

**PROJECT SANCTUARY, INC.
UKIAH, CALIFORNIA**

**ANNUAL FINANCIAL REPORT
AND
SINGLE AUDIT REPORT
SEPTEMBER 30, 2024**



TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7-15
Supplemental Information:	
Schedule of Program Revenues, Expenses and the Change in Net Assets	16
Schedule of Expenditures of Federal Awards	17
Notes to the Schedule of Expenditures of Federal Awards	18
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 <i>Government Auditing Standards</i>	19-20
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	21-22
Schedule of Findings and Questioned Costs	23
Status of Prior Year Findings and Recommendations	24

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

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, 2024, 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 Project Sanctuary, Inc. as of September 30, 2024, 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.

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.

Report on Summarized Comparative Information

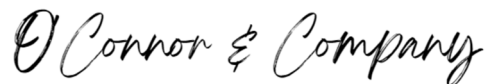
We have previously audited Project Sanctuary, Inc.'s 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 30, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary data in page(s) 16 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2025, 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
June 27, 2025

Project Sanctuary, Inc.
STATEMENTS OF FINANCIAL POSITION
September 30, 2024
(With Comparative Totals for September 30, 2023)

	2024	2023
<u>ASSETS</u>		
Current assets:		
Cash & cash equivalents	\$ 618,789	\$ 537,885
Restricted cash and cash equivalents	22,287	15,023
Grants receivable	352,267	494,796
Other receivable	3,407	6,594
Prepaid expenses	27,972	27,324
Total current assets	1,024,722	1,081,622
Non-current assets:		
Deposits	16,791	16,791
Right-of-use assets	2,332,506	2,446,355
Fixed assets, net of accumulated depreciation	676,859	577,950
Total non-current assets	3,026,156	3,041,096
Total assets	\$ 4,050,878	\$ 4,122,718
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 33,694	\$ 35,039
Accrued payroll	18,286	24,254
Accrued vacation	28,354	32,337
Deferred revenue	-	1,592
Fiscal agent	22,287	15,023
Operating lease liability, current portion	80,810	76,416
Total current liabilities	183,431	184,661
Non-current liabilities:		
Operating lease liability	2,330,749	2,411,560
Total non-current liabilities	2,330,749	2,411,560
Total liabilities	2,514,180	2,596,221
Net assets - Exhibit A:		
Without donor restrictions		
Undesignated	1,116,366	1,300,695
Board designated	362,862	215,000
Total without donor restrictions	1,479,228	1,515,695
With donor restrictions		
Restricted contributions	57,470	10,802
Total with donor restrictions	57,470	10,802
Total net assets	1,536,698	1,526,497
Total liabilities and net assets	\$ 4,050,878	\$ 4,122,718

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

Project Sanctuary, Inc.
STATEMENTS OF ACTIVITIES
For the Year Ended September 30, 2024
(With Comparative Totals for the Year Ended September 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Revenues:				
Federal grants	\$ 1,316,391	\$ -	\$ 1,316,391	\$ 1,637,676
State grants	267,829	-	267,829	290,698
Local government	56,217	-	56,217	19,860
Contributions - non-financial	252,918	-	252,918	240,753
Contributions - financial	72,976	55,600	128,576	111,873
Investment return, net	12,441	-	12,441	4,171
Miscellaneous	21,482	-	21,482	30,505
Released from restriction	8,932	(8,932)	-	-
Total revenues	2,009,186	46,668	2,055,854	2,335,536
Expenses:				
Program services:				
Inland	686,593	-	686,593	830,860
Coast	639,949	-	639,949	830,967
Shelter	145,204	-	145,204	122,560
Transitional	265,924	-	265,924	271,503
Subtotal program services	1,737,670	-	1,737,670	2,055,890
Support services:				
General & administrative	306,074	-	306,074	277,959
Fundraising	1,909	-	1,909	15,597
Subtotal support services	307,983	-	307,983	293,556
Total expenses	2,045,653	-	2,045,653	2,349,446
Change in net assets	(36,467)	46,668	10,201	(13,910)
Net assets, beginning of period	1,515,695	10,802	1,526,497	1,540,407
Net assets, end of period	\$ 1,479,228	\$ 57,470	\$ 1,536,698	\$ 1,526,497

