



**DOMESTIC VIOLENCE SOLUTIONS
FOR SANTA BARBARA COUNTY**

FINANCIAL STATEMENTS

JUNE 30, 2020

**DOMESTIC VIOLENCE SOLUTIONS
FOR SANTA BARBARA COUNTY
TABLE OF CONTENTS
June 30, 2020**

Independent Auditor's Report.....	1-3
Report on Internal Control Over Financial Reporting And on Compliance and Other Matters.....	4-5
Statement of Financial Position.....	6
Statement of Activities.....	7
Statement of Functional Expenses.....	8
Statement of Cash Flows.....	9
Notes to Financial Statements.....	10-22



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Domestic Violence Solutions for Santa Barbara County

We have audited the accompanying financial statements of Domestic Violence Solutions for Santa Barbara County (the "Organization") which comprise the statement of financial position as of June 30, 2020, 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 to these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable 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 the Organization as of June 30, 2020, and the changes in net assets and 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

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Uncertainties

As discussed in Note 17 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

DAMITZ, BROOKS, NIGHTINGALE, TURNER & MORRISSET

Damitz, Brooks, Nightingale,
Turner & Morrisset
October 20, 2020



**INDEPENDENT AUDITOR’S 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**

Board of Directors
Domestic Violence Solutions for Santa Barbara County

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Domestic Violence Solutions for Santa Barbara County (the “Organization”) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

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



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

DAMITZ, BROOKS, NIGHTINGALE, TURNER & MORRISSET

Damitz, Brooks, Nightingale,
Turner & Morrisset
October 20, 2020

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY

Statement of Financial Position

June 30, 2020

(With Summarized Comparative Totals for the Year 2019)

<i>Assets</i>	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Cash and cash equivalents	\$ 1,398,288	\$ -	\$ 1,398,288	\$ 704,295
Accounts receivable	191,461	-	191,461	177,101
Pledges receivable	-	42,500	42,500	33,096
Bequest receivable	-	-	-	100,000
Grants receivable	-	20,172	20,172	52,863
Deposits and prepaid expenses	4,690	-	4,690	27,522
Property and equipment, net	1,437,569	-	1,437,569	1,474,541
Interest in charitable remainder trust	-	63,485	63,485	64,501
Beneficial interest in assets held by others	-	1,606,983	1,606,983	1,572,111
<i>Total assets</i>	3,032,008	1,733,140	4,765,148	4,206,030
<i>Liabilities and Net Assets</i>				
<i>Liabilities</i>				
Accounts payable	\$ 46,308	\$ -	\$ 46,308	\$ 27,492
Accrued payroll and related expenses	85,135	-	85,135	83,456
Security deposits	7,122	-	7,122	3,000
Notes payable	450,172	-	450,172	482,863
<i>Total liabilities</i>	588,737	-	588,737	596,811
<i>Net Assets</i>				
Without donor restrictions	2,443,271	-	2,443,271	1,786,647
With donor restrictions	-	1,733,140	1,733,140	1,822,571
<i>Total net assets</i>	2,443,271	1,733,140	4,176,411	3,609,218
	\$ 3,032,008	\$ 1,733,140	\$ 4,765,148	\$ 4,206,030

