

DOMESTIC VIOLENCE SOLUTIONS  
FOR SANTA BARBARA COUNTY  
FINANCIAL STATEMENTS  
FOR YEAR ENDED  
JUNE 30, 2015

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY  
TABLE OF CONTENTS

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	<u>Page</u>
Independent Auditors' Report	1-2
Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	3-4
Financial Statements:	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements	9-18

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JANE E. RUSSELL  
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INDEPENDENT AUDITORS' REPORT

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ARJUN S. McAVOY  
HOWARD B. ATKINSON  
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DIANE M. RAVENSCROFT  
VANESSA M. GARCIA  
DAVID E. LEHMAN  
DAVID R. DUARTE

To the Board of Directors of  
Domestic Violence Solutions for Santa Barbara County

RICHARD L. HUNT  
*Consultant*

We have audited the accompanying financial statements of Domestic Violence Solutions for Santa Barbara County (a California nonprofit organization) which comprise the statement of financial position as of June 30, 2015, the related statements of activities and functional expenses for the year ended June 30, 2015, and cash flows for the years ended June 30, 2015 and 2014, and the related notes to the financial statements.

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***Management's Responsibility for the Financial Statement***

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 (GAAP); 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.

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***Auditors' 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 (GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Domestic Violence Solutions for Santa Barbara County as of June 30, 2015, 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.

***Report on Summarized Prior Period Financial Statements***

We have previously audited Domestic Violence Solutions for Santa Barbara County's June 30, 2014, financial statements and our report, dated October 9, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2015, on our consideration of Domestic Violence Solutions for Santa Barbara County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Domestic Violence Solutions for Santa Barbara County's internal control over financial reporting and compliance.

*MacFarlane, Faletti & Co. LLP*

Santa Barbara, California

August 24, 2015

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

To the Board of Directors of  
Domestic Violence Solutions for Santa Barbara County:

We have audited, in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Domestic Violence Solutions for Santa Barbara County (the Organization) (a California nonprofit organization) which comprise the Statements of Financial Position as of June 30, 2015 and 2014, the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon date August 24, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

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

### **Compliance and Other Matters**

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

### **Purpose of This Report**

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

*MacFarlane Faletti & Co LLP*

Santa Barbara, California  
August 24, 2015

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY  
STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2015  
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2015	Totals 2014
<b>ASSETS</b>					
Cash and cash equivalents	\$ 219,395	\$ 7,866	\$ -	\$ 227,261	\$ 342,185
Accounts receivable	89,181	-	-	89,181	57,553
Bequests receivable (Note 3)	-	510,000	-	510,000	-
Pledges receivable, net (Note 3)	-	-	-	-	100,500
Grants receivable (Note 3)	-	298,472	-	298,472	363,692
Deposits and prepaid expenses	6,163	-	-	6,163	21,607
Property and equipment, net (Note 4)	1,845,290	-	-	1,845,290	1,986,890
Unemployment reserve account	48,542	-	-	48,542	-
Interest in charitable remainder trust (Note 5)	-	-	73,250	73,250	-
Beneficial interest in assets held by others (Note 6)	-	69,175	1,275,000	1,344,175	1,363,624
<b>Total Assets</b>	<b>\$ 2,208,571</b>	<b>\$ 885,513</b>	<b>\$ 1,348,250</b>	<b>\$ 4,442,334</b>	<b>\$ 4,236,051</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities</b>					
Accounts payable	\$ 8,025	\$ -	\$ -	\$ 8,025	\$ 14,411
Accrued payroll and related expenses	64,472	-	-	64,472	82,478
Security deposits	4,905	-	-	4,905	12,149
Notes Payable (Note 7)	729,899	-	-	729,899	797,479
<b>Total Liabilities</b>	<b>807,301</b>	<b>-</b>	<b>-</b>	<b>807,301</b>	<b>906,517</b>
<b>Net Assets</b>					
Unrestricted net assets	1,401,270	-	-	1,401,270	1,479,651
Unrestricted - board designated (Note 8)	-	-	-	-	25,000
<b>Total Unrestricted Net Assets</b>	<b>1,401,270</b>	<b>-</b>	<b>-</b>	<b>1,401,270</b>	<b>1,504,651</b>
Temporarily restricted net assets (Note 8)	-	885,513	-	885,513	587,383
Permanently restricted net assets (Note 8)	-	-	1,348,250	1,348,250	1,237,500
<b>Total Net Assets</b>	<b>1,401,270</b>	<b>885,513</b>	<b>1,348,250</b>	<b>3,635,033</b>	<b>3,329,534</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,208,571</b>	<b>\$ 885,513</b>	<b>\$ 1,348,250</b>	<b>\$ 4,442,334</b>	<b>\$ 4,236,051</b>

