

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2016

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY
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INDEPENDENT AUDITORS' REPORT

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

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, 2016, the related statements of activities and functional expenses for the year ended June 30, 2016, and cash flows for the years ended June 30, 2016 and 2015, and the related notes to the financial statements.

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 (U.S. 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.

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.

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, 2016, 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, 2015, financial statements and our report, dated August 24, 2015, 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, 2015, 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 26, 2016

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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

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 statement of financial position as of June 30, 2016, 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 date August 26, 2016.

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 an 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 the 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 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 26, 2016

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY
STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2016
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2016	Totals 2015
<u>ASSETS</u>					
Cash and cash equivalents	\$ 547,894	\$ 9,512	\$ -	\$ 557,406	\$ 227,261
Accounts receivable	118,931	-	-	118,931	89,181
Bequests receivable (Note 3)	-	-	-	-	510,000
Grants receivable (Note 3)	-	238,142	-	238,142	298,472
Deposits and prepaid expenses	2,094	-	-	2,094	6,163
Property and equipment, net (Note 4)	1,704,301	-	-	1,704,301	1,845,290
Unemployment reserve account	5,291	-	-	5,291	48,542
Interest in charitable remainder trust (Note 5)	-	-	76,913	76,913	73,250
Beneficial interest in assets held by others (Note 6)	-	27,897	1,275,000	1,302,897	1,344,175
Total Assets	<u>\$ 2,378,511</u>	<u>\$ 275,551</u>	<u>\$ 1,351,913</u>	<u>\$ 4,005,975</u>	<u>\$ 4,442,334</u>
<u>LIABILITIES AND NET ASSETS</u>					
Liabilities					
Accounts payable	\$ 12,139	\$ -	\$ -	\$ 12,139	\$ 8,025
Accrued payroll and related expenses	47,702	-	-	47,702	64,472
Security deposits	3,095	-	-	3,095	4,905
Notes Payable (Note 7)	668,142	-	-	668,142	729,899
Total Liabilities	<u>731,078</u>	<u>-</u>	<u>-</u>	<u>731,078</u>	<u>807,301</u>
Net Assets					
Unrestricted net assets	1,647,433	-	-	1,647,433	1,401,270
Temporarily restricted net assets (Note 9)	-	275,551	-	275,551	885,513
Permanently restricted net assets (Note 9)	-	-	1,351,913	1,351,913	1,348,250
Total Net Assets	<u>1,647,433</u>	<u>275,551</u>	<u>1,351,913</u>	<u>3,274,897</u>	<u>3,635,033</u>
Total Liabilities and Net Assets	<u>\$ 2,378,511</u>	<u>\$ 275,551</u>	<u>\$ 1,351,913</u>	<u>\$ 4,005,975</u>	<u>\$ 4,442,334</u>

See accompanying notes

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals 2016</u>	<u>Totals 2015</u>
Revenue and Support					
Public Support					
Contributions and grants	\$ 347,104	\$ 16,000	\$ -	\$ 363,104	\$ 430,122
Bequests	-	-	-	-	547,500
In-Kind donations	88,283	-	-	88,283	107,040
Government grants	874,226	-	-	874,226	821,019
Special events					
Special events - gross	92,815	-	-	92,815	155,594
Direct special event costs	(35,117)	-	-	(35,117)	(51,522)
Net special event proceeds	57,698	-	-	57,698	104,072
Total Public Support	<u>1,367,311</u>	<u>16,000</u>	<u>-</u>	<u>1,383,311</u>	<u>2,009,753</u>
Revenue					
Thrift shop	33,452	-	-	33,452	31,422
Client fees	8,617	-	-	8,617	12,492
Court ordered fees	30,341	-	-	30,341	21,875
Investment income	266	-	-	266	100
Change in value of beneficial interest in assets held by others	-	(20,615)	-	(20,615)	(6,949)
Change in value of interest in charitable remainder trust	-	-	3,663	3,663	(4,267)
Rental income	30,962	-	-	30,962	21,993
Miscellaneous income	2,584	-	-	2,584	50,350
Total Revenue	<u>106,222</u>	<u>(20,615)</u>	<u>3,663</u>	<u>89,270</u>	<u>127,016</u>
Total Revenue and Support	<u>1,473,533</u>	<u>(4,615)</u>	<u>3,663</u>	<u>1,472,581</u>	<u>2,136,769</u>
Assets Released from Restriction	<u>605,347</u>	<u>(605,347)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses					
Program services	1,442,053	-	-	1,442,053	1,222,906
Management and general	213,615	-	-	213,615	300,849
Fundraising	177,049	-	-	177,049	307,515
Total Expenses	<u>1,832,717</u>	<u>-</u>	<u>-</u>	<u>1,832,717</u>	<u>1,831,270</u>
Change in Net Assets	246,163	(609,962)	3,663	(360,136)	305,499
Net Assets at Beginning 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>
Net Assets at End of Year	<u>\$ 1,647,433</u>	<u>\$ 275,551</u>	<u>\$ 1,351,913</u>	<u>\$ 3,274,897</u>	<u>\$ 3,635,033</u>