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

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY

Statement of Activities

Year Ended June 30, 2020

(With Summarized Comparative Totals for the Year 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	2019
Public Support and Revenue				
Public Support				
Government grants	\$ 1,548,493	\$ -	\$ 1,548,493	\$ 953,587
Contributions and grants	654,063	5,000	659,063	472,369
In-kind donations	156,017	-	156,017	159,698
Bequests	1,563	-	1,563	313,851
Net assets released from restrictions	127,456	(127,456)	-	-
Special events:				
Special events - gross	109,253	-	109,253	120,450
Direct special event costs	(58,139)	-	(58,139)	(40,811)
Net special event proceeds	<u>51,114</u>	<u>-</u>	<u>51,114</u>	<u>79,639</u>
Total public support	<u>2,538,706</u>	<u>(122,456)</u>	<u>2,416,250</u>	<u>1,979,144</u>
Revenue				
Thrift shop royalties	21,600	-	21,600	40,208
Rental income	82,186	-	82,186	33,565
Court ordered fees	27,490	-	27,490	40,045
Trainings	1,450	-	1,450	2,445
Change in value of beneficial interest in assets held by others	-	34,041	34,041	90,785
Change in value of interest in charitable remainder trust	-	(1,016)	(1,016)	(1,098)
Interest income	1,522	-	1,522	1,095
Gain on sale of land and improvements	292,720	-	292,720	-
Miscellaneous income	9,864	-	9,864	10,114
Total revenue	<u>436,832</u>	<u>33,025</u>	<u>469,857</u>	<u>217,159</u>
Total Public Support and Revenue	<u>2,975,538</u>	<u>(89,431)</u>	<u>2,886,107</u>	<u>2,196,303</u>
Expenses				
Program services	1,522,096	-	1,522,096	1,475,419
Management and general	653,601	-	653,601	624,912
Fundraising	143,217	-	143,217	170,597
Total expenses	<u>2,318,914</u>	<u>-</u>	<u>2,318,914</u>	<u>2,270,928</u>
Increase (decrease) in net assets	656,624	(89,431)	567,193	(74,625)
Net assets, beginning of year	<u>1,786,647</u>	<u>1,822,571</u>	<u>3,609,218</u>	<u>3,683,843</u>
Net assets, end of year	<u>\$ 2,443,271</u>	<u>\$ 1,733,140</u>	<u>\$ 4,176,411</u>	<u>\$ 3,609,218</u>

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY

Statement of Functional Expenses

Year Ended June 30, 2020

(With Summarized Comparative Totals for the Year 2019)

	Program Services	Management and General	Fundraising	Total	
				2020	2019
Salaries and wages	\$ 696,903	\$ 373,982	\$ 54,204	\$ 1,125,089	\$ 1,233,023
Payroll taxes	51,671	29,124	3,895	84,690	91,355
Employee benefits	74,368	47,256	4,056	125,680	145,625
Total salaries and benefits	822,942	450,362	62,155	1,335,459	1,470,003
Office expenses	47,131	17,403	5,227	69,761	130,555
Occupancy	110,797	45,069	-	155,866	147,787
Occupancy (in-kind)	85,048	-	-	85,048	85,048
Supplies (in-kind)	-	-	49,428	49,428	50,664
Insurance	31,255	10,565	2,201	44,021	33,035
Imputed interest (in-kind)	21,541	-	-	21,541	23,985
Professional services	2,590	74,393	13,939	90,922	49,283
Transportation	17,515	11,618	321	29,454	31,892
Direct mailings	-	-	-	-	5,123
Advertising	6,022	1,250	1,560	8,832	4,727
Direct assistance	280,604	-	-	280,604	82,977
Miscellaneous	13	3,176	1,064	4,253	3,738
Conferences and training	6,559	153	354	7,066	12,426
Donor development	-	-	497	497	1,911
Supplies	889	218	-	1,107	8,308
Outreach and education	5,117	10,975	550	16,642	24,045
Special events - food or hospitality	-	-	5,130	5,130	4,990
Special events - facility rental	-	-	33,894	33,894	24,279
Special events - other services	-	-	19,115	19,115	11,542
Total expenses before depreciation	1,438,023	625,182	195,435	2,258,640	2,206,318
Depreciation	84,073	28,419	5,921	118,413	105,421
Less expenses included with revenues in the statement of activities					
Special events expenses	-	-	(58,139)	(58,139)	(40,811)
	<u>\$ 1,522,096</u>	<u>\$ 653,601</u>	<u>\$ 143,217</u>	<u>\$ 2,318,914</u>	<u>\$ 2,270,928</u>

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY

Statement of Cash Flows

Year Ended June 30, 2020

(With Summarized Comparative Totals for the Year 2019)

