



**DOMESTIC VIOLENCE SOLUTIONS
FOR SANTA BARBARA COUNTY**

FINANCIAL STATEMENTS

JUNE 30, 2021

**DOMESTIC VIOLENCE SOLUTIONS
FOR SANTA BARBARA COUNTY
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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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 November 23, 2021, 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
November 23, 2021



**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, 2021, 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 November 23, 2021.

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
November 23, 2021

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY

Statement of Financial Position

June 30, 2021

(With Summarized Comparative Totals for the Year 2020)

<i>Assets</i>	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2021	2020
Cash and cash equivalents	\$ 1,447,690	\$ -	\$ 1,447,690	\$ 1,398,288
Accounts receivable	256,002	-	256,002	191,461
Pledges receivable	-	2,125	2,125	42,500
Grants receivable	-	5,562	5,562	20,172
Deposits and prepaid expenses	30,063	-	30,063	4,690
Investments	380,694	-	380,694	-
Property and equipment, net	1,331,863	-	1,331,863	1,437,569
Interest in charitable remainder trust	-	75,055	75,055	63,485
Beneficial interest in assets held by others	-	1,949,211	1,949,211	1,606,983
<i>Total assets</i>	<u>3,446,312</u>	<u>2,031,953</u>	<u>5,478,265</u>	<u>4,765,148</u>
 <i>Liabilities and Net Assets</i>				
 <i>Liabilities</i>				
Accounts payable	\$ 1,182	\$ -	\$ 1,182	\$ 46,308
Accrued payroll and related expenses	96,551	-	96,551	85,135
Security deposits	4,972	-	4,972	7,122
Notes payable	435,562	-	435,562	450,172
<i>Total liabilities</i>	<u>538,267</u>	<u>-</u>	<u>538,267</u>	<u>588,737</u>
 <i>Net Assets</i>				
Without donor restrictions	2,908,045	-	2,908,045	2,443,271
With donor restrictions	-	2,031,953	2,031,953	1,733,140
<i>Total net assets</i>	<u>2,908,045</u>	<u>2,031,953</u>	<u>4,939,998</u>	<u>4,176,411</u>
	<u>\$ 3,446,312</u>	<u>\$ 2,031,953</u>	<u>\$ 5,478,265</u>	<u>\$ 4,765,148</u>

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, 2021

(With Summarized Comparative Totals for the Year 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Public Support and Revenue				
Public Support				
Government grants	\$ 1,514,913	\$ -	\$ 1,514,913	\$ 1,548,493
Contributions and grants	594,113	8,000	602,113	659,063
In-kind donations	137,912	-	137,912	156,017
Bequests	-	-	-	1,563
Net assets released from restrictions	62,985	(62,985)	-	-
Special events:				
Special events - gross	-	-	-	109,253
Direct special event costs	-	-	-	(58,139)
Net special event proceeds	-	-	-	51,114
Total public support	2,309,923	(54,985)	2,254,938	2,416,250
Revenue				
Thrift shop royalties	46,147	-	46,147	21,600
Rental income	239,519	-	239,519	82,186
Court ordered fees	37,360	-	37,360	27,490
Trainings	2,417	-	2,417	1,450
Change in value of beneficial interest in assets held by others	-	342,228	342,228	34,041
Change in value of interest in charitable remainder trust	-	11,570	11,570	(1,016)
Investment income, net of investment expenses	53,613	-	53,613	1,522
Gain on sale of land and improvements	-	-	-	292,720
Miscellaneous income	2,535	-	2,535	9,864
Total revenue	381,591	353,798	735,389	469,857
Total Public Support and Revenue	2,691,514	298,813	2,990,327	2,886,107
Expenses				
Program services	1,448,822	-	1,448,822	1,522,096
Management and general	625,236	-	625,236	653,601
Fundraising	152,682	-	152,682	143,217
Total expenses	2,226,740	-	2,226,740	2,318,914
Increase in net assets	464,774	298,813	763,587	567,193
Net assets, beginning of year	2,443,271	1,733,140	4,176,411	3,609,218
Net assets, end of year	\$ 2,908,045	\$ 2,031,953	\$ 4,939,998	\$ 4,176,411