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

Project Sanctuary, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2024
(With Comparative Totals for the Year Ended September 30, 2023)

	Program Services					Support Services			2024	2023
	Inland	Coast	Shelter	Transitional	Subtotal	GM&A	Fundraising	Subtotal	Total	Total
Expenses:										
Salaries & wages	\$ 336,495	\$ 319,309	\$ 92,365	\$ 10,199	\$ 758,368	\$ 152,615	\$ -	\$ 152,615	\$ 910,983	\$ 996,971
Payroll taxes & benefits	49,011	78,104	7,904	10,623	145,642	45,404	-	45,404	191,046	208,558
Direct services: program	125,245	127,673	-	-	252,918	-	-	-	252,918	240,188
Direct materials: program	-	-	-	-	-	-	-	-	-	565
Outside services	24,287	17,528	271	3,170	45,256	4,906	-	4,906	50,162	73,370
Office supplies	12,975	8,165	34	1,762	22,936	22,138	1,891	24,029	46,965	58,374
Shelter supplies	1,098	-	1,044	2,597	4,739	-	-	-	4,739	7,905
Program supplies & expenses	797	1,289	-	63	2,149	-	-	-	2,149	6,594
Occupancy	33,858	6,264	10,959	24,701	75,782	20,248	-	20,248	96,030	80,213
Communications	11,372	6,749	508	6,386	25,015	1	-	1	25,016	45,034
Insurance	321	255	-	54	630	17,112	-	17,112	17,742	16,344
Travel & training	4,208	4,603	208	231	9,250	2,794	-	2,794	12,044	11,733
Printing & postage	3,647	636	-	220	4,503	280	-	280	4,783	6,274
Equipment maintenance & rental	18,906	7,233	479	7,323	33,941	-	-	-	33,941	38,761
Client specific assistance	35,839	35,167	1,267	161,572	233,845	35,068	-	35,068	268,913	423,835
Outreach	4,609	1,388	-	-	5,997	-	-	-	5,997	15,282
Utilities	8,902	9,662	11,672	36,066	66,302	-	-	-	66,302	61,747
Interest	-	-	-	-	-	-	-	-	-	3
Bad debt	-	2,310	-	-	2,310	-	-	-	2,310	-
Depreciation	9,685	10,962	18,492	945	40,084	3,798	-	3,798	43,882	46,021
Miscellaneous	5,338	2,652	1	12	8,003	1,710	18	1,728	9,731	11,674
Total expenses	<u>\$ 686,593</u>	<u>\$ 639,949</u>	<u>\$ 145,204</u>	<u>\$ 265,924</u>	<u>\$ 1,737,670</u>	<u>\$ 306,074</u>	<u>\$ 1,909</u>	<u>\$ 307,983</u>	<u>\$ 2,045,653</u>	<u>\$ 2,349,446</u>

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

Project Sanctuary, Inc.
STATEMENTS OF CASH FLOWS
For the Year Ended September 30, 2024
(With Comparative Totals for the Year Ended September 30, 2023)

