



WithumSmith+Brown
A Professional Corporation
Certified Public Accountants and Consultants

SANCTUARY FOR FAMILIES, INC.
Consolidating Financial Statement
June 30, 2007 and 2006
With Independent Auditors' Reports

Sanctuary for Families, Inc.
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June 30, 2007 and 2006

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Independent Auditors' Report

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

We have audited the accompanying consolidating statement of financial position of Sanctuary for Families, Inc. as of June 30, 2007 and the related consolidating statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These consolidating financial statements are the responsibility of Sanctuary for Families, Inc.'s management. Our responsibility is to express an opinion on these consolidating financial statements based on our audit. The consolidating financial statements as of June 30, 2006 were audited by M.D. Oppenheim & Company, P.C., who merged with us as of May 1, 2007, and whose report dated August 29, 2006 expressed an unqualified opinion on those consolidated statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidating financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidating financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2007 consolidating financial statements referred to above present fairly, in all material respects, the financial position of Sanctuary for Families, Inc. as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "WithumSmith+Brown, PC". The signature is written in a cursive, flowing style.

November 13, 2007

Sanctuary for Families, Inc.
Consolidating Statement of Financial Position
June 30, 2007

| | <u>Sanctuary for Families, Inc.</u> | <u>Housing Development Fund Corporation</u> | <u>Eliminations</u> | <u>Total</u> |
|---|---|---|---------------------|---------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 3,119,690 | \$ -- | \$ -- | \$ 3,119,690 |
| Government contracts receivable | 1,701,899 | -- | -- | 1,701,899 |
| Contributions receivable (net of allowance for doubtful accounts of \$177,500) | 1,319,743 | -- | -- | 1,319,743 |
| Prepaid expenses and other current assets | 89,163 | -- | -- | 89,163 |
| Total current assets | <u>6,230,495</u> | <u>--</u> | <u>--</u> | <u>6,230,495</u> |
| Endowment investments | | | | |
| Cash and cash equivalents | 314,475 | -- | -- | 314,475 |
| Property and equipment, net | 613,459 | 2,210,520 | -- | 2,823,979 |
| Security deposits | 108,805 | -- | -- | 108,805 |
| | <u>\$ 7,267,234</u> | <u>\$ 2,210,520</u> | <u>\$ --</u> | <u>\$ 9,477,754</u> |
| Liabilities and Net Assets | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued expenses | \$ 826,715 | \$ -- | \$ -- | \$ 826,715 |
| Refundable advances | 14,041 | -- | -- | 14,041 |
| Due to related entities | 48,592 | (48,592) | -- | -- |
| Total liabilities | <u>889,348</u> | <u>(48,592)</u> | <u>--</u> | <u>840,756</u> |
| Net assets | | | | |
| Unrestricted | | | | |
| Available for operations | 4,446,561 | 2,259,112 | -- | 6,705,673 |
| Board designated | 195,000 | -- | -- | 195,000 |
| | <u>4,641,561</u> | <u>2,259,112</u> | <u>--</u> | <u>6,900,673</u> |
| Temporarily restricted | 1,421,850 | -- | -- | 1,421,850 |
| Permanently restricted | 314,475 | -- | -- | 314,475 |
| Total net assets | <u>6,377,886</u> | <u>2,259,112</u> | <u>--</u> | <u>8,636,998</u> |
| | <u>\$ 7,267,234</u> | <u>\$ 2,210,520</u> | <u>\$ --</u> | <u>\$ 9,477,754</u> |

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

Sanctuary for Families, Inc.
Consolidating Statement of Financial Position
June 30, 2006