See accompanying notes

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Program Services	Management and General	Fundraising	Totals 2016	Totals 2015
Salaries and wages	\$ 830,460	\$ 91,514	\$ 111,227	\$ 1,033,202	\$ 979,314
Payroll taxes	61,286	6,072	8,296	75,654	76,558
Employee benefits	119,547	37,426	18,674	175,646	144,909
Total Salaries and Related Expenses	1,011,293	135,012	138,197	1,284,502	1,200,781
Advertising	419	843	1,546	2,808	12,829
Bad debt (Note 3)	-	-	-	-	80,000
Conferences and training	601	686	214	1,501	3,143
Direct assistance	6,081	-	-	6,081	5,743
Direct mailings	-	-	7,419	7,419	17,785
Donor development	-	-	51	51	3,337
Professional services	6,376	37,926	2,959	47,260	30,918
Program supplies	694	-	-	694	2,109
Office expenses	69,740	19,373	9,521	98,635	88,458
Occupancy	60,520	6,638	1,336	68,494	60,679
Interest	19	-	-	19	109
Imputed interest (Note 7)	34,609	-	-	34,609	38,257
Insurance	22,684	4,489	4,037	31,210	31,917
Transporation	38,596	2,407	642	41,645	30,679
Outreach and education	3,407	2	-	3,409	2,044
In-kind expenses	43,753	-	9,922	53,674	68,783
Miscellaneous	-	1,728	1,205	2,933	3,929
Total Expenses before Depreciation	1,298,792	209,104	177,049	1,684,944	1,681,500
Depreciation	143,261	4,511	-	147,772	149,770
Total Expenses, Year Ended June 30, 2016	\$ 1,442,053	\$ 213,615	\$ 177,049	\$ 1,832,716	
Total Expenses, Year Ended June 30, 2015	\$ 1,222,906	\$ 300,849	\$ 307,515		\$ 1,831,270

See accompanying notes

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities:		
Cash received from unrestricted revenues and support, net	\$ 1,298,973	\$ 1,334,423
Cash received from temporarily restricted contributors	586,330	165,720
Cash received from permanently restricted contributors	-	37,500
Interest income	266	100
Cash paid for salaries and related expenses, net	(1,301,272)	(1,218,787)
Cash paid for other operating costs, net	(266,586)	(435,741)
Interest paid	(19)	(109)
Net Cash (Used)/Provided by Operating Activities	317,692	(116,894)
Cash Flows from Investing Activities:		
Invest in beneficial interest in others	(50,000)	(37,500)
Distribution from beneficial interest in others	70,664	50,000
Purchase of fixed assets	(6,784)	(8,170)
Net Cash Provided/(Used) by Investing Activities	13,880	4,330
Cash Flows from Financing Activities:		
Principal payments on mortgage	(1,427)	(2,360)
Net Cash Used by Investing Activities	(1,427)	(2,360)
Net Decrease in Cash and Cash Equivalents	330,145	(114,924)
Beginning Cash and Cash Equivalents	227,261	342,185
Ending Cash and Cash Equivalents	\$ 557,406	\$ 227,261

**Reconciliation of Net Assets to Net Cash Provided by
Operating Activities**

Change in Net Assets	\$ (360,136)	\$ 305,499
Adjustments to Reconcile Change in Net Assets to Net Cash (Used)/Provided by Operating Activities:		
Depreciation	147,772	149,770
In-kind loan forgiveness	(60,330)	(65,220)
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	(3,663)	4,267
Unrealized loss/(gain) on beneficial interest in asset held by others	20,615	6,949
Changes in		
Accounts receivable	(29,750)	(31,628)
Bequests receivable	510,000	(510,000)
Pledges receivable	-	20,500
Grants receivable	60,330	65,220
Deposits and prepaid assets	4,069	15,444
Unemployment reserve account	43,251	(48,542)
Accounts payable	4,114	(6,386)
Accrued payroll	(16,770)	(18,006)
Security deposits	(1,810)	(7,244)
Total adjustments	573,434	(520,642)
Net Cash used by operating activities	\$ 317,692	\$ (116,894)

See accompanying notes

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY
NOTES TO FINANCIAL STATEMENTS

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 \$5,000 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 grants and contracts 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

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

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, 2016, 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, 2015, from which the information was derived.