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

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY

Statement of Functional Expenses

Year Ended June 30, 2021

(With Summarized Comparative Totals for the Year 2020)

	Program Services	Management and General	Fundraising	Total	
				2021	2020
Salaries and wages	\$ 681,431	\$ 362,829	\$ 110,713	\$ 1,154,973	\$ 1,125,089
Payroll taxes	61,075	25,938	4,453	91,466	84,690
Employee benefits	53,793	30,806	2,961	87,560	125,680
Total salaries and benefits	<u>796,299</u>	<u>419,573</u>	<u>118,127</u>	<u>1,333,999</u>	<u>1,335,459</u>
Office expenses	59,722	22,288	8,759	90,769	69,761
Occupancy	70,936	43,653	-	114,589	155,866
Occupancy (in-kind)	85,048	-	-	85,048	85,048
Supplies (in-kind)	32,742	-	-	32,742	49,428
Insurance	36,251	12,254	2,553	51,057	44,021
Imputed interest (in-kind)	20,122	-	-	20,122	21,541
Professional services	13,269	92,038	7,659	112,966	90,922
Transportation	7,988	1,269	-	9,257	29,454
Advertising	25	1,717	8,018	9,760	8,832
Direct assistance	235,504	-	-	235,504	280,604
Miscellaneous	48	3,169	-	3,217	4,253
Conferences and training	1,920	502	-	2,422	7,066
Donor development	-	-	1,547	1,547	497
Supplies	3,828	-	-	3,828	1,107
Outreach and education	-	-	25	25	16,642
Special events - food or hospitality	-	-	-	-	5,130
Special events - facility rental	-	-	-	-	33,894
Special events - other services	-	-	-	-	19,115
Total expenses before depreciation	<u>1,363,702</u>	<u>596,463</u>	<u>146,688</u>	<u>2,106,852</u>	<u>2,258,640</u>
Depreciation	<u>85,120</u>	<u>28,773</u>	<u>5,994</u>	<u>119,888</u>	<u>118,413</u>
Less expenses included with revenues in the statement of activities					
Special events expenses	-	-	-	-	(58,139)
	<u>\$ 1,448,822</u>	<u>\$ 625,236</u>	<u>\$ 152,682</u>	<u>\$ 2,226,740</u>	<u>\$ 2,318,914</u>

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY

Statement of Cash Flows

Year Ended June 30, 2021

(With Summarized Comparative Totals for the Year 2020)

	<u>2021</u>	<u>2020</u>
<i>Cash flows from operating activities</i>		
Cash received from unrestricted revenues and support, net	\$ 2,322,606	\$ 2,372,773
Cash received from temporarily restricted contributors	62,985	128,287
Investment income, net	14,794	1,522
Cash paid for salaries and related expenses, net	(1,322,583)	(1,333,780)
Cash paid for other operating costs, net	<u>(682,217)</u>	<u>(686,087)</u>
<i>Net cash provided by operating activities</i>	<u>395,585</u>	<u>482,715</u>
<i>Cash flows from investing activities</i>		
Proceeds from sale of land, building and improvements	-	327,343
Purchase of equipment and building improvements	(14,182)	(116,065)
Proceeds from sales of investments	194,489	
Purchases of investments	<u>(526,490)</u>	<u>-</u>
<i>Net cash provided (used) by investing activities</i>	<u>(346,183)</u>	<u>211,278</u>
<i>Cash flows from financing activities</i>		
Paycheck protection program loan proceeds	232,505	250,000
Paycheck protection program loan conditions met	<u>(232,505)</u>	<u>(250,000)</u>
<i>Net cash used by financing activities</i>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	49,402	693,993
<i>Cash and cash equivalents, beginning of year</i>	<u>1,398,288</u>	<u>704,295</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 1,447,690</u>	<u>\$ 1,398,288</u>
Reconciliation of net assets to		
net cash provided (used) by operating activities		
Increase (decrease) in net assets	\$ 763,587	\$ 567,193
Adjustments to reconcile increase (decrease) in net		
assets to net cash provided by operating activities:		
Depreciation	119,888	118,413
Gain on sale of land and improvement	-	(292,720)
In-kind loan forgiveness	(14,610)	(32,691)
Realized gain on investments	(9,874)	-
Unrealized gain on investments	(38,819)	-
Change in value of charitable remainder trusts	(11,570)	1,016
Change in value of beneficial interest		
in assets held by others	(342,228)	(34,041)
(Increase) decrease in:		
Accounts receivable	(64,541)	(14,360)
Pledges receivable	40,375	(9,404)
Bequest receivable	-	100,000
Grants receivable	14,610	32,691
Deposits and prepaid expenses	(25,373)	22,832
Increase (decrease) in:		
Accounts payable	(45,126)	17,985
Accrued payroll and related expenses	11,416	1,679
Security deposits	<u>(2,150)</u>	<u>4,122</u>
<i>Net cash provided by operating activities</i>	<u>\$ 395,585</u>	<u>\$ 482,715</u>