| | Sanctuary for Families, Inc. | Housing Development Fund Corporation | Eliminations | Total |
|---|---|---|---------------------|---------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 2,687,187 | \$ -- | \$ -- | \$ 2,687,187 |
| Government contracts receivable | 1,623,450 | -- | -- | 1,623,450 |
| Contributions receivable (net of allowance for doubtful accounts of \$200,000) | 804,597 | -- | -- | 804,597 |
| Prepaid expenses and other current assets | 12,660 | -- | -- | 12,660 |
| Total current assets | <u>5,127,894</u> | <u>--</u> | <u>--</u> | <u>5,127,894</u> |
| Endowment investments | | | | |
| Cash and cash equivalents | 314,475 | -- | -- | 314,475 |
| Property and equipment, net | 467,835 | 2,394,730 | -- | 2,862,565 |
| Security deposits | 87,428 | -- | -- | 87,428 |
| | <u>\$ 5,997,632</u> | <u>\$ 2,394,730</u> | <u>\$ --</u> | <u>\$ 8,392,362</u> |
| Liabilities and Net Assets | | | | |
| Current liabilities | | | | |
| Current maturities of long-term debt | \$ -- | \$ 263,211 | \$ -- | \$ 263,211 |
| Accounts payable and accrued expenses | 734,974 | -- | -- | 734,974 |
| Refundable advances | 60,243 | -- | -- | 60,243 |
| Due to related entities | 48,592 | (48,592) | -- | -- |
| Total liabilities | <u>843,809</u> | <u>214,619</u> | <u>--</u> | <u>1,058,428</u> |
| Net assets | | | | |
| Unrestricted | | | | |
| Available for operations | 3,867,259 | 2,180,111 | -- | 6,047,370 |
| Board designated | 265,000 | -- | -- | 265,000 |
| | <u>4,132,259</u> | <u>2,180,111</u> | <u>--</u> | <u>6,312,370</u> |
| Temporarily restricted | 707,089 | -- | -- | 707,089 |
| Permanently restricted | 314,475 | -- | -- | 314,475 |
| Total net assets | <u>5,153,823</u> | <u>2,180,111</u> | <u>--</u> | <u>7,333,934</u> |
| | <u>\$ 5,997,632</u> | <u>\$ 2,394,730</u> | <u>\$ --</u> | <u>\$ 8,392,362</u> |

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

Sanctuary for Families, Inc.
Consolidating Statement of Activities and Changes in Net Assets
Year Ended June 30, 2007

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> | <u>Housing Development Fund Corporation</u> | <u>Eliminations</u> | <u>Total</u> |
|--|---------------------|-------------------------------|-------------------------------|---------------------|---|---------------------|---------------------|
| Revenues and support | | | | | | | |
| Government contracts | \$ 7,823,162 | \$ -- | \$ -- | \$ 7,823,162 | \$ -- | \$ -- | \$ 7,823,162 |
| Rental income | -- | -- | -- | -- | 308,364 | (308,364) | -- |
| Contributions | 853,151 | 2,037,500 | -- | 2,890,651 | -- | -- | 2,890,651 |
| Special events | \$ 2,046,175 | | | | | | |
| Less: Cost of direct benefit to donors | <u>281,952</u> | | | | | | |
| Net revenues from special events | 1,764,223 | -- | -- | 1,764,223 | -- | -- | 1,764,223 |
| Pro bono legal services | 5,206,744 | -- | -- | 5,206,744 | -- | -- | 5,206,744 |
| Investment income | 125,616 | -- | -- | 125,616 | -- | -- | 125,616 |
| Realized gain on investments | 5,932 | -- | -- | 5,932 | -- | -- | 5,932 |
| Other revenues | 4,218 | -- | -- | 4,218 | -- | -- | 4,218 |
| Net assets released from restrictions | <u>1,322,739</u> | <u>(1,322,739)</u> | -- | -- | -- | -- | -- |
| | <u>17,105,785</u> | <u>714,761</u> | -- | <u>17,820,546</u> | <u>308,364</u> | <u>(308,364)</u> | <u>17,820,546</u> |
| Expenses | | | | | | | |
| Program services | | | | | | | |
| Sarah Burke House - transitional shelter | 2,851,172 | -- | -- | 2,851,172 | 229,363 | (308,364) | 2,772,171 |
| Residential and nonresidential clinical programs | 2,675,110 | -- | -- | 2,675,110 | -- | -- | 2,675,110 |
| Legal services | 8,472,455 | -- | -- | 8,472,455 | -- | -- | 8,472,455 |
| Children's programs | <u>489,206</u> | -- | -- | <u>489,206</u> | -- | -- | <u>489,206</u> |
| | <u>14,487,943</u> | -- | -- | <u>14,487,943</u> | <u>229,363</u> | <u>(308,364)</u> | <u>14,408,942</u> |
| Supporting services | | | | | | | |
| Management and general | 1,479,155 | -- | -- | 1,479,155 | -- | -- | 1,479,155 |
| Fundraising | <u>629,385</u> | -- | -- | <u>629,385</u> | -- | -- | <u>629,385</u> |
| | <u>2,108,540</u> | -- | -- | <u>2,108,540</u> | -- | -- | <u>2,108,540</u> |
| | <u>16,596,483</u> | -- | -- | <u>16,596,483</u> | <u>229,363</u> | <u>(308,364)</u> | <u>16,517,482</u> |
| Changes in net assets | 509,302 | 714,761 | -- | 1,224,063 | 79,001 | -- | 1,303,064 |
| Net assets - beginning of year | <u>4,132,259</u> | <u>707,089</u> | <u>314,475</u> | <u>5,153,823</u> | <u>2,180,111</u> | -- | <u>7,333,934</u> |
| Net assets - end of year | <u>\$ 4,641,561</u> | <u>\$ 1,421,850</u> | <u>\$ 314,475</u> | <u>\$ 6,377,886</u> | <u>\$ 2,259,112</u> | <u>\$ --</u> | <u>\$ 8,636,998</u> |

