PROJECT SANCTUARY, INC.

UKIAH, CALIFORNIA

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2025

O'CONNOR & COMPANY

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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, 2025, 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 referred to above present fairly, in all material respects, the financial position of Project Sanctuary, Inc. as of September 30, 2025, and the changes in 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. 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 opinion.

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 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, 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.

<u>Report on Summarized Comparative Information</u>
We have previously audited Project Sanctuary, Inc.'s 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 27, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

<u>Report on Supplementary Information</u>
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary data in page(s) 18 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

O'Connor & Company

O'Connor & Company

Novato, California
June 22, 2026

Project Sanctuary, Inc.
STATEMENTS OF FINANCIAL POSITION
September 30, 2025
(With Comparative Totals for September 30, 2024)

	2025	2024
ASSETS		
Current assets:		
Cash & cash equivalents	$ 602,265	$ 618,789
Restricted cash and cash equivalents	12,048	22,287
Investments	264,543	-
Grants receivable	343,122	352,267
Other receivable	6,329	3,407
Prepaid expenses	23,192	27,972
Total current assets	1,251,499	1,024,722
Non-current assets:		
Deposits	16,791	16,791
Right-of-use assets	2,218,656	2,332,506
Fixed assets, net of accumulated depreciation	726,980	676,859
Total non-current assets	2,962,427	3,026,156
Total assets	$ 4,213,926	$ 4,050,878
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 50,266	$ 33,694
Accrued payroll	24,650	18,286
Accrued vacation	28,641	28,354
Fiscal agent	12,048	22,287
Operating lease liability, current portion	85,420	80,810
Total current liabilities	201,025	183,431
Non-current liabilities:		
Operating lease liability	2,245,328	2,330,749
Total non-current liabilities	2,245,328	2,330,749
Total liabilities	2,446,353	2,514,180
Net assets - Exhibit A:		
Without donor restrictions		
Undesignated	1,316,212	1,116,366
Board designated	362,862	362,862
Total without donor restrictions	1,679,074	1,479,228
With donor restrictions		
Restricted contributions	88,499	57,470
Total with donor restrictions	88,499	57,470
Total net assets	1,767,573	1,536,698
Total liabilities and net assets	$ 4,213,926	$ 4,050,878

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

Project Sanctuary, Inc.
STATEMENTS OF ACTIVITIES
For the Year Ended September 30, 2025
(With Comparative Totals for the Year Ended September 30, 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Support and revenue from operating:				
Federal grants	$ 788,971	$ -	$ 788,971	$ 1,316,391
State grants	769,767	-	769,767	267,829
Local government	133,421	-	133,421	56,217
Contributions - non-financial	259,489	-	259,489	252,918
Contributions - financial	111,231	35,250	146,481	128,576
Miscellaneous	4,389	-	4,389	21,482
Released from restriction	4,221	(4,221)	-	-
Total operating revenues	2,071,489	31,029	2,102,518	2,043,413
Operating expenses:				
Program services:				
Inland	683,725	-	683,725	686,593
Coast	664,922	-	664,922	639,949
Shelter	134,517	-	134,517	145,204
Transitional	294,333	-	294,333	265,924
Subtotal program services	1,777,497	-	1,777,497	1,737,670
Support services:				
General & administrative	279,258	-	279,258	306,074
Fundraising	14,364	-	14,364	1,909
Subtotal support services	293,622	-	293,622	307,983
Total operating expenses	2,071,119	-	2,071,119	2,045,653
Change in net assets from operating	370	31,029	31,399	(2,240)
Non-operating activities:				
ERC proceeds	138,251	-	138,251	-
Investment income	61,225	-	61,225	12,441
Changes in net assets from non-operations	199,476	-	199,476	12,441
Change in net assets	199,846	31,029	230,875	10,201
Net assets, beginning of period	1,479,228	57,470	1,536,698	1,526,497
Net assets, end of period	$ 1,679,074	$ 88,499	$ 1,767,573	$ 1,536,698