	<u>2020</u>	<u>2019</u>
<i>Cash flows from operating activities</i>		
Cash received from unrestricted revenues and support, net	\$ 2,372,773	\$ 1,672,892
Cash received from temporarily restricted contributors	128,287	172,927
Interest income	1,522	1,095
Cash paid for salaries and related expenses, net	(1,333,780)	(1,469,483)
Cash paid for other operating costs, net	<u>(705,202)</u>	<u>(550,883)</u>
<i>Net cash provided (used) by operating activities</i>	<u>482,715</u>	<u>(173,452)</u>
<i>Cash flows from investing activities</i>		
Proceeds from sale of land, building and improvements	327,343	-
Purchase of equipment and bulding improvements	<u>(116,065)</u>	<u>(108,209)</u>
<i>Net cash provided (used) by investing activities</i>	<u>211,278</u>	<u>(108,209)</u>
<i>Cash flows from financing activities</i>		
Payroll protection program loan proceeds	250,000	-
Payroll protection program loan conditions met	<u>(250,000)</u>	<u>-</u>
<i>Net cash used by financing activities</i>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	693,993	(281,661)
<i>Cash and cash equivalents, beginning of year</i>	<u>704,295</u>	<u>985,956</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 1,398,288</u>	<u>\$ 704,295</u>
Reconciliation of net assets to		
net cash provided (used) by operating activities		
Increase (decrease) in net assets	\$ 567,193	\$ (74,625)
Adjustments to reconcile increase (decrease) in net		
assets to net cash provided by operating activities:		
Depreciation	118,413	105,421
Gain on sale of land and improvement	(292,720)	-
In-kind loan forgiveness	(32,691)	(32,402)
Change in value of charitable remainder trusts	1,016	1,098
Unrealized gain on beneficial interest		
in assets held by others	(34,041)	(90,785)
(Increase) decrease in:		
Accounts receivable	(14,360)	26,780
Pledges receivable	(9,404)	(33,096)
Bequest receivable	100,000	(100,000)
Grants receivable	32,691	32,602
Deposits and prepaid expenses	22,832	(9,199)
Increase (decrease) in:		
Accounts payable	17,985	(1,566)
Accrued liabilities and related expenses	1,679	520
Security deposits	<u>4,122</u>	<u>1,800</u>
<i>Net cash provided (used) by operating activities</i>	<u>\$ 482,715</u>	<u>\$ (173,452)</u>

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY

Notes to Financial Statements

June 30, 2020

(With Summarized Comparative Totals for 2019)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Domestic Violence Solutions for Santa Barbara County (the “Organization”) is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Nature of Activities

Domestic Violence Solutions for Santa Barbara County, Inc., 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, a transitional housing site, 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.

Financial Statement Presentation

Information regarding the Organization’s financial position and activities are based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions that may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are permanent in nature, where by the donor has stipulated the funds be maintained in perpetuity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand and cash in banks.

Revenue Recognition

Generally accepted accounting principles require the Organization to differentiate between exchange transactions and contributions. Due to the nature of the governmental grants, the Organization has determined funds received under governmental grants to be exchange transactions. Accordingly, the Organization recognizes these governmental grants 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.

Contributions and Grants

Contributions are recorded at their fair value on the date of donation. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions.

Payroll Protection Program Loan – Conditional Grant

On April 2020, the Organization received a loan of approximately \$250,000 under the Small Business Administration Payroll Protection Program. Loans received under this program are eligible for forgiveness as documented in the regulations. The Organization had met the forgiveness criteria described in the regulations as of June 30, 2020. In accordance with Accounting Standard Codification (ASC) No. 958, the Organization has recognized the forgiveness of the loan as government grant revenue in the statement of activities.

In-kind Contributions

Numerous volunteers give their time and expertise to the Organization in a wide variety of areas to further its program and objectives. In accordance with GAAP, this contribution, despite its considerable value to the mission of the Organization, is not reflected in the financial statements. Donated rents and program related materials are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt. In-kind interest is calculated using an imputed interest rates ranging from 4.5% to 6.0%

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 square footage utilized by the respective function.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Accounts, Pledges and Bequest Receivable

The Organization has made no provision for an allowance for doubtful accounts as of June 30, 2020 and 2019 based on management's analysis of the potential credit risk of funding agencies, historical trends, and other information. The Organization does not require collateral from its funding agencies.