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

Sanctuary for Families, Inc.
Consolidating Statement of Activities and Changes in Net Assets
Year Ended June 30, 2006

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> | <u>Housing Development Fund Corporation</u> | <u>Eliminations</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|---|---------------------|---------------------|
| Revenues and support | | | | | | | |
| Government contracts | \$ 7,196,628 | \$ -- | \$ -- | \$ 7,196,628 | \$ -- | \$ -- | \$ 7,196,628 |
| Rental income | | | | -- | 599,736 | (599,736) | -- |
| Contributions | 705,253 | 1,417,127 | -- | 2,122,380 | -- | -- | 2,122,380 |
| Special events | \$ 2,292,205 | | | | | | |
| Less: Cost of direct benefit to donors | <u>204,557</u> | | | | | | |
| Net revenues from special events | 2,087,648 | -- | -- | 2,087,648 | -- | -- | 2,087,648 |
| Pro bono legal services | 4,316,417 | | | 4,316,417 | -- | -- | 4,316,417 |
| Investment income | 48,160 | 3,183 | -- | 51,343 | -- | -- | 51,343 |
| Realized loss on investments | (2,971) | -- | -- | (2,971) | -- | -- | (2,971) |
| Other revenues | 4,322 | | | 4,322 | -- | -- | 4,322 |
| Net assets released from restrictions | 805,471 | (805,471) | -- | -- | -- | -- | -- |
| | <u>15,160,928</u> | <u>614,839</u> | <u>--</u> | <u>15,775,767</u> | <u>599,736</u> | <u>(599,736)</u> | <u>15,775,767</u> |
| Expenses | | | | | | | |
| Program services | | | | | | | |
| Sarah Burke House - transitional shelter | 2,661,428 | -- | -- | 2,661,428 | 229,363 | (599,736) | 2,291,055 |
| Residential and nonresidential clinical programs | 2,459,669 | -- | -- | 2,459,669 | -- | -- | 2,459,669 |
| Legal services | 6,943,991 | -- | -- | 6,943,991 | -- | -- | 6,943,991 |
| Children's programs | 411,404 | -- | -- | 411,404 | -- | -- | 411,404 |
| | <u>12,476,492</u> | <u>--</u> | <u>--</u> | <u>12,476,492</u> | <u>229,363</u> | <u>(599,736)</u> | <u>12,106,119</u> |
| Supporting services | | | | | | | |
| Management and general | 1,318,399 | -- | -- | 1,318,399 | -- | -- | 1,318,399 |
| Fundraising | 740,959 | -- | -- | 740,959 | -- | -- | 740,959 |
| | <u>2,059,358</u> | <u>--</u> | <u>--</u> | <u>2,059,358</u> | <u>--</u> | <u>--</u> | <u>2,059,358</u> |
| | <u>14,535,850</u> | <u>--</u> | <u>--</u> | <u>14,535,850</u> | <u>229,363</u> | <u>(599,736)</u> | <u>14,165,477</u> |
| Changes in net assets | 625,078 | 614,839 | -- | 1,239,917 | 370,373 | -- | 1,610,290 |
| Net assets - beginning of year | 3,507,181 | 92,250 | 314,475 | 3,913,906 | 1,809,738 | -- | 5,723,644 |
| Net assets - end of year | <u>\$ 4,132,259</u> | <u>\$ 707,089</u> | <u>\$ 314,475</u> | <u>\$ 5,153,823</u> | <u>\$ 2,180,111</u> | <u>\$ --</u> | <u>\$ 7,333,934</u> |

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

Sanctuary for Families, Inc.
Consolidating Statement of Functional Expenses
Year Ended June 30, 2007