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 10,201	\$ (13,910)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	43,882	46,021
Amortization	113,850	113,850
Changes in certain assets and liabilities:		
Grants receivable	142,529	82,436
Other receivable	3,187	(2,418)
Prepaid expenses	(648)	(16,653)
Accounts payable	(1,345)	(34,193)
Accrued payroll	(5,968)	9,804
Accrued vacation	(3,983)	(3,492)
Deferred revenue	(1,592)	1,592
Fiscal agent	7,264	4,922
Operating lease	<u>(76,417)</u>	<u>(72,229)</u>
Net cash provided by operating activities	<u>230,960</u>	<u>115,730</u>
Cash flows from investing activities:		
Acquisition of fixed assets	<u>(142,792)</u>	<u>(53,899)</u>
Net cash used by investing activities	<u>(142,792)</u>	<u>(53,899)</u>
Net increase (decrease) in cash during the period	88,168	61,831
Cash & cash equivalents balance, beginning of period	<u>552,908</u>	<u>491,077</u>
Cash & cash equivalents balance, end of period	<u>\$ 641,076</u>	<u>\$ 552,908</u>
Summary of cash and cash equivalents at end of period:		
Cash and cash equivalents	\$ 618,789	\$ 537,885
Restricted cash and cash equivalents	<u>22,287</u>	<u>15,023</u>
Total cash and cash equivalents at end of period	<u>\$ 641,076</u>	<u>\$ 552,908</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ -</u>	<u>\$ 3</u>

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

Project Sanctuary, Inc.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

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 Mendocino County 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, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Description of Net Assets (concluded)

With Donor Restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Agency 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 and short-term marketable securities 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.

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable. Impairment is recognized if the sum of the undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

F. Right of Use Assets

The Agency has recorded right of use assets. These assets consist of the right of use of office space for both program and administrative purposes as well as multi-family property for program uses. The related leases are discussed in Note 15. The right of 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.

Project Sanctuary, Inc.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Leases

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

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 of 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 of 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 of 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.

Government grants and revenue are recognized when the Agency incurs expenditures related to the required services. Amounts billed or received in advance are recorded as contract advances and deferred revenue until the related services are performed. Amounts due to the Agency for services performed at September 30, 2024 are included in accounts receivable.

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. Fundraising Expenses

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

Project Sanctuary, Inc.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

K. 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.

L. Pervasiveness 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 2022-05, *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, 2024

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 ASC 740-10 *Accounting for Uncertainty in Income Taxes*; 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, 2024. 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 Federal, State and Local Governments. During the years ended September 30, 2024 and September 30, 2023, revenues from these source totaled \$1,640,436 and \$1,948,234, which represent 80% and 83% of the Agency’s total revenues respectively.

NOTE 5 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents balances as of September 30, were as follows:

Unrestricted:	2024	2023
Savings Bank of Mendocino County	\$ 350,176	\$ 529,698
Community First Credit Union	268,202	7,312
PayPal	-	485
Petty cash	411	390
Total unrestricted cash and cash equivalents	<u>618,789</u>	<u>537,885</u>
 Restricted:		
Savings Bank of Mendocino County	15,923	15,023
Community First Credit Union	6,364	-
Total restricted cash and cash equivalents*	<u>22,287</u>	<u>15,023</u>
 Total cash and cash equivalents	 <u>\$ 641,076</u>	 <u>\$ 552,908</u>

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

The corresponding current bank balance for Savings Bank of Mendocino County and Community First Credit Union are in excess of the \$250,000 blanket umbrella by the Federal Deposit Insurance Corporation (FDIC) and Nation Credit Union Administration (NCUA) respectively. 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, 2024

NOTE 6 - LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Agency's financial assets as of September 30, 2024 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.

	2024	2023
Financial assets		
Cash & cash equivalents	\$ 641,076	\$ 552,908
Grants receivable	352,267	494,796
Other receivable	3,407	6,594
Total financial assets	996,750	1,054,298
Less those unavailable for general expenditures within one year due to:		
Restricted cash and deposits	(39,078)	(31,814)
Board designated reserves	(362,862)	(215,000)
With donor restrictions	(57,470)	(10,802)
Total unavailable financial assets	(459,410)	(257,616)
Financial assets available to meet cash needs for general expenditures within one year	\$ 537,340	\$ 796,682

The Agency has \$537,340 of financial resources available within one year of the balance sheet date to meet cash needs for general expenditures. Accounts receivable are subject to implied time restrictions but are expected to be collected within one year.