See accompanying notes

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals 2015</u>	<u>Totals 2014</u>
Revenue and Support					
Public Support					
Contributions and grants	\$ 352,605	\$ -	\$ 77,517	\$ 430,122	\$ 665,997
Bequests	-	510,000	37,500	547,500	-
In-Kind donations	107,040	-	-	107,040	125,401
Government grants	821,019	-	-	821,019	791,060
Special events					
Special events - gross	155,594	-	-	155,594	215,225
Direct special event costs	(51,522)	-	-	(51,522)	(65,387)
Net special event proceeds	104,072	-	-	104,072	149,838
Total Public Support	<u>1,384,736</u>	<u>510,000</u>	<u>115,017</u>	<u>2,009,753</u>	<u>1,732,296</u>
Revenue					
Thrift shop	31,422	-	-	31,422	30,011
Client fees	12,492	-	-	12,492	24,755
Court ordered fees	21,875	-	-	21,875	17,730
Investment income	100	-	-	100	60
Change in value of beneficial interest in assets held by others	-	(6,949)	-	(6,949)	100,969
Change in value of interest in charitable remainder trust	-	-	(4,267)	(4,267)	-
Loss on sale of assets	-	-	-	-	(912)
Rental income	21,993	-	-	21,993	28,224
Miscellaneous income	50,350	-	-	50,350	3,922
Total Revenue	<u>138,232</u>	<u>(6,949)</u>	<u>(4,267)</u>	<u>127,016</u>	<u>204,759</u>
Total Revenue and Support	<u>1,522,968</u>	<u>503,051</u>	<u>110,750</u>	<u>2,136,769</u>	<u>1,937,055</u>
Assets Released from Restriction	<u>204,921</u>	<u>(204,921)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses					
Program services	1,222,906	-	-	1,222,906	1,396,343
Management and general	300,849	-	-	300,849	344,734
Fundraising	307,515	-	-	307,515	254,500
Total Expenses	<u>1,831,270</u>	<u>-</u>	<u>-</u>	<u>1,831,270</u>	<u>1,995,577</u>
Change in Net Assets	(103,381)	298,130	110,750	305,499	(58,522)
Net Assets at Beginning of Year	<u>1,504,651</u>	<u>587,383</u>	<u>1,237,500</u>	<u>3,329,534</u>	<u>3,388,056</u>
Net Assets at End of Year	<u>\$ 1,401,270</u>	<u>\$ 885,513</u>	<u>\$ 1,348,250</u>	<u>\$ 3,635,033</u>	<u>\$ 3,329,534</u>

See accompanying notes



DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2015  
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014