| | Program Services | | | | | Supporting Services | | | | | Grand Total |
|---|--|---|---------------------|---------------------|----------------------|------------------------|-------------------|---------------------|--------------------------------------|---------------------|----------------------|
| | Sarah Burke House Transitional Shelter | Residential and Non-Residential Clinical Programs | Legal Services | Children's Programs | Total | Management and General | Fundraising | Total | Housing Development Fund Corporation | Eliminations | |
| Salaries | \$ 1,378,907 | \$ 1,425,237 | \$ 1,987,823 | \$ 311,390 | \$ 5,103,357 | \$ 711,522 | \$ 429,078 | \$ 1,140,600 | \$ -- | \$ -- | \$ 6,243,957 |
| Payroll taxes and employee benefits | 409,709 | 447,682 | 541,453 | 68,052 | 1,466,896 | 238,669 | 105,514 | 344,183 | -- | -- | 1,811,079 |
| Professional fees and contract services | 25,163 | 69,586 | 32,412 | 6,431 | 133,592 | 79,530 | 12,301 | 91,831 | -- | -- | 225,423 |
| Rent | 599,801 | 303,093 | 170,326 | 44,722 | 1,117,942 | 88,736 | 19,112 | 107,848 | -- | (308,364) | 917,426 |
| Food | 19,081 | 25,830 | 14,922 | 2,298 | 62,131 | -- | -- | -- | -- | -- | 62,131 |
| Household supplies | 20,865 | 4,567 | 204 | 30 | 25,666 | 778 | 25 | 803 | -- | -- | 26,469 |
| Office supplies | 6,352 | 15,166 | 16,489 | 1,652 | 39,659 | 5,703 | 2,950 | 8,653 | -- | -- | 48,312 |
| Child recreation | 90 | 884 | -- | 18 | 992 | -- | -- | -- | -- | -- | 992 |
| Client travel and fees | 8,833 | 55,326 | 10,010 | 9,460 | 83,629 | 82 | 96 | 178 | -- | -- | 83,807 |
| Telephone | 33,108 | 36,064 | 20,607 | 1,777 | 91,556 | 1,377 | 2,515 | 3,892 | -- | -- | 95,448 |
| Staff transportation | 3,863 | 5,105 | 9,871 | 85 | 18,924 | 8,430 | 768 | 9,198 | -- | -- | 28,122 |
| Printing and duplication | 656 | 3,416 | 3,968 | -- | 8,040 | 3,979 | 397 | 4,376 | -- | -- | 12,416 |
| Library resources | 169 | 807 | 7,860 | -- | 8,836 | 1,369 | 1,852 | 3,221 | -- | -- | 12,057 |
| Equipment and maintenance | 45,391 | 21,951 | 9,938 | -- | 77,280 | 30,098 | 1,058 | 31,156 | -- | -- | 108,436 |
| Equipment rental | 5,821 | 9,769 | 14,275 | 925 | 30,790 | 1,995 | 889 | 2,884 | -- | -- | 33,674 |
| Utilities | 185,897 | 57,898 | 21,969 | 5,934 | 271,698 | 12,092 | 4,420 | 16,512 | -- | -- | 288,210 |
| Postage and shipping | 2,891 | 4,466 | 16,963 | -- | 24,320 | 3,639 | 7,982 | 11,621 | -- | -- | 35,941 |
| Facility maintenance | 33,896 | 20,827 | 1,446 | 137 | 56,306 | 2,594 | 159 | 2,753 | -- | -- | 59,059 |
| Interest | -- | -- | -- | -- | -- | -- | -- | -- | 45,153 | -- | 45,153 |
| Insurance | 49,096 | 17,987 | 26,209 | 3,891 | 97,183 | 13,840 | 1,663 | 15,503 | -- | -- | 112,686 |
| Recruitment | 1,460 | 866 | 2,725 | 50 | 5,101 | 24,482 | -- | 24,482 | -- | -- | 29,583 |
| Family activities and emergencies | 16,179 | 135,484 | 264,671 | 32,156 | 448,490 | 96 | -- | 96 | -- | -- | 448,586 |
| Training and development | 3,944 | 10,541 | 30,415 | 198 | 45,098 | 6,484 | 1,600 | 8,084 | -- | -- | 53,182 |
| Moving and storage | -- | 2,558 | 1,653 | -- | 4,211 | 1,680 | -- | 1,680 | -- | -- | 5,891 |
| Bank charges | -- | -- | -- | -- | -- | -- | 2,392 | 2,392 | -- | -- | 2,392 |
| Depreciation | -- | -- | -- | -- | -- | 173,323 | -- | 173,323 | 184,210 | -- | 357,533 |
| Special events | -- | -- | -- | -- | -- | -- | 311,586 | 311,586 | -- | -- | 311,586 |
| Grants to sub-recipients | -- | -- | 59,502 | -- | 59,502 | -- | -- | -- | -- | -- | 59,502 |
| Other expenses | -- | -- | -- | -- | -- | 68,657 | 4,980 | 73,637 | -- | -- | 73,637 |
| Donated legal services | -- | -- | 5,206,744 | -- | 5,206,744 | -- | -- | -- | -- | -- | 5,206,744 |
| | <u>\$ 2,851,172</u> | <u>\$ 2,675,110</u> | <u>\$ 8,472,455</u> | <u>\$ 489,206</u> | <u>\$ 14,487,943</u> | <u>\$ 1,479,155</u> | <u>\$ 911,337</u> | <u>\$ 2,390,492</u> | <u>\$ 229,363</u> | <u>\$ (308,364)</u> | <u>\$ 16,799,434</u> |