Reclassifications

Certain reclassifications have been made to the June 30, 2015, balances, as reported in the prior year financial statements, to make them comparable to the balances reported for the year ended June 30, 2016.

NOTE 3: PLEDGES, BEQUESTS AND GRANTS RECEIVABLE

Bequests receivable at June 30, 2016 and 2015, and pledges receivable at June 30, 2015, consist of promises to give cash contributions. Grants receivable consist of promises to forgive debt by local municipalities. During the year ended June 30, 2015, management analyzed its pledge receivable and determined an allowance for the entire pledge of \$80,000 for uncollectible pledges was appropriate. Management anticipates full receipt of grants receivables; therefore, no allowance for uncollectible grants receivable has been recorded. As of June 30, 2016, grants are expected to be received in the following amounts:

	<u>Grants Receivable</u>
2017	\$ 59,514
2018	59,514
2019	43,801
2020	38,114
2021	21,690
Thereafter	<u>15,509</u>
Totals	<u>\$ 238,142</u>

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>Estimated Life</u>	<u>2016</u>	<u>2015</u>
Land	–	\$ 474,896	\$ 474,896
Building and improvements	5–20 years	3,807,274	3,807,274
Furniture and equipment	5–7 years	225,230	218,446
Vehicles	3–5 years	<u>65,870</u>	<u>65,870</u>
		4,573,270	4,566,486
Less: accumulated depreciation		<u>(2,868,969)</u>	<u>(2,721,196)</u>
Net Property and Equipment		<u>\$ 1,704,301</u>	<u>\$ 1,845,290</u>

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 4: PROPERTY AND EQUIPMENT (Continued)

Depreciation expense for the years ended June 30, 2016 and 2015, was \$147,772 and \$149,770, 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 \$3,663 and \$(4,267) for the years ended June 30, 2016 and 2015, respectively.

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, 2016 and 2015, the estimated fair market value of the Organization's interest in the Fund was \$1,302,897 and 1,344,175, 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>2016</u>	<u>2015</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 was paid in full.	-	1,427
Mortgage secured by a first trust deed on the Santa Maria Second Stage, payable to the Successor Redevelopment Agency, City of Santa Maria. The non-interest-bearing note will be forgiven over a period of ten years beginning 2009.	48,487	70,180
Mortgage secured by a second trust deed on the Santa Maria Second Stage, payable to the Successor Redevelopment Agency, City of Santa Maria. The non-interest-bearing note will be forgiven over a period of ten years.	30,849	35,918
Mortgage secured by a third trust deed on the Santa Maria Second Stage, payable to the Successor Redevelopment Agency, City of Santa Maria. The non-interest-bearing note will be forgiven over a period of ten years.	119,821	147,443
Mortgage secured by a first trust deed on the Santa Maria Shelter, payable to the Successor Redevelopment Agency, City of Santa Maria. The non-interest-bearing note will be forgiven over a period of ten years.	38,985	44,931
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. 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.	<u>430,000</u>	<u>430,000</u>
Total Notes Payable	<u>\$ 668,142</u>	<u>\$ 729,899</u>

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

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:

2017	\$ 59,514
2018	59,514
2019	43,801
2020	38,114
2021	21,690
Thereafter	<u>445,509</u>
Total	<u>\$ 668,142</u>

Total Imputed interest for bargain rate notes payable for the years ended June 30, 2016 and 2015, was \$34,609 and \$38,257, respectively. Imputed interest rates on these notes range from 4% to 6%.

NOTE 8: LINE OF CREDIT

During the year ended June 30, 2016, the Organization opened a line of credit with Montecito Bank and Trust for \$100,000 secured by all equipment, expiring March 1, 2017. The interest rate is the prime rate plus 1%, with a minimum of 6%. At June 30, 2016 there was no balance outstanding.

NOTE 9: RESTRICTED NET ASSETS AND ENDOWMENT

Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Security and playground equipment	\$ 8,512	\$ 7,866
Program	1,000	-
Unspent endowment earnings	27,897	69,175
Restricted for time	<u>238,142</u>	<u>808,472</u>
	<u>\$ 275,551</u>	<u>\$ 885,513</u>

Permanently Restricted Net Assets and Endowment

Permanently restricted net assets of \$1,351,913 consist of a charitable remainder trust of \$76,913 (See Note 5) and a beneficiary interest in assets held by others (the Fund) of \$1,275,000 (See Note 6) to provide income into perpetuity for general operations. The investments of the charitable remainder trust are determined by the trustee rather than the Organization. Similarly, the underlying investments in which the Organization has a beneficiary interest are determined by the Fund.

