victims of Crime Act*	16.575	RC21 32 1030	146,522	775
Victims of Crime Act*	16.575	XH21 04 1030	169,762	76,936
Victims of Crime Act*	16.575	XH22 01 1030	350,000	276,713
Total U.S. Department of Justice			<u>1,751,216</u>	<u>1,247,640</u>
<u>U.S Department of Health & Human Services</u>				
Pass-through California Governor's Office of Emergency Services:				
Family Violence Prevention & Services/Grants for Battered Women's Shelters	93.671	DV22 37 1030	79,897	79,897
Total Family Violence Prevention & Services/Grants for Battered Women's Shelters			<u>79,897</u>	<u>79,897</u>
Family Violence Prevention & Services/Rape Crisis Program	93.497	RC21 41 1030	103,119	48,243
Family Violence Prevention & Services/Rape Crisis Program	93.497	RC21 32 1030	103,119	44,180
Total Family Violence Prevention & Services/Rape Crisis Program			<u>206,238</u>	<u>92,423</u>
Total U.S. Department of Health & Human Services			<u>286,135</u>	<u>172,320</u>
Total federal awards			<u>\$ 3,043,628</u>	<u>\$ 1,637,971</u>

*Major program

Project Sanctuary, Inc.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of Project Sanctuary, Inc. under programs of the federal government for the year ended September 30, 2023. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of Project Sanctuary, Inc., it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Project Sanctuary, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

NOTE 3 - FEDERAL ASSISTANCE LISTING NUMBERS

The Federal Assistance Listing Number included in the accompanying SEFA was determined based on the program name, review of the award contract, and the Office of Management and Budget's Federal Assistance Listing Numbers.

NOTE 4 - INDIRECT COSTS

Project Sanctuary, Inc. elected not to use the 10% de minimis cost rate as covered in the Uniform Guidance Part 200.414 Indirect (F&A) Costs.

NOTE 5 - RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying SEFA agree, in all material respects, to amounts reported within Project Sanctuary, Inc.'s financial statements.

NOTE 6 - PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the SEFA shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, Project Sanctuary, Inc. determined that no identifying number is assigned for the program or Project Sanctuary, Inc. was unable to obtain an identifying number from the pass-through entity and the identifying number is shown as unknown.

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

To the Board of Directors of
Project Sanctuary, Inc.
Ukiah, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Project Sanctuary, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated August 30, 2024.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Project Sanctuary, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Project Sanctuary, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Project Sanctuary, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

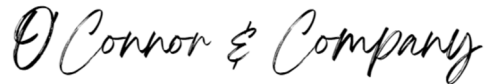
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Project Sanctuary, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "O'Connor & Company". The script is cursive and fluid, with the "O" being particularly large and stylized.

O'Connor & Company

Novato, California
August 30, 2024

INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Project Sanctuary, Inc.
Ukiah, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Project Sanctuary, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Project Sanctuary, Inc.'s major federal programs for the year ended September 30, 2023. Project Sanctuary, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Project Sanctuary, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Project Sanctuary, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Project Sanctuary, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Project Sanctuary, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Project Sanctuary, Inc.'s compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Project Sanctuary, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Project Sanctuary, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Project Sanctuary, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Project Sanctuary, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.


Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



O'Connor & Company

Novato, California
August 30, 2024

Project Sanctuary, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2023

Section I – Summary of Auditors' Results

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
 - A. Material weakness(es) identified? No
 - B. Significant deficiencies identified that were not considered to be material weakness(es)? None reported
 - C. Noncompliance material to financial statements noted? No
3. Internal control over major programs:
 - A. Material weakness(es) identified? No
 - B. Significant deficiencies identified that were not considered to be material weakness(es)? None reported
 - C. Type of auditors' report issued on compliance for major programs: Unmodified
 - D. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? No
4. Audited as Major Programs:

<u>Federal Assistance Listing Number</u>	<u>Program Name</u>	<u>Expenditures</u>
16.575	Victims of Crime Act	\$ 1,247,640
5. Dollar threshold used to distinguish between type A and type B programs: \$750,000
6. Auditee qualified as a low-risk auditee? No

Section II – Financial Statement Findings

There were no financial statement findings.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings and questioned costs.

Project Sanctuary, Inc.
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
For the Year Ended September 30, 2023

Recommendation

Status/Explanation

There were no prior year findings or recommendations.