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

Sanctuary for Families, Inc.
Consolidating Statement of Functional Expenses
Year Ended June 30, 2006

| | Program Services | | | | | Supporting Services | | | | | Grand Total |
|---|--|---|---------------------|---------------------|----------------------|------------------------|-------------------|---------------------|--------------------------------------|---------------------|----------------------|
| | Sarah Burke House Transitional Shelter | Residential and Non-Residential Clinical Programs | Legal Services | Children's Programs | Total | Management and General | Fundraising | Total | Housing Development Fund Corporation | Eliminations | |
| Salaries | \$ 1,247,484 | \$ 1,392,713 | \$ 1,616,261 | \$ 227,431 | \$ 4,483,889 | \$ 688,088 | \$ 296,073 | \$ 984,161 | \$ -- | \$ -- | \$ 5,468,050 |
| Payroll taxes and employee benefits | 405,965 | 379,919 | 359,998 | 77,309 | 1,223,191 | 208,977 | 64,200 | 273,177 | -- | -- | 1,496,368 |
| Professional fees and contract services | 13,411 | 44,415 | 19,299 | 2,083 | 79,208 | 29,468 | 27,153 | 56,621 | -- | -- | 135,829 |
| Rent | 611,196 | 281,813 | 155,114 | 39,628 | 1,087,751 | 67,855 | 16,934 | 84,789 | -- | (599,736) | 572,804 |
| Food | 16,432 | 10,391 | 7,545 | 1,856 | 36,224 | -- | -- | -- | -- | -- | 36,224 |
| Household supplies | 15,453 | 7,352 | 1,916 | 122 | 24,843 | 463 | 96 | 559 | -- | -- | 25,402 |
| Office supplies | 7,351 | 9,968 | 10,194 | 3,390 | 30,903 | 6,369 | 3,316 | 9,685 | -- | -- | 40,588 |
| Child recreation | 5,603 | 1,927 | 38 | 34,860 | 42,428 | -- | -- | -- | -- | -- | 42,428 |
| Client travel and fees | 11,311 | 36,697 | 15,107 | 3,864 | 66,979 | -- | -- | -- | -- | -- | 66,979 |
| Telephone | 24,877 | 33,976 | 16,971 | 2,982 | 78,806 | 11,606 | 5,745 | 17,351 | -- | -- | 96,157 |
| Staff transportation | 3,686 | 4,022 | 6,239 | 132 | 14,079 | 2,292 | 1,590 | 3,882 | -- | -- | 17,961 |
| Printing and duplication | 1,249 | 2,809 | 7,604 | 669 | 12,331 | 3,423 | 1,344 | 4,767 | -- | -- | 17,098 |
| Library resources | 85 | 163 | 6,107 | 30 | 6,385 | 910 | 1,127 | 2,037 | -- | -- | 8,422 |
| Equipment and maintenance | 29,335 | 10,985 | 3,118 | 501 | 43,939 | 12,793 | 376 | 13,169 | -- | -- | 57,108 |
| Equipment rental | 4,873 | 11,356 | 14,098 | 918 | 31,245 | 1,508 | 956 | 2,464 | -- | -- | 33,709 |
| Utilities | 158,704 | 47,955 | 30,248 | 4,768 | 241,675 | 7,993 | 2,684 | 10,677 | -- | -- | 252,352 |
| Postage and shipping | 1,831 | 3,894 | 14,544 | -- | 20,269 | 2,210 | 1,855 | 4,065 | -- | -- | 24,334 |
| Facility maintenance | 37,217 | 21,068 | 722 | 75 | 59,082 | 4,645 | 160 | 4,805 | -- | -- | 63,887 |
| Interest | -- | -- | -- | -- | -- | -- | -- | -- | 45,153 | -- | 45,153 |
| Insurance | 45,868 | 22,566 | 22,587 | 3,524 | 94,545 | 8,169 | 1,506 | 9,675 | -- | -- | 104,220 |
| Recruitment | 609 | 2,949 | 4,395 | 250 | 8,203 | 25,399 | 405 | 25,804 | -- | -- | 34,007 |
| Family activities and emergencies | 8,567 | 116,777 | 224,615 | 5,888 | 355,847 | -- | -- | -- | -- | -- | 355,847 |
| Training and development | 4,793 | 7,697 | 19,608 | 1,018 | 33,116 | 5,982 | 1,143 | 7,125 | -- | -- | 40,241 |
| Moving and storage | -- | 76 | -- | -- | 76 | 24 | -- | 24 | -- | -- | 100 |
| Bank charges | -- | -- | 134 | -- | 134 | 290 | 1,372 | 1,662 | -- | -- | 1,796 |
| Depreciation | -- | -- | -- | -- | -- | 170,932 | -- | 170,932 | 184,210 | -- | 355,142 |
| Special events | -- | -- | 160 | 71 | 231 | 2,681 | 268,625 | 271,306 | -- | -- | 271,537 |
| Grants to sub-recipients | -- | -- | 65,000 | -- | 65,000 | -- | -- | -- | -- | -- | 65,000 |
| Other expenses | 5,528 | 8,181 | 5,952 | 35 | 19,696 | 56,322 | 43,856 | 100,178 | -- | -- | 119,874 |
| Bad debt | -- | -- | -- | -- | -- | -- | 205,000 | 205,000 | -- | -- | 205,000 |
| Donated legal services | -- | -- | 4,316,417 | -- | 4,316,417 | -- | -- | -- | -- | -- | 4,316,417 |
| | <u>\$ 2,661,428</u> | <u>\$ 2,459,669</u> | <u>\$ 6,943,991</u> | <u>\$ 411,404</u> | <u>\$ 12,476,492</u> | <u>\$ 1,318,399</u> | <u>\$ 945,516</u> | <u>\$ 2,263,915</u> | <u>\$ 229,363</u> | <u>\$ (599,736)</u> | <u>\$ 14,370,034</u> |