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 9: RESTRICTED NET ASSETS AND ENDOWMENT (continued)

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

The Board has interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies any assets for which (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 as permanently restricted net assets.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

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 fund to unacceptable levels of risk. Endowment assets are invested with the Santa Barbara Foundation which has a well-diversified asset mix, which includes equity and debt securities.

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 9: RESTRICTED NET ASSETS AND ENDOWMENT (continued)

Spending Policy

The Organization has established a spending policy that includes the annual distributions, as well as the cost of managing the funds. The Organization has a policy of appropriating for distribution each year the net income generated from the beneficiary interest in assets held by others, which will be measured at the end of each calendar year. Net income is defined as the total receipts allocated to income, including dividends and interest income, during an accounting period minus any fees during the accounting period.

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. Exceptions to this policy are by board resolution to appropriate the earnings or a portion of the earnings designated by the Board based on annual budget needs. Earnings is defined as all net income and appreciation, including realized and unrealized, over the previous year's ending value.

The Organization expects the current spending policy to allow its endowment funds to grow at a rate that is at least at the rate of inflation, even with the Organization's objective to maintain the original value of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the year ended June 30, 2016, are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Net Assets</u>
Endowment net assets, June 30, 2015	\$ 69,175	\$ 1,348,250	\$ 1,417,425
Net investment return	(20,614)	3,663	(16,951)
Contributions	50,000	-	50,000
Appropriation of endowment assets for expenditure	<u>(70,664)</u>	<u>-</u>	<u>(70,664)</u>
Endowment net assets, June 30, 2016	<u>\$ 27,897</u>	<u>\$ 1,351,913</u>	<u>\$ 1,379,810</u>

Changes in endowment net assets for the year ended June 30, 2015, are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Net Assets</u>
Endowment net assets, June 30, 2014	\$ 101,124	\$ 1,237,500	\$ 1,338,624
Net investment return	(6,949)	-	(6,949)
Contributions	-	110,750	110,750
Appropriation of endowment assets for expenditure	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
Endowment net assets, June 30, 2015	<u>\$ 69,175</u>	<u>\$ 1,348,250</u>	<u>\$ 1,417,425</u>

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 10: 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. During the year ended June 30, 2016, the Organization switched its third party unemployment provider. The new third party does not require a deposit to be held outside of the Organization. In the prior year, the Organization remitted deposits for anticipated costs based upon the Organization's historic claim history. The third party retained the funds to remit to the state of California should there be any claims. While on deposit at the third party, the funds remained an asset of the Organization. At June 30, 2016, the Organization still has a deposit balance at the previous third party as the account is audited, the asset is recorded as Unemployment Reserve Account on the statement of financial position.

NOTE 11: 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 12: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest was \$19 and \$109, for the years ended June 30, 2016 and 2015, respectively. Imputed interest for bargain rate notes payable was \$34,609 and \$38,257, for the years ended June 30, 2016 and 2015, respectively.

NOTE 13: 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, 2016, Domestic Violence Solutions for Santa Barbara County did not have uninsured funds.

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.

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE 14: 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, 2016 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>
Cash	2.2%
Other fixed income	9.5%
International equities	22.5%
Investment grade fixed income	29.5%
Domestic equities	36.3%

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.

Financial instruments carried at fair value as of June 30, 2016, are classified in the table below in one of the three categories described above:

	<u>Quoted prices in active markets for identical asset Level 1</u>	<u>Significant other observable inputs Level 2</u>	<u>Significant unobservable inputs Level 3</u>
Santa Barbara Fdn. Endowment Fund	\$ -	\$ 1,302,897	\$ -
Unemployment reserve account	-	5,291	-
Interest in charitable remainder trust	-	<u>76,913</u>	-
Total	<u>\$ -</u>	<u>\$ 1,385,101</u>	<u>\$ -</u>

DOMESTIC VIOLENCE SOLUTIONS FOR SANTA BARBARA COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE 14: 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 <u>Level 1</u>	Significant other observable inputs <u>Level 2</u>	Significant unobservable inputs <u>Level 3</u>
Santa Barbara Fdn. Endowment Fund	\$ -	\$ 1,344,175	\$ -
Unemployment reserve account	-	48,542	-
Interest in charitable remainder trust	-	<u>73,250</u>	-
Total	<u>\$ -</u>	<u>\$ 1,465,967</u>	<u>\$ -</u>

During the years ended June 30, 2016 and 2015, the Organization did not transfer any funds among levels 1 or 2 to level 3.

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 26, 2016, 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.