

South Valley Sanctuary, Inc.

Independent Auditor's Report and
Financial Statements

June 30, 2019

South Valley Sanctuary, Inc.
June 30, 2019

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Independent Auditor's Report

Board of Directors and Management
South Valley Sanctuary, Inc.
West Jordan, Utah

We have audited the accompanying financial statements of South Valley Sanctuary, Inc., which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors and Management
South Valley Sanctuary, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Valley Sanctuary, Inc. as of June 30, 2019, 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.

Report on Summarized Comparative Information Audited by Other Auditors

The summarized comparative financial statements of South Valley Sanctuary, Inc. as of and for the year ended June 30, 2018, were audited by other auditors whose report dated December 1, 2018, expressed an unmodified opinion.

BKD, LLP

Salt Lake City, Utah
February 7, 2020

South Valley Sanctuary, Inc.
Statement of Financial Position
June 30, 2019
(With Summarized Comparative Financial Information
For June 30, 2018)

Assets

	2019	2018
Current Assets		
Cash	\$ 29,658	\$ 59,770
Contracts and grants receivable, net	274,027	196,036
Prepaid expenses and other	12,512	12,606
Total current assets	316,197	268,412
Property and Equipment		
Buildings and improvements	1,790,777	1,765,210
Computer and software	30,155	14,099
Furniture and fixtures	43,454	33,273
Land	130,700	130,700
Accumulated depreciation	(1,035,725)	(980,233)
Total property and equipment	959,361	963,049
Total assets	\$ 1,275,558	\$ 1,231,461

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 108,597	\$ 25,249
Accrued expenses	47,346	37,259
Total current liabilities	155,943	62,508
Net Assets		
Without donor restrictions	1,083,888	1,056,823
With donor restrictions	35,727	112,130
Total net assets	1,119,615	1,168,953
Total liabilities and net assets	\$ 1,275,558	\$ 1,231,461

South Valley Sanctuary, Inc.
Statement of Activities
Year Ended June 30, 2019
(With Summarized Comparative Financial Information
For Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	2018 Totals
Public Support and Revenue				
Grants and contracts	\$ -	\$ 1,210,759	\$ 1,210,759	\$ 943,208
Corporate and individual contributions	200,770	244,742	445,512	343,903
Interest income	40	-	40	47
In-kind donations	290,525	-	290,525	94,001
Net assets released from restrictions	1,531,904	(1,531,904)	-	-
Total public support and revenue	2,023,239	(76,403)	1,946,836	1,381,159
Expenses				
Shelter services	1,095,423	-	1,095,423	847,529
Case management	459,822	-	459,822	202,209
Education/outreach	111,716	-	111,716	102,965
Total program services	1,666,961	-	1,666,961	1,152,703
Management and general	254,738	-	254,738	182,759
Fundraising	74,475	-	74,475	61,934
Total support services	329,213	-	329,213	244,693
Total expenses	1,996,174	-	1,996,174	1,397,396
Change in Net Assets	27,065	(76,403)	(49,338)	(16,237)
Net Assets, Beginning of Year	1,056,823	112,130	1,168,953	1,185,190
Net Assets, End of Year	\$ 1,083,888	\$ 35,727	\$ 1,119,615	\$ 1,168,953

South Valley Sanctuary, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019
(With Summarized Comparative Financial Information
For Year Ended June 30, 2018)

	Program Services				Support Services			Total	2018 Totals
	Shelter Services	Case Management	Education/ Outreach	Total Services	Management and General	Fundraising	Total Support Services		
Client assistance and needs	\$ 14,970	\$ 111,832	\$ 13,743	\$ 140,545	\$ -	\$ -	\$ -	\$ 140,545	\$ 33,361
Depreciation	56,155	-	-	56,155	-	-	-	56,155	54,672
Dues and subscriptions	-	150	-	150	899	515	1,414	1,564	1,222
Employee benefits	86,667	20,599	12,292	119,558	33,144	9,249	42,393	161,951	103,974
Equipment and maintenance	15,399	9,563	1,272	26,234	3,712	597	4,309	30,543	22,247
Facilities and grounds	83,294	825	398	84,517	2,020	400	2,420	86,937	21,005
Information technology	4,876	254	154	5,284	3,871	223	4,094	9,378	4,202
In-kind donations	290,525	-	-	290,525	-	-	-	290,525	94,001
Insurance	3,833	951	185	4,969	6,681	187	6,868	11,837	9,287
Miscellaneous	1,322	300	-	1,622	846	4,149	4,995	6,617	2,760
Payroll processing	-	-	-	-	753	-	753	753	1,337
Payroll taxes	34,634	19,594	5,461	59,689	10,516	3,906	14,422	74,111	67,655
Postage and delivery	347	-	-	347	193	81	274	621	784
Printing and reproduction	130	1,728	1,310	3,168	-	868	868	4,036	4,176
Professional fees	200	4,300	-	4,500	63,188	-	63,188	67,688	61,214
Salaries and wages	452,138	252,654	72,379	777,171	120,829	52,720	173,549	950,720	861,734
Supplies	16,688	27,274	1,231	45,193	2,953	234	3,187	48,380	5,550
Telephone and utilities	27,660	4,137	843	32,640	2,179	782	2,961	35,601	32,927
Travel and training	6,585	5,661	2,448	14,694	2,954	564	3,518	18,212	15,288
Total functional expenses reported on the statement of activities	\$ 1,095,423	\$ 459,822	\$ 111,716	\$ 1,666,961	\$ 254,738	\$ 74,475	\$ 329,213	\$ 1,996,174	\$ 1,397,396