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

Sanctuary for Families, Inc.
Consolidating Statement of Cash Flows
Year Ended June 30, 2007

| | Sanctuary for Families, Inc. | Housing Development Fund Corporation | Eliminations | Total |
|--|---|---|---------------------|---------------------|
| Cash flows from operating activities | | | | |
| Changes in net assets | \$ 1,224,063 | \$ 79,001 | \$ -- | \$ 1,303,064 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities | | | | |
| Depreciation | 173,323 | 184,210 | -- | 357,533 |
| Decrease (increase) in assets | | | | |
| Government contracts receivable | (78,449) | -- | -- | (78,449) |
| Contributions receivable | (515,146) | -- | -- | (515,146) |
| Prepaid expenses and other current assets | (76,503) | -- | -- | (76,503) |
| Security deposits | (21,377) | -- | -- | (21,377) |
| Increase (decrease) in liabilities | | | | |
| Accounts payable and accrued expenses | 91,741 | -- | -- | 91,741 |
| Refundable advances | (46,202) | -- | -- | (46,202) |
| Net cash provided by operating activities | <u>751,450</u> | <u>263,211</u> | <u>--</u> | <u>1,014,661</u> |
| Cash flows from investing activities | | | | |
| Capital acquisitions | (318,947) | -- | -- | (318,947) |
| Net cash used by investing activities | <u>(318,947)</u> | <u>--</u> | <u>--</u> | <u>(318,947)</u> |
| Cash flows from financing activities | | | | |
| Payments on long-term debt | -- | (263,211) | -- | (263,211) |
| Net increase in cash and cash equivalents | 432,503 | -- | -- | 432,503 |
| Cash and cash equivalents | | | | |
| Beginning of year | <u>2,687,187</u> | <u>--</u> | <u>--</u> | <u>2,687,187</u> |
| End of year | <u>\$ 3,119,690</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 3,119,690</u> |
| Supplemental information | | | | |
| Cash paid for interest | <u>\$ --</u> | <u>\$ 45,153</u> | <u>\$ --</u> | <u>\$ 45,153</u> |

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

Sanctuary for Families, Inc.
Consolidating Statements of Cash Flows
Year Ended June 30, 2006