Uncertain Tax Positions

Financial Accounting Standards Board's ASC 740-10, *Accounting for Uncertainty in Income Taxes*, prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization files tax returns in the U.S. federal jurisdiction and in the state of California. The Organization's tax returns from the year 2017 to the present remain subject to examination by the IRS for federal tax purposes, and the tax years from 2016 to the present remain subject to examination by the state of California. Management has evaluated its tax positions for all jurisdictions in which the statute of limitations remains open and has determined that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. The Organization had no unrecognized tax benefits related to tax positions taken during the year ended June 30, 2020 or for prior periods.

Tax Exempt Status

The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenue and Taxation Code, and is considered a public charity.

Fair Value Measurements

The Organization follows ASC No. 820, *Fair Value Measurements and Disclosures*, issued by the Financial Accounting Standards Board (FASB). This standard defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. Pursuant to ASC No. 820, assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure fair value. ASC No. 820 establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment, estimation, or other unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis.

Cash: Valued at face value. (Level 1)

Interest in charitable remainder trust: Valued using life expectancy and discount factors obtained from external sources. (Level 2)

Interest in assets held by others: Value is based on Net Asset Value (NAV) per the most recent audited financial statements and interim information provided by the fund manager. The Organization does not have the ability to control or direct the assets held by others and the income and principal is subject to certain restrictions on redemption. (Level 2)

Property and Equipment

Property and equipment are stated at cost or, if acquired by gift, at the fair market value at the date of donation. Expenditures for building improvements and major renewals in excess of \$5,000 that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Buildings and improvements	15-20
Furniture and equipment	5-7
Vehicles	3-5

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Use of Estimates

Financial statements prepared in accordance with GAAP require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through October 20, 2020, the date that the financial statements were available to be issued.

2. AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of June 30, 20120:

Cash and cash equivalents	\$ 1,398,288
Accounts receivable	<u>191,461</u>
	<u>\$ 1,589,749</u>

Additional funds are expected to be received from governmental grants, contributions, investment income, rental income, and royalties. These funds combined with the available funds are expected to exceed the amounts needed to fund the operations of the Organization for the June 30, 2020 fiscal year.

3. ACCOUNTS, BEQUEST, AND GRANTS RECEIVABLE

Accounts receivable consist primarily of amounts due from government agencies related to governmental grants. The amounts considered fully collectible within one year and therefore no present value discounts or allowances for uncollectible receivables have been recorded.

Bequest receivable consisted of a single bequest due from a donor. This amount was received in the year ending June 30, 2020.

Grants receivable consist of promises to forgive debt by local municipalities. Management anticipates full receipt of grants receivables; therefore, no allowance for uncollectible grants receivable has been recorded.

As of June 30, 2020, grants are expected to be received as follows:

2021	\$ 14,556
2022	<u>5,616</u>
	<u>\$ 20,172</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 408,732	\$ 436,907
Buildings and improvements	3,471,424	3,506,086
Furniture and equipment	297,097	281,257
Vehicles	<u>57,123</u>	<u>78,114</u>
	4,234,376	4,302,364
	<u>(2,796,807)</u>	<u>(2,827,823)</u>
	<u>\$ 1,437,569</u>	<u>\$ 1,474,541</u>

5. INTEREST IN CHARITABLE REMAINDER TRUST

The Organization has been named as a residual 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 interest in CRT is adjusted to 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 government annuity tables and a discount rate based on the Organization's historic risk-free rate of return currently estimated at 6%. The changes in value of the CRT were (\$1,016) and (\$1,098) for the years ended June 30, 2020 and 2019, respectively.

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, 2020 and 2019, the estimated fair market value of the Organization's interest in the Fund was \$1,606,983 and \$1,572,111, 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). The Fund Agreement allows SBF to seek the Organization's advice concerning the timing and amounts of extraordinary distributions from the Fund to the Organization, however, the funding of any extraordinary distribution is at the SBF's sole discretion. Annually SBF makes distributions from the Fund based on its spending policy available to the Organization. The Organization has the option to request a lesser distribution amount. For the years ended June 30, 2020 and 2019, the distributions were \$0 and \$15,379, respectively.