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

For DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY
Notes to Financial Statements
June 30, 2021
(With Summarized Comparative Totals for 2020)

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, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is met, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities

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.

Rental income is recognized as rents become due and consists of income from the Second Stage facility. The facility provides Section 8 housing to 15 domestic violence victims and their families.

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.

Paycheck Protection Program Loan – Conditional Grant

In March 2021, the Organization received a second draw loan of approximately \$232,500 under the Small Business Administration Paycheck Protection Program. In April 2020, the Organization received a first draw of approximately \$250,000 under the same 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, 2021 and 2020, for the second and first draws, respectively. 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%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

Accounts, Pledges and Grants Receivable

The Organization has made no provision for an allowance for doubtful accounts as of June 30, 2021 and 2020 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 2018 to the present remain subject to examination by the IRS for federal tax purposes, and the tax years from 2017 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, 2021 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)

Mutual and exchange traded funds: Valued utilizing quoted prices available in active markets for identical investments as of the reporting date. (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.

Reclassifications

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

Subsequent Events

Management has evaluated subsequent events through November 23, 2021, 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, 2021:

Cash and cash equivalents	\$ 1,447,690
Accounts receivable	<u>256,002</u>
	<u>\$ 1,703,692</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, 2022 fiscal year.

3. ACCOUNTS 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.

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, 2021, \$5,562 is expected to be received as debt forgiveness by June 30, 2022.

4. INVESTMENTS

Investments consist of the following:

<u>June 30, 2021</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Excess (deficit) of Fair Value Over Cost</u>
Cash and cash equivalents	\$ 7,486	\$ 7,486	\$ -
Exchange traded funds -			
U.S. equity	118,436	149,693	31,257
Foreign equity	81,429	90,427	8,998
Fixed income	123,629	121,634	(1,995)
Other	<u>10,895</u>	<u>11,454</u>	<u>559</u>
Totals	<u>\$ 341,875</u>	<u>\$ 380,694</u>	<u>\$ 38,819</u>

There were no investments as of June 30, 2020.

Investment income for the year ended June 30, 2021 consists of the following:

	<u>2021</u>
Interest and dividends	\$ 5,852
Net realized gain	9,874
Net change in unrealized gain	<u>38,819</u>
	54,545
Less investment management fee	<u>(932)</u>
Total investment income, net	<u>\$ 53,613</u>

5. 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, 2021 and 2020:

<u>June 30, 2021</u>	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Fair Value (Level 3)</u>
Santa Barbara Foundation			
Endowment Fund	\$ -	\$ 1,949,211	\$ -
Cash and cash equivalents	7,486	-	-
Exchange traded funds -			
U.S. equity	149,693	-	-
Foreign equity	90,427	-	-
Fixed Income	121,634	-	-
Other	11,454	-	-
Interest in charitable remainder trust	-	<u>75,055</u>	-
	<u>\$ 380,694</u>	<u>\$ 2,024,266</u>	<u>\$ -</u>
<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>63,485</u>	-
	<u>\$ -</u>	<u>\$ 1,670,468</u>	<u>\$ -</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 408,732	\$ 408,732
Buildings and improvements	3,478,003	3,471,424
Furniture and equipment	297,097	297,097
Vehicles	57,123	57,123
Construction in Progress	<u>7,602</u>	<u>-</u>
	4,248,557	4,234,376
	<u>(2,916,694)</u>	<u>(2,796,807)</u>
	<u>\$ 1,331,863</u>	<u>\$ 1,437,569</u>

7. 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 \$11,570 and (\$1,016) for the years ended June 30, 2021 and 2020, respectively.

8. 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, 2021 and 2020, the estimated fair market value of the Organization's interest in the Fund was \$1,949,211 and \$1,606,983, 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, 2021 and 2020, there were no distributions.

9. NOTES PAYABLE

Notes payable consists of the following at June 30:

	<u>2021</u>	<u>2020</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.	\$ 5,562	\$ 10,616
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
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. (Note 12)	<u>430,000</u>	<u>430,000</u>
Total Notes Payable	<u>\$ 435,562</u>	<u>\$ 450,172</u>

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

2022	\$ 5,562
2023	<u>430,000</u>
Total	<u>\$ 435,562</u>

Total imputed interest for the non-interest-bearing notes payable for the years ended June 30, 2021 and 2020, was \$20,122 and \$21,541, respectively. Imputed interest rates on these notes range from 4.5% to 6.0%.

10. 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.

10. CONCENTRATIONS AND RISKS (Cont.)

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 \$748,000 at June 30, 2021.

Market Risk

The Organization holds its endowment and investments in diversified funds managed by the Santa Barbara Foundation and Channel Wealth. 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.

11. 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 2025, 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 annually for the years ended June 30, 2021 and 2020, is based upon prevailing rates per square foot for similar facilities.

12. 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. (Note 9)

13. 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.

13. 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, 2021 and 2020, changes in endowment net assets consist of the following:

<u>June 30, 2021</u>	Original Gift	With Donor Restrictions Accumulated Earnings	Total
Beginning Endowment Net Assets	\$ 1,288,700	\$ 318,283	\$ 1,606,983
Additions			
Net investment return	-	342,228	342,228
Appropriation of Endowment Assets for Expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Ending Endowment Net Assets	<u>\$ 1,288,700</u>	<u>\$ 660,511</u>	<u>\$ 1,949,211</u>

<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	<u>-</u>	<u>-</u>	<u>-</u>
Ending Endowment Net Assets	<u>\$ 1,288,700</u>	<u>\$ 318,283</u>	<u>\$ 1,606,983</u>

14. 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, 2021 and 2020, employer contributions to the plan totaled \$9,490 and \$10,160, respectively.

15. DONOR RESTRICTED NET ASSETS

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

	<u>2021</u>	<u>2020</u>
Net assets restricted for time:		
Accumulated endowment earnings	\$ 660,511	\$ 318,283
Time restricted receivables	<u>7,687</u>	<u>62,672</u>
	<u>\$ 668,198</u>	<u>\$ 380,955</u>
Net assets restricted for endowment:		
Charitable remainder trust interest	\$ 75,055	\$ 63,485
Beneficial interest in assets held by others	<u>1,288,700</u>	<u>1,288,700</u>
	<u>1,363,755</u>	<u>1,352,185</u>
Total donor restricted net assets	<u>\$ 2,031,953</u>	<u>\$ 1,733,140</u>

16. CASH FLOW INFORMATION

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

	<u>2021</u>	<u>2020</u>
In-kind donation of goods	\$ 32,742	\$ 49,428
In-kind donation of rent	85,048	85,048
In-kind donation of interest	20,122	21,541