| | Sanctuary for Families, Inc. | Housing Development Fund Corporation | Eliminations | Total |
|---|---|---|---------------------|---------------------|
| Cash flows from operating activities | | | | |
| Changes in net assets | \$ 1,239,917 | \$ 370,373 | \$ -- | \$ 1,610,290 |
| Adjustments to reconcile changes in net assets assets to net cash provided by operating activities | | | | |
| Depreciation | 170,932 | 184,210 | -- | 355,142 |
| Contribution of marketable securities | (99,986) | -- | -- | (99,986) |
| Unrealized loss on investments | 2,971 | -- | -- | 2,971 |
| Bad debt expense | 205,000 | -- | -- | 205,000 |
| Decrease (increase) in assets | | | | |
| Government contracts receivable | (93,004) | -- | -- | (93,004) |
| Contributions receivable | (668,788) | -- | -- | (668,788) |
| Prepaid expenses and other current assets | 80,863 | -- | -- | 80,863 |
| Security deposits | 4,400 | -- | -- | 4,400 |
| Increase (decrease) in liabilities | | | | |
| Accounts payable and accrued expenses | 243,824 | -- | -- | 243,824 |
| Refundable advances | 52,243 | -- | -- | 52,243 |
| Net cash provided by operating activities | <u>1,138,372</u> | <u>554,583</u> | <u>--</u> | <u>1,692,955</u> |
| Cash flows from investing activities | | | | |
| Capital acquisitions | (127,208) | -- | -- | (127,208) |
| Sale of investments | 113,180 | -- | -- | 113,180 |
| Net cash used by investing activities | <u>(14,028)</u> | <u>--</u> | <u>--</u> | <u>(14,028)</u> |
| Cash flows from financing activities | | | | |
| Payments on long-term debt | -- | (554,583) | -- | (554,583) |
| Net increase in cash and cash equivalents | 1,124,344 | | | 1,124,344 |
| Cash and cash equivalents | | | | |
| Beginning of year | 1,562,843 | -- | -- | 1,562,843 |
| End of year | <u>\$ 2,687,187</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 2,687,187</u> |
| Supplemental information | | | | |
| Cash paid for interest | <u>\$ --</u> | <u>\$ 45,153</u> | <u>\$ --</u> | <u>\$ 45,153</u> |

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

Sanctuary for Families, Inc.
Notes to Consolidating Financial Statements
June 30, 2007 and 2006

1. Nature of Activity

Sanctuary for Families, Inc. ("Sanctuary") is a 501(c)(3) corporation located in New York City. Sanctuary was founded in 1988 as a small network of safe homes and has since grown to be a leading provider of integrated services for domestic violence victims and their children in New York City. Operating out of eight sites, Sanctuary provides clients with a continuum of care including hotline and crisis intervention, shelter, counseling, legal services and assistance with housing, economic and educational needs. Sanctuary also provides outreach, training, and technical assistance to other service providers on a host of domestic violence issues and advocates at local, state, and national levels for improved policies and practices for victims of domestic violence. Sanctuary serves a widely varied population, paying particular attention to the most underserved populations in New York City including immigrants, undocumented individuals, the working poor, and indigent families. In fiscal year 2007, Sanctuary provided direct services, training and outreach to more than 9,000 adults and children.

Sanctuary employs more than 140 full and part-time staff and also utilizes the services of hundreds of pro bono lawyers, law students, social work interns, and other volunteers. Sanctuary's programs are funded by government contracts, foundation and corporate grants, and individual contributions.

Sanctuary is governed by a 31-member Board of Directors, who also serve as the members of an affiliated not-for-profit corporation, Sanctuary For Families Housing Development Fund Corporation ("Housing"). Housing owns a building in the Bronx which serves as a transitional shelter for victims of domestic violence. The mortgage on the building is held by the City of New York and funding for debt payment comes from public funding for operation of the shelter.

2. Summary of Significant Accounting Policies

Consolidation

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

Basis of Presentation

For the years ended June 30, 2007 and 2006, the Organization had accounting transactions in the following net asset categories. Unrestricted net asset category represents net assets that are not subject to donor imposed restrictions; temporarily restricted net asset category represents net assets that are subject to time or purpose donor imposed restrictions; permanently restricted net assets category which represents net assets subject to donor-imposed restrictions that will not expire by the passage of time nor be fulfilled or otherwise resolved by the actions of the Organization.

Revenue and Recognition

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

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

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

Sanctuary for Families, Inc.
Notes to Consolidating Financial Statements
June 30, 2007 and 2006

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

Cash and Cash Equivalents

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

Property, Equipment and Depreciation

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

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

Income Taxes

The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal or state income taxes has been recorded in the consolidating financial statements.

Functional Allocation of Expenses

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

Estimates

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

Reclassifications

Certain amounts in the prior-year consolidating financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year consolidating financial statements.

3. Property and Equipment

Property and equipment at June 30 consists of the following:

| | 2007 | 2006 | Estimated Useful Lives |
|--------------------------------|---------------------|---------------------|------------------------------|
| Building | \$ 5,065,779 | \$ 5,065,779 | 27.5 years |
| Furniture and fixtures | 319,870 | 306,599 | 5-10 years |
| Autos | 38,850 | 38,850 | 3-10 years |
| Equipment | 992,270 | 983,258 | 10-30 years |
| Leasehold improvements | <u>814,582</u> | <u>517,918</u> | |
| | 7,231,351 | 6,912,404 | |
| Less: Accumulated depreciation | <u>4,407,372</u> | <u>4,049,839</u> | |
| | <u>\$ 2,823,979</u> | <u>\$ 2,862,565</u> | |

Depreciation expense amounted to \$357,533 and \$355,142 for the years ended June 30, 2007 and 2006, respectively.