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

Project Sanctuary, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2025

(With Comparative Totals for the Year Ended September 30, 2024)

	Program Services					Support Services			2025	2024
	Inland	Coast	Shelter	Transitional	Subtotal	GM&A	Fundraising	Subtotal	Total	Total
Expenses:										
Salaries & wages	$ 308,570	$ 270,579	$ 96,002	$ 21,440	$ 696,591	$ 159,751	$ -	$ 159,751	$ 856,342	$ 910,983
Payroll taxes & benefits	49,478	57,908	8,362	12,913	128,661	45,182	-	45,182	173,843	191,046
Direct services: program	129,233	130,256	-	-	259,489	-	-	-	259,489	252,918
Outside services	25,712	15,305	1,690	5,348	48,055	582	10,857	11,439	59,494	50,162
Office supplies	9,673	8,424	-	2,991	21,088	23,112	234	23,346	44,434	46,965
Shelter supplies	4,223	131	-	5,941	10,295	-	-	-	10,295	4,739
Program supplies & expenses	5,785	3,574	869	311	10,539	8	-	8	10,547	2,149
Occupancy	41,840	14,257	149	24,757	81,003	23,559	3,174	26,733	107,736	96,030
Communications	12,197	6,532	111	5,733	24,573	2	-	2	24,575	25,016
Insurance	337	241	-	52	630	18,437	-	18,437	19,067	17,742
Travel & training	5,314	3,572	-	34	8,920	474	-	474	9,394	12,044
Printing & postage	4,960	1,994	252	497	7,703	12	-	12	7,715	4,783
Equipment maintenance & rental	19,656	10,389	-	8,676	38,721	44	-	44	38,765	33,941
Client specific assistance	41,084	109,681	-	170,408	321,173	-	-	-	321,173	268,913
Outreach	7,094	1,495	-	435	9,024	-	-	-	9,024	5,997
Utilities	12,105	12,350	8,072	33,702	66,229	26	-	26	66,255	66,302
Interest	-	-	-	-	-	72	-	72	72	-
Depreciation	-	15,723	19,010	996	35,729	6,048	-	6,048	41,777	43,882
Miscellaneous	6,464	2,511	-	99	9,074	1,949	99	2,048	11,122	9,731
Total expenses	$ 683,725	$ 664,922	$ 134,517	$ 294,333	$ 1,777,497	$ 279,258	$ 14,364	$ 293,622	$ 2,071,119	$ 2,045,653

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

Project Sanctuary, Inc.
STATEMENTS OF CASH FLOWS
For the Year Ended September 30, 2025
(With Comparative Totals for the Year Ended September 30, 2024)

	2025	2024
Cash flows from operating activities:		
Change in net assets	$ 230,875	$ 10,201
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	41,777	43,882
Amortization	113,850	113,850
Changes in certain assets and liabilities:		
Grants receivable	9,145	142,529
Other receivable	(2,922)	3,187
Prepaid expenses	4,780	(648)
Accounts payable	16,572	(1,345)
Accrued payroll	6,364	(5,968)
Accrued vacation	287	(3,983)
Deferred revenue	-	(1,592)
Fiscal agent	(10,239)	7,264
Operating lease	(80,811)	(76,417)
Net cash provided by operating activities	329,678	230,960
Cash flows from investing activities:		
Acquisition of fixed assets	(91,898)	(142,792)
Acquisition of investments	(264,543)	-
Net cash used by investing activities	(356,441)	(142,792)
Net increase (decrease) in cash during the period	(26,763)	88,168
Cash & cash equivalents balance, beginning of period	641,076	552,908
Cash & cash equivalents balance, end of period	$ 614,313	$ 641,076
Summary of cash and cash equivalents at end of period:		
Cash and cash equivalents	$ 602,265	$ 618,789
Restricted cash and cash equivalents	12,048	22,287
Total cash and cash equivalents at end of period	$ 614,313	$ 641,076
Supplemental disclosure of cash flow information:		
Interest paid	$ 72	$ -

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

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.