	Program Services	Management and General	Fundraising	Totals 2015	Totals 2014
Salaries and wages	\$ 696,039	\$ 126,943	\$ 156,332	\$ 979,314	\$ 1,031,163
Payroll taxes	53,937	10,212	12,409	76,558	99,892
Employee benefits	99,266	23,582	22,061	144,909	131,772
<b>Total Salaries and Related Expenses</b>	<b>849,242</b>	<b>160,737</b>	<b>190,802</b>	<b>1,200,781</b>	<b>1,262,827</b>
Advertising	294	165	12,370	12,829	5,330
Bad debt	-	80,000	-	80,000	-
Conferences and training	384	916	1,843	3,143	12,163
Direct assistance	5,743	-	-	5,743	10,417
Direct mailings	-	-	17,785	17,785	20,666
Donor development	90	5	3,242	3,337	-
Professional services	11,384	19,531	3	30,918	118,809
Program supplies	2,109	-	-	2,109	-
Office expenses	66,314	15,879	6,265	88,458	111,578
Occupancy	53,635	6,124	920	60,679	87,195
Interest	109	-	-	109	384
Imputed interest (Note 7)	38,257	-	-	38,257	43,127
Insurance	23,102	4,762	4,053	31,917	42,808
Transportation	25,992	3,912	775	30,679	37,548
Outreach and education	972	-	1,072	2,044	10,799
In-kind expenses	-	841	67,942	68,783	78,615
Miscellaneous	4	3,482	443	3,929	5,613
<b>Total Expenses before Depreciation</b>	<b>1,077,631</b>	<b>296,354</b>	<b>307,515</b>	<b>1,681,500</b>	<b>1,847,879</b>
Depreciation	145,275	4,495	-	149,770	147,698
<b>Total Expenses, Year Ended June 30, 2015</b>	<b>\$ 1,222,906</b>	<b>\$ 300,849</b>	<b>\$ 307,515</b>	<b>\$ 1,831,270</b>	
<b>Total Expenses, Year Ended June 30, 2014</b>	<b>\$ 1,396,343</b>	<b>\$ 344,734</b>	<b>\$ 254,500</b>		<b>\$ 1,995,577</b>

See accompanying notes

**DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
<b>Cash Flows from Operating Activities:</b>		
Cash received from unrestricted revenues and support, net	1,334,423	1,547,213
Cash received from temporarily restricted contributors	165,720	285,648
Cash received from permanently restricted contributors	37,500	-
Interest income	100	60
Cash paid for salaries and related expenses, net	(1,218,787)	(1,253,672)
Cash paid for other operating costs, net	(435,741)	(458,137)
Interest paid	(109)	(384)
<b>Net Cash (Used)/Provided by Operating Activities</b>	<b>(116,894)</b>	<b>120,728</b>
<b>Cash Flows from Investing Activities:</b>		
Invest in beneficial interest in others	(37,500)	(112,500)
Distribution from beneficial interest in others	50,000	25,000
Purchase of fixed assets	(8,170)	(71,241)
Proceeds from sale of fixed assets	-	2,025
<b>Net Cash Provided/(Used) by Investing Activities</b>	<b>4,330</b>	<b>(156,716)</b>
<b>Cash Flows from Financing Activities:</b>		
Principal payments on mortgage	(2,360)	(2,268)
<b>Net Cash Used by Investing Activities</b>	<b>(2,360)</b>	<b>(2,268)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(114,924)</b>	<b>(38,256)</b>
<b>Beginning Cash and Cash Equivalents</b>	<b>342,185</b>	<b>380,441</b>
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 227,261</b>	<b>\$ 342,185</b>
<b>Reconciliation of Net Assets to Net Cash Provided by Operating Activities</b>		
<b>Change in Net Assets</b>	<b>\$ 305,499</b>	<b>\$ (58,522)</b>
<b>Adjustments to Reconcile Change in Net Assets to Net Cash (Used)/Provided by Operating Activities:</b>		
Depreciation	149,770	147,698
In-kind loan forgiveness	(65,220)	(70,081)
Change in allowance for uncollectible pledges	80,000	-
Contribution of interest in charitable remainder trust	(77,517)	-
Change in value of interest in charitable remainder trust	4,267	-
Unrealized loss/(gain) on beneficial interest in asset held by others	6,949	(100,969)
Loss on sale of assets	-	912
<b>Changes in</b>		
Accounts receivable	(31,628)	31,033
Bequests receivable	(510,000)	-
Pledges receivable	20,500	93,000
Grants receivable	65,220	70,081
Deposits and prepaid assets	15,444	(6,368)
Unemployment reserve account	(48,542)	-
Accounts payable	(6,386)	(574)
Accrued payroll	(18,006)	10,469
Security deposits	(7,244)	4,049
<b>Total adjustments</b>	<b>(520,642)</b>	<b>201,690</b>
<b>Net Cash used by operating activities</b>	<b>\$ (116,894)</b>	<b>\$ 120,728</b>