The Agency has a goal to maintain financial assets, which consist of cash, on hand to meet 60 days of normal operating expenses. The Agency has a policy (pending approval) to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 7 - GRANTS RECEIVABLE

Grant receivable for the years ending September 30, 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>	2024	2023
CalOES #13	\$ 52,054	\$ 79,328
CalOES #20	112,205	130,004
CalOES #23	90,714	101,807
CalOES #30	67,663	82,359
CalWorks #19	6,455	4,843
Mendocino County HHAP	23,176	-
Mendocino County HMIS	-	95,195
County Violence Prevention	-	1,260
Total grant receivable	\$ 352,267	\$ 494,796

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, 2024

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 \$3,407 and \$6,594 for the years ended September 30, 2024 and September 30, 2023 respectively. 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 9 - FIXED ASSETS

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

	Balance 9/30/23	Increase	Decrease	Balance 9/30/24
Fixed assets, not being depreciated:				
Land	\$ 132,000	\$ -	\$ -	\$ 132,000
Construction in progress	-	120,513	46,639	73,874
Total fixed assets, not being depreciated	<u>132,000</u>	<u>120,513</u>	<u>46,639</u>	<u>205,874</u>
Fixed assets, being depreciated/amortized:				
Buildings & improvements	839,323	46,639	-	885,962
Equipment & software	67,820	22,278	-	90,098
Vehicles	30,000	-	-	30,000
Right-of-use assets:				
ROU - Lease	<u>2,560,205</u>	<u>-</u>	<u>-</u>	<u>2,560,205</u>
Total fixed assets, being depreciated/amortized	<u>3,497,348</u>	<u>68,917</u>	<u>-</u>	<u>3,566,265</u>
Total accumulated depreciation/amortization	<u>(605,043)</u>	<u>(157,731)</u>	<u>-</u>	<u>(762,774)</u>
Total fixed assets being depreciated/amortized-net	<u>2,892,305</u>	<u>(88,814)</u>	<u>-</u>	<u>2,803,491</u>
Fixed assets-net	<u>\$ 3,024,305</u>	<u>\$ 31,699</u>	<u>\$ 46,639</u>	<u>\$ 3,009,365</u>

Depreciation expenses for the years ended September 30, 2024 and September 30, 2023 were \$43,882 and \$46,021 respectively.

Amortization expenses for the years ended September 30, 2024 and September 30, 2023 were \$113,850 and \$113,850 respectively.

NOTE 10 - ACCRUED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Agency. The amount of accumulated vacation for the years ending September 30, 2024 and September 30, 2023 were \$28,354 and \$32,337 respectively.

NOTE 11 - DEFERRED REVENUE & FISCAL AGENTS

Deferred revenue and fiscal agent agreements for the years ending September 30 are as follows; revenue recognition is anticipated in the future.

<u>Fund and Agreements</u>	<u>2024</u>	<u>2023</u>
CalOES #30	\$ -	\$ 1,592
Transitional client savings accounts	15,923	15,023
Fiscal agent	<u>6,364</u>	<u>-</u>
Total grant receivable	<u>\$ 22,287</u>	<u>\$ 16,615</u>

Project Sanctuary, Inc.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

NOTE 12 - CONTRIBUTIONS OF NON-FINANCIAL ASSETS

For the year ended September 30, 2024, contributed nonfinancial assets recognized within the statement of activities include:

	Revenue Recognized	Program Utilization	Donor Restrictions	Valuation
Volunteer Hours	\$ 252,918	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.
Total	<u>\$ 252,918</u>			

NOTE 13 - WITH DONOR RESTRICTIONS NET ASSETS

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

Program Activities	Beginning Balance	Contributions	Releases	Ending Balance
Subject to Expenditure for Specific Purpose:				
ASCK	\$ 2,692	\$ 1,750	\$ 1,641	\$ 2,801
Coast only	6,846	10,900	4,784	12,962
Inland only	-	10,000	-	10,000
Transitional only	-	10,000	-	10,000
ANON Counseling	-	21,600	391	21,209
Sponsor-a-family	1,264	1,350	2,116	498
	<u>\$ 10,802</u>	<u>\$ 55,600</u>	<u>\$ 8,932</u>	<u>\$ 57,470</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:

	2024	2023
Capital assets replacement	\$ 10,000	\$ 50,000
Operating reserve	307,760	125,000
Facilities	45,102	40,000
Total	<u>\$ 362,862</u>	<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.