South Valley Sanctuary, Inc.
Statement of Cash Flows
Year Ended June 30, 2019
(With Summarized Comparative Financial Information
For Year Ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ (49,338)	\$ (16,237)
Items not requiring cash		
Depreciation	56,155	54,672
Changes in		
Contracts and grants receivable	(77,991)	(95,702)
Prepaid expenses and other	94	9,775
Accounts payable	83,348	7,016
Accrued expenses	10,087	3,790
	<u>22,355</u>	<u>(36,686)</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Purchase of property and equipment	<u>(52,467)</u>	<u>(27,055)</u>
Net cash used in investing activities	<u>(52,467)</u>	<u>(27,055)</u>
Decrease in Cash	(30,112)	(63,741)
Cash, Beginning of Year	<u>59,770</u>	<u>123,511</u>
Cash, End of Year	<u>\$ 29,658</u>	<u>\$ 59,770</u>

South Valley Sanctuary, Inc.

Notes to Financial Statements

June 30, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

South Valley Sanctuary, Inc. (the Organization) is a private, not-for-profit human services agency incorporated in the state of Utah during 1994.

The Organization's revenues and support are derived principally from government and organization grants and contracts, and donor contributions. Its current programs include:

Shelter Services – The Organization provides shelter and supportive services to men, women, and children who are seeking refuge due to a high risk of lethality. Shelter services include hotline services, intake, food, clothing, over the counter medications, bus passes, personal hygiene products, therapy, psychoeducational classes, access to the children's learning center for child age appropriate activities and support groups and homework aid.

Case Management – The Organization provides intensive case management for residents of the shelter and members of the community at large regarding diverse crimes or access to resources. Case managers are primarily responsible for implementing safety and action plans with shelter residents as well as comprehensive needs assessments to aid in their transition to permanent housing. Community members receive case management in the form of needs assessments, referrals, and aid in accessing long term social services.

Education/Outreach – The Organization provides education regarding healthy relationships and domestic violence to several sectors of the community ensuring the information is targeted to the specific needs. The main programs under this operation are: the Latino coalition against domestic violence, the West Jordan coalition against domestic violence, Enough (a teen dating program), Spanish healthy relationships psychoeducational classes, English healthy relationships, psychoeducational classes. The Education/Outreach program also serves the community at large by being present at fairs, proving presentation in local churches, schools, clinics, and any other venue where the community may gather.

Basis of Accounting

The financial statements of the Organization are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization has elected a June 30 year-end.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including functional allocations during the reporting period. Actual results could differ from those estimates. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances in making judgments

South Valley Sanctuary, Inc.
Notes to Financial Statements
June 30, 2019

about the carrying value of assets and liabilities that are not readily apparent from other sources. While actual results could differ from those estimates, management believes that the estimates are reasonable.

Key estimates made in the accompanying financial statements include, among others, allowance for doubtful accounts on uncollectible contracts and grants receivable, the economic useful lives and recovery of long-lived assets, functional allocation of joint costs, and the amount and valuation of contributed goods and services.

Cash

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2019, the Organization did not hold cash equivalents and the Organization had in its bank accounts no funds in excess of the \$250,000 per depository institution that is federally insured.

Contracts and Grants Receivable

Contracts and grants receivable are reported at their estimated fair value less an appropriate allowance for uncollectible amounts. Allowances are based on management's assessment of the credit history with entities having outstanding balances and the current relationship with them. An account is written off when it is determined that all collection efforts have been exhausted. Promises to give that are due later than one year are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using imputed interest rates applicable to the years in which promises are received. Discounts on promises to give that are measured at present value are amortized between the date the promise to give is initially recognized and the date the cash or other contributed assets are received. The Organization has recorded an allowance for bad debts of \$0 on balances at June 30, 2019. Bad debt expense was \$0 for the year ended June 30, 2019.