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.

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, 2025 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

ASU 2022-05, *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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

O. Recent Accounting Pronouncements (concluded)

ASU 2024-02, *Codification Improvements—Amendments to Remove References to the Concepts Statements*, which is effective for most nonprofit organizations for fiscal years beginning after December 15, 2025, including interim periods within those years. The Agency is currently evaluating the impact of this statement on its financial statements.

ASU 2024-04, *Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments* effective for fiscal years beginning after December 15, 2025, and interim periods within those fiscal years. The Agency is currently evaluating the impact of this statement on its financial statements.

ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets,* (July 2025, effective for fiscal years beginning after December 15, 2025, and interim periods within those years. Early application is allowed in an interim or annual reporting period where the financial statements have not been made available for issuance.) The Agency is currently evaluating the impact of this statement on its financial statements.

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, 2025. 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, 2025 and September 30, 2024, revenues from these source totaled $1,692,159 and $1,640,437, which represent 74% and 80% 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:

	2025	2024
Unrestricted:		
Savings Bank of Mendocino County	$ 317,601	$ 350,176
Community First Credit Union	284,259	268,202
Petty cash	405	411
Total unrestricted cash and cash equivalents	602,265	618,789
Restricted:		
Savings Bank of Mendocino County	1,701	15,923
Community First Credit Union	10,347	6,364
Total restricted cash and cash equivalents*	12,048	22,287
Total cash and cash equivalents	$ 614,313	$ 641,076

*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 as current assets and as a Fiscal agent liability 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.

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Agency invested in certificates of deposits with readily determinable fair values in the statement of financial position as listed below for the year ended September 30.

Balances on investments as of September 30, were as follows:

	2025	2024
Savings Bank of Mendocino County	$ 264,543	$ -
Total	$ 264,543	$ -

Investment return as of September 30, were as follows:

	2025	2024
Interest gains (losses)	$ 11,600	$ -
Total	$ 11,600	$ -

FASB ASC 820-10 and subsections, Fair Value Measurements and Disclosures, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Agency has adopted FASB ASC 820-10 for its financial assets and liabilities measured on a recurring and nonrecurring basis.

FASB ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (concluded)

Level 3: Significant unobservable inputs (including the Agency's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Agency's financial assets and liabilities are not indicators of the risks associated with those investments.

The following table provides fair value measurement information for the Agency's investments measured at fair value on a recurring basis as of September 30:

	2025	2024
Level 1: Quoted prices	$ -	$ -
Level 2: Other significant observable inputs	264,543	-
Level 3: Significant unobservable inputs	-	-
Total	$ 264,543	$ -

Certificates of Deposit and Bonds: The Agency invests in certificates of deposit. The Agency values such certificates by using the fair market value provided by the financial institution for September 30, 2025. These values are based on prices from sources deemed to be reliable by its broker and are dependent on discounted future cash flows using rates available for deposits of similar remaining maturities and matrix formulas dependent on observed interest rates and yield curves, prices in active markets or similar assets and prices for identical assets in inactive markets. The Agency considers these inputs to be level 2 in the fair value hierarchy.

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:

Fund	2025	2024
CalOES #13	$ 56,321	$ 52,054
CalOES #20	89,850	112,205
CalOES #23	99,240	90,714
CalOES #30	50,692	67,663
CalWorks #19	6,630	6,455
Mendocino County HHAP	40,389	23,176
Total grant receivable	$ 343,122	$ 352,267

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

NOTE 8 - ACCOUNTS RECEIVABLE

Accounts receivable represents that portion of trade receivables/contracts earned, but from which funds have not been received as of year-end. The amount of other accounts receivable totaled $6,329 and $3,407 for the years ended September 30, 2025 and September 30, 2024 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:

	9/30/24	Additions	Retirements	9/30/25
Fixed assets, not being depreciated:				
Land	$ 132,000	$ -	$ -	$ 132,000
Construction in progress	73,874	-	(73,874)	-
Total fixed assets, not being depreciated	205,874	-	(73,874)	132,000
Fixed assets, being depreciated/amortized:				
Buildings & improvements	885,962	165,772	-	1,051,734
Equipment & software	90,098	-	(33,334)	56,764
Vehicles	30,000	-	-	30,000
Right-of-use assets:				
ROU - Lease	2,560,205	-	-	2,560,205
Total fixed assets, being depreciated/amortized	3,566,265	165,772	(33,334)	3,698,703
Total accumulated depreciation/amortization	(762,774)	(155,627)	33,334	(885,067)
Total fixed assets being depreciated/amortized-net	2.803.491	10,145	-	2,813,636
Fixed assets-net	$ 3,009,365	$ 10,145	$ (73,874)	$ 2,945,636

Depreciation expenses for the years ended September 30, 2025 and September 30, 2024 were $41,777 and $43,882 respectively.

Amortization expenses, which are allocated to occupancy and client specific assistance on the Statement of Functional Expenses, for the years ended September 30, 2025 and September 30, 2024 were $113,850 and $113,850 respectively.

NOTE 10 - LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Agency's financial assets as of September 30, 2025 reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments, and accumulated earnings net of appropriations within one year and board designated endowments. These board designations could be drawn upon if the board approves that action.

Financial assets	2025	2024
Cash & cash equivalents	$ 614,313	$ 641,076
Investments	264,543	-
Grants receivable	343,122	352,267
Other receivable	6,329	3,407
Total financial assets	1,228,307	996,750
Less those unavailable for general expenditures within one year due to:		
Restricted cash and deposits	(28,839)	(39,078)
Board designated reserves	(362,862)	(362,862)
With donor restrictions	(88,499)	(57,470)
Total unavailable financial assets	(480,200)	(459,410)
Financial assets available to meet cash needs for general expenditures within one year	$ 748,107	$ 537,340

NOTE 10 - LIQUIDITY AND FUNDS AVAILABLE (concluded)

The Agency has $748,107 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 11 - 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, 2025 and September 30, 2024 was $28,641 and $28,354 respectively.

NOTE 12 - 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.

Fund and Agreements	2025	2024
Transitional client savings accounts	$ 1,701	$ 15,923
Fiscal agent	10,347	6,364
Total grant receivable	$ 12,048	$ 22,287

NOTE 13 - CONTRIBUTIONS OF NON-FINANCIAL ASSETS

For the year ended September 30, 2025, contributed nonfinancial assets recognized within the statement of activities include:

	Revenue Recognized	Program Utilization	Donor Restrictions	Valuation
Volunteer Hours	$ 259,489	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	$ 259,489			

NOTE 14 - 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 & Conditions for Specific Purpose:				
ASCK	$ 2,801	$ 250	$ -	$ 3,051
Coast only	12,962	11,000	-	23,962
Inland only	10,000	-	-	10,000
Transitional only	10,000	-	3,421	6,579
ANON Counseling	21,209	21,600	-	42,809
Sponsor-a-family	498	1,150	800	848
United Way EFSP	-	1,250	-	1,250
	$ 57,470	$ 35,250	$ 4,221	$ 88,499

NOTE 15 - 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:

	2025	2024
Capital assets replacement	$ 10,000	$ 10,000
Operating reserve	307,760	307,760
Facilities	45,102	45,102
Total	$ 362,862	$ 362,862

NOTE 16 - LEASE COMMITMENTS

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

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

Under the above lease agreements, the lease liabilities at September 30, 2025 are as follows:

Lease payable	Beginning Balance	Additions	Payments	Ending Balance	Amount Due in One Year
564 S. Dora St., Ukiah, CA	$ 123,009	$ -	$ (40,660)	$ 82,349	$ 43,658
101 S. Hortense St., Ukiah, CA	2,288,550	-	(40,151)	2,248,399	41,762
Total	$2,411,559	$ -	$ (80,811)	$2,330,748	$ 85,420