Project Sanctuary, Inc.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

NOTE 15 - LEASE COMMITMENTS (concluded)

Under the above lease agreements, the lease liabilities at September 30, 2024 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	\$ 160,823	\$ -	\$ (37,714)	\$ 123,009	\$ 40,659
101 S. Hortense St., Ukiah, CA	<u>2,327,153</u>	<u>-</u>	<u>(38,603)</u>	<u>2,288,550</u>	<u>40,151</u>
Total	<u>\$2,487,976</u>	<u>\$ -</u>	<u>\$ (76,417)</u>	<u>\$2,411,559</u>	<u>\$ 80,810</u>
<u>Years End June 30:</u>	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
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
2029	46,993		82,607		129,600
Thereafter	<u>2,071,027</u>		<u>1,201,372</u>		<u>3,272,399</u>
Total	<u>\$ 2,411,559</u>		<u>\$ 1,639,138</u>		<u>\$ 4,050,697</u>
			<u>2024</u>		<u>2023</u>
Weighted average remaining term			16.5 years		17.5 years
Weighted average discount rate			3.94%		3.94%

NOTE 16 - LINE OF CREDIT

On July 21, 2017, the Agency entered into an unsecured loan (credit line) with Savings Bank of Mendocino County for \$200,000, with an interest rate of 11.25% compounded monthly. The Agency is obligated to pay monthly interest only payments, with the balance due on January 21, 2024. Both parties may negotiate an extension of the maturity date prior to the expiration of the current terms. As of the years ending September 30, 2024 and September 30, 2023 the balance was \$0 and the Agency has yet to draw down funds.

On January 20, 2023, the above mentioned loan was amended to reflect a new maturity date of January 21, 2024. The principal amount of the loan and any accrued and unpaid interest has been amended to be due and payable on January 21, 2024.

NOTE 17 - RECLASSIFICATIONS

Certain amounts in the September 30, 2024 financial statements have been reclassified to conform with the September 30, 2023 presentation. These reclassifications have no effect on the change in net assets as previously reported.

NOTE 18 - SUBSEQUENT EVENTS

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through June 27, 2025, the date the financial statements were available to be issued.

Project Sanctuary, Inc.
SCHEDULE OF PROGRAM REVENUES, EXPENSES AND THE CHANGE IN NET ASSETS
All Contracts
For the Year Ended September 30, 2024