7. NOTES PAYABLE

Notes payable consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Mortgage secured by a second trust deed on the Santa Maria Shelter, which has converted from transitional housing to an emergency shelter, payable to the Successor Redevelopment Agency, City of Santa Maria. The non-interest-bearing note is being forgiven over a period of ten years ending September 17, 2022.	\$ 10,616	\$ 15,685
Mortgage secured by a third trust deed on the Santa Maria Shelter, which has converted from transitional housing to an emergency shelter, payable to the Successor Redevelopment Agency, City of Santa Maria. The non-interest-bearing note is being forgiven over a period of ten years ending December 17, 2020.	9,556	37,178
Mortgage secured by a first trust deed on second stage transitional housing building and rent income from the building, payable to the Successor Redevelopment Agency, City of Santa Barbara. The note is non-interest-bearing, with unpaid principal due October 2023.	<u>430,000</u>	<u>430,000</u>
Total Notes Payable	<u>\$ 450,172</u>	<u>\$ 482,863</u>

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

2021	\$ 14,556
2022	5,616
2023	<u>430,000</u>
Total	<u>\$ 450,172</u>

Total imputed interest for the non-interest-bearing notes payable for the years ended June 30, 2020 and 2019, was \$21,541 and \$23,985, respectively. Imputed interest rates on these notes range from 4.5% to 6.0%.

8. CONCENTRATIONS AND RISKS

Concentrations

A significant portion of the Organization's revenues come from governmental grants. Approximately 50% of the governmental grant revenue is derived from two governmental grants with The California Governor's Office of Emergency Services ("Cal OES"). Individual donors come primarily from Santa Barbara County, as do the clients of the Organization.

Credit Risk

The Organization maintains bank accounts at four financial institutions. Deposits at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization's uninsured cash balances totaled approximately \$825,000 at June 30, 2020.

Market Risk

The Organization holds its endowment in a diversified fund managed by the Santa Barbara Foundation. These investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

9. LEASES

The Organization leases facilities in an unincorporated area within Santa Barbara County, California under a conditional lease agreement restricted by purpose and use through March 2020, requiring monthly installments for utilities and maintenance of \$300. The facility is used as an emergency shelter. The estimated fair value of the in-kind rent is reflected as in-kind donation revenue and associated occupancy expense. The estimated value, totaling \$85,048, is based upon prevailing rates per square foot for similar facilities.

10. TRANSITIONAL HOUSING

In September 1993, the Organization purchased an apartment building in Santa Barbara County to be used for transitional housing. \$430,000 of the purchase price was provided by a grant from the U.S. Department of Housing and Urban Development (HUD) in the form of a loan at 4.5% per annum with no maturity date where payments were due only to the extent there was sufficient positive cash flow. In October 2007, the grant was amended to forgive all of the accrued interest, the interest rate was reduced to 0% per annum, and maturity date of October 1, 2023 where all principal and interest will be due.

11. ENDOWMENT FUNDS

Interpretation of Relevant Law

The Board of Directors have interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the fair value of the original gift, as of the gift date. As a result of this interpretation, the Organization has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard for prudence prescribed by UPMIFA.

In accordance with California UPMIFA, the organization considers the following factors in making a determination to appropriate or invest donor-restricted endowment funds:

- (1) The duration and preservation of the funds
- (2) The purposes of the Organization and the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Investment Return Objectives, Risk Parameters, and Strategies

The Board approved and adopted investment and spending policies for the endowment assets. The objective of the investment policy is to provide adequate returns to meet the spending needs of the Organization while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return which exceeds the annual distribution with acceptable levels of risk. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to avoid exposing the Organization to unacceptable levels of risk. Endowment assets are invested with the Santa Barbara Foundation which has a well-diversified asset mix, which includes a variety of equity and debt securities.