Years End June 30:	Principal	Interest	Total
2026	$ 85,420	$ 90,304	$ 175,724
2027	82,128	86,865	168,993
2028	45,180	84,420	129,600
2029	46,993	82,607	129,600
2030	48,878	80,722	129,600
Thereafter	2,022,149	1,120,650	3,142,799
Total	$ 2,330,748	$ 1,545,568	$ 3,876,316

	2025	2024
Cash paid for amounts included in the measurement or operating lease liabilities:		
Operating cash outflows from operating leases	$80,811	$76,417
Weighted average remaining term	15,5 years	16.5 years
Weighted average discount rate	3.94%	3.94%

NOTE 17 - RECLASSIFICATIONS

Certain amounts in the September 30, 2025 financial statements have been reclassified to conform with the September 30, 2024 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 22, 2026, 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, 2025

	OES #13	OES #20	OES #23	OES #30	Job Alliance CalWorks #19	Mendocino County HHAP	Other	Total
Revenue:								
Federal grants	$ 232,847	$ 206,309	$ 174,427	$ 175,388	$ -	$ -	$ -	$ 788,971
State grants	303,952	154,235	128,130	143,605	39,845	-	-	769,767
Local government	-	-	-	-	-	117,444	15,977	133,421
Contributions - non-financial	-	-	-	-	-	-	259,489	259,489
Contributions - financial	-	-	-	-	-	-	146,481	146,481
Miscellaneous	-	-	-	-	-	-	4,389	4,389
Total revenue	536,799	360,544	302,557	318,993	39,845	117,444	426,336	2,102,518
Expenses:								
Salaries & wages	322,350	222,565	186,574	66,585	29,242	-	29,026	856,342
Payroll taxes & benefits	66,789	45,283	38,470	13,693	6,022	-	3,586	173,843
Direct services: program	-	-	-	-	-	-	259,489	259,489
Outside services	15,986	11,412	12,078	7,038	1,526	-	11,454	59,494
Office supplies	15,271	11,398	10,457	4,814	1,182	-	1,312	44,434
Shelter supplies	3,908	424	19	5,941	3	-	-	10,295
Program supplies & expenses	3,260	2,986	2,981	1,180	133	-	7	10,547
Occupancy	26,880	16,823	9,778	24,353	1,903	-	27,999	107,736
Communications	8,508	5,568	3,784	6,116	599	-	-	24,575
Insurance	7,293	4,946	4,348	1,532	647	-	301	19,067
Travel & training	2,166	3,471	3,159	118	-	-	480	9,394
Printing & postage	2,816	2,429	1,488	747	223	-	12	7,715
Equipment maintenance & rental	19,028	9,219	13,729	18,976	1,127	-	1	62,080
Client specific assistance	19,420	9,461	5,910	170,393	45	112,004	3,940	321,173
Outreach	2,156	5,326	1,073	435	34	-	-	9,024
Utilities	20,176	4,978	6,652	33,702	720	-	27	66,255
Interest	-	-	-	-	-	-	72	72
Depreciation	-	-	-	-	-	-	41,777	41,777
Miscellaneous	3,012	3,882	2,055	99	26	-	2,048	11,122
Total expenses	539,019	360,171	302,555	355,722	43,432	112,004	381,531	2,094,434
Change in net assets from operating	(2,220)	373	2	(36,729)	(3,587)	5,440	44,805	8,084
Non-operating activities								
ERC proceeds	-	-	-	-	-	-	138,251	138,251
Investment return	-	-	-	-	-	-	61,225	61,225
Changes in net assets from non-operations	-	-	-	-	-	-	199,476	199,476
Change in net assets	(2,220)	373	2	(36,729)	(3,587)	5,440	244,281	207,560
Less capital assets charged to grants	5,870	-	6,649	10,300	496	-	-	23,315
Change in net assets, reconciled	$ 3,650	$ 373	$ 6,651	$ (26,429)	$ (3,091)	$ 5,440	$ 244,281	$ 230,875