	OES #13	OES #20	OES #23	OES #30	Violence Prevention CASA	Job Alliance CalWorks #19	Mendocino County HHAP	Other	Total
Revenue:									
Federal grants	\$ 330,655	\$ 351,242	\$ 303,101	\$ 331,393	\$ -	\$ -	\$ -	\$ -	\$ 1,316,391
State grants	201,980	16,705	13,878	-	-	35,266	-	-	267,829
Local government	-	-	-	-	15,610	-	40,607	-	56,217
Contributions - non-financial	-	-	-	-	-	-	-	252,918	252,918
Contributions - financial	-	-	-	-	-	-	-	128,576	128,576
Investment return, net	-	-	-	-	-	-	-	12,441	12,441
Miscellaneous	-	-	-	-	-	-	-	21,482	21,482
Total revenue	532,635	367,947	316,979	331,393	15,610	35,266	40,607	415,417	2,055,854
Expenses:									
Salaries & wages	344,977	222,027	206,117	76,933	11,565	27,418	-	21,946	910,983
Payroll taxes & benefits	73,102	46,586	43,911	16,703	2,327	5,899	-	2,518	191,046
Direct services: program	-	-	-	-	-	-	-	252,918	252,918
Direct materials: program	-	-	-	-	-	-	-	-	-
Outside services	17,878	12,632	10,558	3,441	22	725	316	4,590	50,162
Office supplies	15,360	13,549	9,929	3,424	257	950	-	3,496	46,965
Shelter supplies	1,056	1,086	-	2,597	-	-	-	-	4,739
Program supplies & expenses	242	736	496	63	-	-	-	612	2,149
Occupancy	22,811	22,383	4,229	25,174	-	1,343	-	20,090	96,030
Communications	8,006	5,814	3,985	6,681	-	530	-	-	25,016
Insurance	6,732	4,805	3,768	1,440	195	563	-	239	17,742
Travel & training	457	4,033	4,227	231	-	-	-	3,096	12,044
Printing & postage	1,065	2,722	496	220	-	-	-	280	4,783
Equipment maintenance & rental	9,577	14,860	16,406	13,402	-	390	-	999	55,634
Client specific assistance	9,109	4,829	4,779	161,572	-	-	43,010	45,614	268,913
Outreach	600	4,010	250	-	-	-	-	1,137	5,997
Utilities	18,932	5,123	5,343	36,156	-	548	-	200	66,302
Bad debt	-	-	-	-	2,310	-	-	-	2,310
Depreciation	-	-	-	-	-	-	-	43,882	43,882
Miscellaneous	2,740	2,752	2,497	12	1	-	-	1,729	9,731
Total expenses	532,644	367,947	316,991	348,049	16,677	38,366	43,326	403,346	2,067,346
Change in net assets	(9)	-	(12)	(16,656)	(1,067)	(3,100)	(2,719)	12,071	(11,492)
Capital assets charged to grants	3,904	-	11,710	6,079	-	-	-	-	21,693
Change in net assets, reconciled	\$ 3,895	\$ -	\$ 11,698	\$ (10,577)	\$ (1,067)	\$ (3,100)	\$ (2,719)	\$ 12,071	\$ 10,201

Project Sanctuary, Inc.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2024

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S Department of Justice</u>			
Pass-through California Governor's Office of Emergency Services:			
Victims of Crime Act*	16.575	DV23 38 1030	\$ 245,523
Victims of Crime Act*	16.575	RC23 43 1030	328,111
Victims of Crime Act*	16.575	RC23 34 1030	279,970
Victims of Crime Act*	16.575	XH22 01 1030	73,290
Victims of Crime Act*	16.575	XH23 02 1030	<u>258,103</u>
Total U.S. Department of Justice			<u>1,184,997</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	DV23 38 1030	<u>85,132</u>
Total Family Violence Prevention & Services/Grants for Battered Women's Shelters			<u>85,132</u>
 Family Violence Prevention & Services/Rape Crisis Program	 93.497	 RC23 43 1030	 23,131
Family Violence Prevention & Services/Rape Crisis Program	93.497	RC23 34 1030	<u>23,131</u>
Total Family Violence Prevention & Services/Rape Crisis Program			<u>46,262</u>
Total U.S. Department of Health & Human Services			<u>131,394</u>
 Total federal awards			 <u>\$ 1,316,391</u>

*Major program

Project Sanctuary, Inc.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2024

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, 2024. 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, 2024, 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 June 27, 2025.

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.

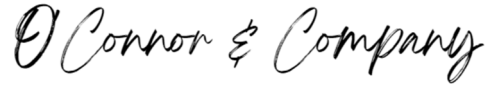
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



O'Connor & Company

Novato, California
June 27, 2025

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, 2024. 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, 2024.

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.

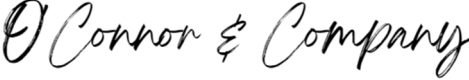
Report on Internal Control over Compliance

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
June 27, 2025

Project Sanctuary, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2024

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	\$ 1,184,997
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, 2024

Recommendation

Status/Explanation

There were no prior year findings or recommendations.