11. ENDOWMENT FUNDS (Cont.)

Spending Policy

The Organization's endowment has been established for general operating purposes. The Organization's spending policy allows annual net income distributions from the beneficiary interest in assets held by others at its discretion.

In establishing this policy, the Organization considered the funding needs of the Organization as well as the goal of protecting the purchasing power of endowment assets over the long-term. Distributions are minimalized to in order to allow funds to grow at a rate that will be commensurate with inflation while maintaining the corpus of the original and new gifts that are received.

As of June 30, 2020 and 2019, changes in endowment net assets consist of the following:

<u>June 30, 2020</u>	Original Gift	With Donor Restrictions Accumulated Earnings	Total
Beginning Endowment			
Net Assets	\$ 1,288,700	\$ 283,411	\$ 1,572,111
Additions	-	-	-
Net investment return	-	34,872	34,872
Appropriation of			
Endowment Assets for			
Expenditure	-	-	-
Ending Endowment			
Net Assets	<u>\$ 1,288,700</u>	<u>\$ 318,283</u>	<u>\$ 1,606,983</u>

<u>June 30, 2019</u>	Original Gift	With Donor Restrictions Accumulated Earnings	Total
Beginning Endowment			
Net Assets	\$ 1,288,700	\$ 207,938	\$ 1,496,638
Additions	-	-	-
Net investment return	-	90,852	90,852
Appropriation of			
Endowment Assets for			
Expenditure	-	(15,379)	(15,379)
Ending Endowment			
Net Assets	<u>\$ 1,288,700</u>	<u>\$ 283,411</u>	<u>\$ 1,572,111</u>

12. FAIR VALUE MEASUREMENTS

The following sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of December 31, 2020 and 2019:

<u>June 30, 2020</u>	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Fair Value (Level 3)</u>
Santa Barbara Foundation			
Endowment Fund	\$ -	\$ 1,606,983	\$ -
Interest in charitable remainder trust	<u>-</u>	<u>63,485</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 1,670,468</u>	<u>\$ -</u>
<u>June 30, 2019</u>	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Fair Value (Level 3)</u>
Santa Barbara Foundation			
Endowment Fund	\$ -	\$ 1,572,111	\$ -
Interest in charitable remainder trust	<u>-</u>	<u>64,501</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 1,636,612</u>	<u>\$ -</u>

13. RETIREMENT PLAN

The Organization has adopted a 401(k) retirement plan and allows all employees the option to participate in a matching program for retirement benefits. The Organization matches 50% on up to 5% of elective deferrals for all employees who choose to participate. For the years ended June 30, 2020 and 2019, employer contributions to the plan totaled \$10,160 and \$7,120, respectively.

14. DONOR RESTRICTED NET ASSETS

Net assets with donor restrictions are for the following amounts at June 30:

	<u>2020</u>	<u>2019</u>
Net assets restricted for time:		
Accumulated endowment earnings	\$ 318,283	\$ 283,411
Time restricted receivables	<u>62,672</u>	<u>185,959</u>
	<u>\$ 380,955</u>	<u>\$ 469,370</u>

14. DONOR RESTRICTED NET ASSETS (cont.)

Net assets restricted for endowment:

Charitable remainder trust interest	\$ 63,485	\$ 64,501
Beneficial interest in assets held by others	<u>1,288,700</u>	<u>1,288,700</u>
	<u>1,352,185</u>	<u>1,353,201</u>
Total donor restricted net assets	<u>\$ 1,733,140</u>	<u>\$ 1,822,571</u>

15. GAIN ON SALE

On June 2020, the Organization sold its shelter located in Lompoc, California, to a nonprofit organization for the gross sales price of \$340,000 and recognized a gain of \$292,720 and net proceeds of \$327,343.

16. CASH FLOW INFORMATION

The Organization had noncash transactions consisting of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
In-kind donation of goods	\$ 49,428	\$ 50,664
In-kind donation of rent	85,048	85,048
In-kind donation of interest	21,541	23,985

17. UNCERTAINTIES

Economic Uncertainty

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic and resulting global disruptions have caused significant economic uncertainty. The Organization expects the economic uncertainties resulting from the COVID-19 pandemic to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.