Sanctuary for Families, Inc.
Notes to Consolidating Financial Statements
June 30, 2007 and 2006

4. Long-Term Debt

Long-term debt is comprised of the following:

| | 2007 | 2006 |
|---|--------------|--------------|
| Mortgage note in the original principal amount of \$5,225,342 payable in monthly installments of \$49,978 including interest at 7.96 percent, secured by building, maturing January 2007. Funds for the repayment of this debt are withheld by the City of New York, from reimbursement under the Human Resources Administration contract. The mortgage was satisfied on July 30, 2007. | \$ -- | \$ 263,211 |
| Less: Amounts due within one year | -- | 263,211 |
| Long-term debt | <u>\$ --</u> | <u>\$ --</u> |

5. Net Assets

Unrestricted Net Assets

Unrestricted net assets at June 30, 2007 and 2006 include \$195,000 and \$265,000, respectively, of net assets designated by the Board for future capital improvements at the Sarah Burke House facility.

Temporarily Restricted Net Assets

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

Temporarily restricted due to donor purpose restriction for the following purposes:

| | 2007 | 2006 |
|---|---------------------|-------------------|
| Legal services | \$ 87,100 | \$ 100,000 |
| Sarah Burke House | 200,000 | 291,000 |
| Renovations - main office | 100,000 | -- |
| Residential and nonresidential programs | 534,750 | 302,000 |
| General support - time restrictions | 500,000 | 14,089 |
| | <u>\$ 1,421,850</u> | <u>\$ 707,089</u> |

The Organization anticipates the purpose restrictions will be met during the next fiscal year. During fiscal 2007, the Organization received a \$500,000 donation that was restricted to support operations in 2008. Accordingly, the Organization has included this amount in temporarily restricted contributions in fiscal 2007 and the entire balance is reflected above as general support-time restrictions.

Permanently Restricted Net Assets

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

6. Donated Services

Donated legal services represent the value of contributed time by volunteer attorneys and interns based upon the actual hours worked at rates paid to attorneys, which range from \$225 - \$510 per hour, and interns at \$15 per hour, performing similar duties. For the years ended June 30, 2007 and 2006 these services were valued at \$5,206,744 and \$4,316,417, respectively in the consolidating statements of activities and changes in net assets.

Sanctuary for Families, Inc.
Notes to Consolidating Financial Statements
June 30, 2007 and 2006

7. Concentrations

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

Approximately 26 percent and 28 percent of total revenues and support and 67 percent and 59 percent of total government contracts receivable for the years ended June 30, 2007 and 2006, respectively, were from the City of New York, Human Resources Administration.

Approximately 37 percent of total contributions receivable were from one donor for the year ended June 30, 2007 and were received during the first week of July 2007.

8. Pension Plan

Sanctuary maintains a 403(b) defined contribution pension plan covering all employees who satisfy certain eligibility requirements. Under the terms of the plan, Sanctuary makes annual discretionary contributions based upon a percentage of eligible employee wages, 4 percent for each of the years ended June 30, 2007 and 2006. Pension expense for the years ended June 30, 2007 and 2006 was \$169,200 and \$157,500, respectively. It is the Organization's policy to fund pension costs currently.

9. Lease Commitments

Sanctuary rents space for administrative and programmatic uses. Rental expense under these non-cancelable operating leases amounted to \$572,674 and \$583,709 for the years ended June 30, 2007 and 2006, respectively. Future minimum lease payments are as follows:

| June 30, | |
|------------|------------|
| 2008 | \$ 627,000 |
| 2009 | 613,600 |
| 2010 | 588,100 |
| 2011 | 563,100 |
| 2012 | 575,000 |
| Thereafter | 244,600 |

10. Reconciliation of Fundraising Costs

| | 2007 | 2006 |
|--|-------------------|-------------------|
| Per consolidating statements of activities and changes in net assets | \$ 629,385 | \$ 740,959 |
| Costs for the benefit of donors | <u>281,952</u> | <u>204,557</u> |
| Per consolidating statements of functional expenses | <u>\$ 911,337</u> | <u>\$ 945,516</u> |

Direct donor benefits consist primarily of food, beverage and facilities charges for fundraising events.

11. Commitment

During 2007, Sanctuary extended the deed restriction on a building Housing owns in the Bronx with the New York City Human Resources Administration and agreed to continue operating the property as a transitional shelter for victims of domestic violence through March 31, 2013.