See accompanying notes

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1:     ORGANIZATION

Domestic Violence Solutions for Santa Barbara County, formerly Shelter Services for Women, Inc., (the Organization) is a California nonprofit corporation dedicated to ending the intergenerational cycle of domestic violence by providing prevention and intervention services and by challenging society's attitudes, beliefs and behaviors to effect social change. Incorporated March 30, 1980, the Organization operates three emergency shelters, two transitional housing sites, county-wide teen services, and a full range of counseling and support services for men, women, and children. Services include a 24-hour crisis support line, a Domestic Violence Emergency Response Team (DVRT), which works alongside law enforcement at the scene of a domestic violence crisis, and a 40-hour domestic violence education training program.

NOTE 2:     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Domestic Violence Solutions for Santa Barbara County have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, cash and cash equivalents include cash on hand and amounts on deposit with an initial maturity of three months or less at financial institutions.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair market value at the time of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Management's policy is to capitalize certain purchases and donations with a value greater than \$1,000 and an expected life in excess of one year. Depreciation is computed using straight-line methods over the assets' estimated useful life.

Revenue Recognition

Generally accepted accounting principles require the Organization to differentiate between exchange transactions and contributions. Due to the nature of the Federal grants and contracts, the Organization has determined funds received under grants and contracts to be exchange transactions. Accordingly, the Organization recognizes grant and contract as earned revenue as those costs are incurred and subsequently invoiced to the appropriate government agency. Amounts due at year end are recorded in accounts receivable.

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY  
NOTES TO FINANCIAL STATEMENTS

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Grants

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

In-kind Contributions

Some individuals and organizations have donated time to the Organization to further its programs and objectives. No amounts have been recognized in the accompanying financial statements as these services do not meet the generally accepted accounting principles reporting requirements. Donated material and equipment are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt.

Estimates

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

Significant estimates used in preparing these financial statements include:

- Depreciable lives and estimated residual value of property and equipment
- Allocation of certain expenses by function
- Collectability of pledges receivable
- Discount of pledges receivable
- Imputed interest rates on below market loans
- Value of beneficial interest in assets held by others

It is at least reasonably possible that the significant estimates used will change within the next year.

Fair Value of Financial Instruments

The carrying value of cash in banks, accounts, bequest, pledges and grants receivables, the unemployment reserve account, deposits, and accounts payable, security deposits, and accrued expenses, approximate fair value due to the relatively short maturity of these instruments. The amount shown for the note payable approximate fair value since the interest rate is at current market rates. The fair value of the interest in charitable remainder trust and beneficial interest in assets held by others is described in Notes 5 and 6, respectively.

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY  
NOTES TO FINANCIAL STATEMENTS

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NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from taxes on income under Internal Revenue Code section 501(c)(3) and California Revenue and Taxation Code 23701(d); therefore no amounts for income taxes are reflected in the accompanying financial statements. The Organization is not considered a private foundation. At June 30, 2015, nor for any year for which the statute is open, the Organization is not aware of any uncertain tax positions.