Property and Equipment

Property and equipment acquisitions over \$1,500 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	3 - 40 years
Computer and software	2 -3 years
Furniture and fixtures	5 years

Depreciation expense on property and equipment was \$56,155 for the year ended June 30, 2019.

South Valley Sanctuary, Inc.
Notes to Financial Statements
June 30, 2019

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended June 30, 2019.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor or grantor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity. The Organization's net assets with donor restrictions at June 30, 2019 totaling \$35,727, consist of donations for the children's program, shelter expenses, and other various programs (see Note 5).

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value

South Valley Sanctuary, Inc.
Notes to Financial Statements
June 30, 2019

Nature of the Gift	Value Recognized
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

In-kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of goods from various donors used within the shelter. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount. For the year ended June 30, 2019, \$290,525 was received in in-kind contributed goods.

Government Grants

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Concentration of Revenue

The Organization generally receives grants from various organizations. Some of these grants are material in nature. If the Organization decided not to continue these grants or contributions in a given year, it could have an adverse material effect on the Organization's operations.

The Organization received approximately 48% and 31% of its public support and revenue from the state of Utah and federal contracts for the year ended June 30, 2019.

South Valley Sanctuary, Inc.
Notes to Financial Statements
June 30, 2019

Income Taxes

As a non-profit organization, the Organization claims exemption from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and state law. In addition, the Organization has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. The Organization files a Form 990 tax return.

During the year ended June 30, 2019, the Organization has not engaged in any activity which management considers to be activity that could result in a loss of their 501(c)(3) IRS designation. In addition, during the year ended June 30, 2019, the Organization had no unrelated business income as defined by Section 512(a)(1) of the Code. If taxing authorities were to determine that any tax, interest, or penalties were due, such amounts would be reported as general and administrative expenses in the year assessed.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on either the square footage of the space used, an analysis of personnel time spent, or other relevant factors for programs and supporting services.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2018, from which the summarized information was derived. The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities.

Note 2: Line of Credit

During the year ended June 30, 2019, the Organization established an unsecured \$50,000 line of credit expiring during September 2021. At June 30, 2019, there was \$0 borrowed against this line of credit. Interest rate was 6.99% percent at June 30, 2019.

South Valley Sanctuary, Inc.
Notes to Financial Statements
June 30, 2019

Note 3: Operating Leases

A noncancellable operating lease for office equipment expires in 2022. This lease contains an automatic one year renewal unless communicated otherwise 60 days in advance, thus renewal is not included in the future minimum schedule below.

Future minimum lease payments at June 30, 2019 were:

For the year ending June 30,

2020	\$ 1,548
2021	1,548
2022	1,548
2023	<u>516</u>
	<u><u>\$ 5,160</u></u>

The Organization recorded an expense of \$11,734 for the year ended June 30, 2019 related to equipment leases.

Note 4: Allocation of Joint Costs

During the year ended June 30, 2019, the Organization incurred joint costs of \$1,440,508 for activities that included fundraising appeals. These joint costs were allocated as follows:

Fundraising	\$ 74,475
Program services	1,175,236
Management and general	<u>190,797</u>
	<u><u>\$ 1,440,508</u></u>

South Valley Sanctuary, Inc.
Notes to Financial Statements
June 30, 2019

Note 5: Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2019 consisted of the following for purpose restrictions:

Educational programs	\$ 10,308
Shelter and support services	8,108
Support for Community Resource Center; providing case management and crisis therapy to prevent homelessness or the need for emergency shelter	7,203
Educational and Outreach programs	3,127
Flood repair	3,830
Housing costs for homeless	1,651
Healthcare screenings and integrative screening processes for the population served by SVS	<u>1,500</u>
Total	<u><u>\$ 35,727</u></u>

Note 6: Liquidity and Availability

The Organization manages its liquidity and reserves following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets to fund near-term operating needs
- Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments that support mission fulfillment will continue to be met, ensuring the stability of the Organization

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, comprise the following:

Total financial assets available for use within 12 months	\$ 303,685
Donor imposed restrictions	
Restricted funds not available for use within 12 months	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 303,685</u></u>

The Organization receives contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general and program expenditures.

South Valley Sanctuary, Inc.
Notes to Financial Statements
June 30, 2019

Note 7: Subsequent Events

Subsequent events have been evaluated through February 7, 2020, which is the date the financial statements were available to be issued.

Note 8: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2018, and any interim periods within annual reporting periods that begin after December 15, 2019. The Organization is in the process of evaluating the effect the amendment will have on the financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statement of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statement of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2020, and any interim periods within annual reporting periods that begin after December 15, 2021. The Organization is evaluating the effect the standard will have on the financial statements; however, the standard is not expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.