Financial Statement Presentation

Under generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets based on the existence and nature of donor imposed restrictions as follows:

Unrestricted Net Assets

Unrestricted net assets consist of funds free of any donor-imposed restrictions and which the governing board has discretionary control for use in carrying on the general operations of the Organization, funds received under exchange transactions and dividends less expenses incurred in providing services and fund-raising and other administrative expenses. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions and other increases of funds temporarily subject to donor-imposed restrictions. The restrictions are temporary in that they are expected to expire with the passage of time or be satisfied and removed by actions of the Organization that fulfill donor stipulations.

Permanently Restricted Net Assets

Permanently restricted net assets consist of contributions and other inflows of funds subject to donor imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by the actions of the Organization.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY  
NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Totals

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 audited financial statements for the year ended June 30, 2014, from which the information was derived.

Reclassifications

Certain reclassifications have been made to the June 30, 2014, balances, as reported in the prior year financial statements, to make them comparable to the balances reported for the year ended June 30, 2015.

NOTE 3: PLEDGES, BEQUESTS AND GRANTS RECEIVABLE

Pledges and bequests receivable at June 30, 2015 and 2014, consist of promises to give cash contributions. Grants receivable consist of promises to forgive debt by local municipalities. Management has analyzed its pledge receivable and has determined an allowance for the entire pledge of \$80,000 for uncollectible pledges is appropriate. Management anticipates full receipt of bequests and grants receivables; therefore, no allowance for uncollectible bequests and grants receivable has been recorded. As of June 30, 2015, the bequests are expected within one year and the grants are expected to be received in the following amounts:

	Grants Receivable
2016	\$ 59,514
2017	59,514
2018	59,514
2019	44,094
2020	38,114
Thereafter	<u>37,722</u>
Totals	<u>\$ 298,472</u>

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	Estimated Life	2015	2014
Land	—	\$ 474,896	\$ 474,896
Building and improvements	5–20 years	3,807,274	3,805,888
Furniture and equipment	5–7 years	218,446	211,662
Vehicles	3–5 years	<u>65,870</u>	<u>65,870</u>
		4,566,486	4,558,316
Less: accumulated depreciation		<u>(2,721,196)</u>	<u>(2,571,426)</u>
Net Property and Equipment		<u>\$ 1,845,290</u>	<u>\$ 1,986,890</u>

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY  
NOTES TO FINANCIAL STATEMENTS

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NOTE 4: PROPERTY AND EQUIPMENT (Continued)

Depreciation expense for the years ended June 30, 2015 and 2014, was \$149,770 and \$147,698, respectively.

NOTE 5: INTEREST IN CHARITABLE REMAINDER TRUST

The Organization has been named as a remainder beneficiary in a charitable remainder trust (CRT) restricted for the endowment. The CRT was initially recorded as a permanently restricted contribution and an asset equivalent to the present value of the trust assets and estimated future income net of the present value of estimated future payouts to the income beneficiaries. The assets are recorded at approximate fair market value based upon the most recent information filed by the trust which is available to the Organization. The present value of the estimated future value of assets to be received by the Organization is calculated using the Internal Revenue Service (IRS) annuity tables and a discount rate based on the Organization's historic risk-free rate of return currently estimated at 5%.

The change in value of the CRT was \$4,267 for the year ended June 30, 2015.

NOTE 6: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization has a beneficiary interest in the Santa Barbara Foundation Endowment Fund (Fund) under an Agency Fund Agreement (Fund Agreement). The Fund attempts to provide stable capital appreciation on a total return basis. Assets of the Fund are fully exposed to market risks and may experience market volatility and principal loss. The beneficial interest in the Fund is reported by the Organization at the estimated fair market value which is based on the reported net asset value of the fund as reported by the Santa Barbara Foundation. At June 30, 2015 and 2014, the estimated fair market value of the Organization's interest in the Fund was \$1,344,175 and 1,363,624, respectively.

The Fund Agreement provides for the distribution of funds to be in accordance with the Santa Barbara Foundation's (SBF) spending policy for its endowed funds and consistent with the applicable provisions of the California Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with California State law SBF retains sole and absolute discretion over distributions from the Fund. However, the Fund Agreement allows SBF to seek the Organization's advice concerning the timing and amounts of distributions from the Fund to the Organization. The Organization also may request an extraordinary distribution from the Fund. The funding of any extraordinary distribution is at the SBF's sole discretion.

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 7: NOTES PAYABLE

Notes payable consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Mortgage secured by a first trust deed on the Lompoc Shelter payable to the City of Lompoc, bearing interest rate 4% with monthly payments of \$206 until January 1, 2016 when the mortgage will be fully paid.	1,427	3,787
Mortgage secured by a first trust deed on the Santa Maria Second Stage, payable to the Redevelopment Agency, City of Santa Maria. The non-interest-bearing note will be forgiven over a period of ten years beginning 2009.	70,180	91,815
Mortgage secured by a second trust deed on the Santa Maria Second Stage, payable to the Redevelopment Agency, City of Santa Maria. The non-interest-bearing note will be forgiven over a period of ten years.	35,918	40,973
Mortgage secured by a first trust deed on the Santa Maria Shelter, payable to the Redevelopment Agency, City of Santa Maria. The non-interest-bearing note will be forgiven over a period of ten year.	-	5,098
Mortgage secured by a third trust deed on the Santa Maria Second Stage, payable to the Redevelopment Agency, City of Santa Maria. The non-interest-bearing note will be forgiven over a period of ten years.	147,443	174,990
Mortgage secured by a fourth trust deed on the Santa Maria Second Stage, payable to the Redevelopment Agency, City of Santa Maria. The non-interest-bearing note will be forgiven over a period of ten years.	44,931	50,816
Mortgage secured by a first trust deed on second stage transitional housing building and rent income from the building, payable to the Redevelopment Agency, City of Santa Barbara. The note is non-interest-bearing. Principal is due October 2023. Payments of 1/12 of the project's positive cash flow are to begin the first month of the year following any fiscal year in which the project has a net positive cash flow.	430,000	430,000
Total Notes Payable	<u>\$ 729,899</u>	<u>\$ 797,479</u>



DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY  
NOTES TO FINANCIAL STATEMENTS

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NOTE 7: NOTES PAYABLE (Continued)

Aggregate principal maturities of the mortgages for the next five years and thereafter at the stated interest rates are as follows as of June 30:

2016	\$ 60,941
2017	59,514
2018	59,514
2019	44,094
2020	38,114
Thereafter	<u>467,722</u>
Total	<u>\$ 729,899</u>

Total Imputed interest for bargain rate notes payable for the years ended June 30, 2015 and 2014, was \$38,257 and \$43,127, respectively.

NOTE 8: RESTRICTED NET ASSETS AND ENDOWMENT

Board Designated Unrestricted Endowment Net Assets

For the year ended June 30, 2014, included in total unrestricted net assets on the Statement of Financial Position are net assets designated by the Board of Directors for the longevity of the Organization. Total board designated net assets at June 30, 2014 is \$25,000. During the year ended June 30, 2015, the board approved the use of these funds.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following amounts at June 30:

	<u>2015</u>	<u>2014</u>
Security and playground equipment	\$ 7,866	\$ 22,067
Unspent endowment earnings	69,175	101,124
Restricted for time	<u>808,472</u>	<u>464,192</u>
	<u>\$ 885,513</u>	<u>\$ 587,383</u>

Permanently Restricted Net Assets and Endowment

Permanently restricted net assets of \$1,348,250 consist of a charitable remainder trust of \$73,250 (See Note 5) and a beneficiary interest in assets held by others of \$1,275,000 (See Note 6) to provide income into perpetuity for general operations.

The Organization's endowment has been established for general operating purposes. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY  
NOTES TO FINANCIAL STATEMENTS

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NOTE 9: CONTINGENT LIABILITIES

The Organization received a number of grants from various governmental agencies. These grants are subject to audit by the granting agencies as to allowable costs paid with federal funds. The Organization would be liable for up to the full amount of government funds expended should costs charged to the grants be disallowed.

The Organization has opted to self-insure its potential unemployment costs. Working with a third party, the Organization remits deposits for anticipated costs based upon the Organization's historic claim history. The third party retains the funds to remit to the state of California should there be any claims. While on deposit at the third party, the funds remain an asset of the Organization. The asset is recorded as Unemployment Reserve Account on the statement of financial position.

NOTE 10: TRANSITIONAL HOUSING

In May 1993, the Organization purchased an apartment building in Santa Barbara County to be used for transitional housing. The down payment on the building amounting to \$400,000 was provided by a grant from the U.S. Department of Housing and Urban Development (HUD).

HUD grant terms require that the facility be used as transitional housing for 10 years from the date of purchase. Additionally, if the facility is sold within 20 years of initial occupancy, proceeds from that sale should be used to provide supportive housing or for the benefit of low-income persons or for another use approved by HUD.

NOTE 11: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest for year end June 30, 2015	\$ 109
Non-cash transactions consist of the following:	
Imputed interest for bargain rate notes payable	\$ 38,257

NOTE 12: CONCENTRATION OF RISK

Domestic Violence Solutions for Santa Barbara County occasionally does have more than \$250,000 on deposit with financial institutions. The Federal Deposit Insurance Corporation (FDIC) only insures the first \$250,000 of funds on deposit with any one bank. At June 30, 2015, Domestic Violence Solutions for Santa Barbara County did not have uninsured funds.

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY  
NOTES TO FINANCIAL STATEMENTS

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NOTE 12: CONCENTRATION OF RISK (continued)

A significant portion of the Organization's revenues come from Federal and state grants and contracts. Individual donors come primarily from Santa Barbara County, as do the clients of the Organization.

NOTE 13: ASSETS VALUED AT FAIR VALUE

The Financial Accounting Standard Board's authoritative guidance on fair value measurements establishes a framework for measuring fair value, and expands disclosure about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Assets carried at fair value as of June 30, 2015 include a beneficial interest in assets held by others. As described in Footnote 6, the Organization has placed funds with the Santa Barbara Foundation as an expendable fund. The Fund has been invested by the Santa Barbara Foundation in a variety of investments including:

<u>Nature of Investment</u>	<u>Approximate Portfolio Allocation</u>
Public real estate	6%
Cash	7%
Other fixed income	13%
Investment grade fixed income	20.5%
International equities	21.5%
Domestic equities	32%

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY  
NOTES TO FINANCIAL STATEMENTS

NOTE 13: ASSETS VALUED AT FAIR VALUE (Continued)

Financial instruments carried at fair value as of June 30, 2015, are classified in the table below in one of the three categories described above:

	Quoted prices in active markets for identical asset Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Santa Barbara Fdn.			
Endowment Fund	\$ -	\$ 1,344,175	\$ -
Unemployment reserve account	-	48,542	-
Interest in charitable remainder trust	-	73,250	-
Total	<u>\$ -</u>	<u>\$ 1,465,967</u>	<u>\$ -</u>

Financial instruments carried at fair value as of June 30, 2014, are classified in the table below in one of the three categories described above:

	Quoted prices in active markets for identical asset Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Santa Barbara Fdn.			
Endowment Fund	\$ -	\$ 1,363,624	\$ -
Total	<u>\$ -</u>	<u>\$ 1,363,624</u>	<u>\$ -</u>

During the year ended June 30, 2015, the Organization did not transfer any funds among levels 1 or 2 to level 3.

NOTE 14: SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 24, 2015, which is the date the financial statements were available to be issued pending final approval by the Board of Directors. Management has determined no subsequent events requiring disclosure of significantly impacting disclosure have occurred.