

**INDEPENDENT ACCOUNTANTS' REVIEW REPORT
AND FINANCIAL STATEMENTS**

**THE FUND
FOR SANTA
BARBARA**

FOR THE YEAR ENDED DECEMBER 31, 2018

	PAGE
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1 - 2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 - 18

REED S. SPANGLER
JANE E. RUSSELL
WILLIAM L. JACKSON

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

TRAVIS J. WILSON
VANESSA M. GARCIA
HOWARD B. ATKINSON
DIANE M. RAVENSCROFT
DAVID E. LEHMAN
ANDREW J. TRICERRI

To the Board of Directors of
The Fund for Santa Barbara, Inc.
Santa Barbara, California

RICHARD L. HUNT
Consultant
SCOTT N. WILSON
Consultant

Santa Barbara
115 E. MICHELTORENA ST.
SUITE 200
SANTA BARBARA
CALIFORNIA 93101
PHONE (805) 966-4157
FAX (805) 965-2454

We have reviewed the accompanying financial statements of The Fund For Santa Barbara, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Los Olivos
2948 NOJOQUI AVE
SUITE 3
P.O. BOX 336
LOS OLIVOS
CALIFORNIA 93441
PHONE (805) 688-6449
FAX (805) 688-6440

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.

Accountant's Responsibility

E-MAIL cpa@mfc.com
WEBSITE www.mfc.com

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We previously reviewed The Fund for Santa Barbara, Inc. 2017 financial statements and in our conclusion dated November 6, 2018, stated that based on our review, we were not aware of any material modifications that should be made to the 2017 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2017, for it to be consistent with the reviewed financial statements from which it has been derived.

MacFarlane, Faletti, & Co., LLP

**Santa Barbara, California
January 21, 2020**

THE FUND FOR SANTA BARBARA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(With Comparative Totals as of December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 126,949	\$ 299,136	\$ 426,085	\$ 596,522
Accounts and pledges receivable	-	177,912	177,912	72,353
Total Current Assets	126,949	477,048	603,997	668,875
INVESTMENTS	1,558	1,715,946	1,717,504	2,004,103
PROPERTY AND EQUIPMENT				
Property and equipment	49,301	-	49,301	46,197
Less: accumulated depreciation	(36,147)	-	(36,147)	(33,205)
Net Property and Equipment	13,154	-	13,154	12,992
OTHER ASSETS				
Prepaid expenses and deposits	3,710	-	3,710	1,123
Charitable remainder trust assets	-	173,035	173,035	186,639
Total Other Assets	3,710	173,035	176,745	187,762
TOTAL ASSETS	\$ 145,371	\$ 2,366,029	\$ 2,511,400	\$ 2,873,732
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 17,307	\$ -	\$ 17,307	\$ 20,187
Grants payable	98,150	-	98,150	69,000
Total Current Liabilities	115,457	-	115,457	89,187
LONG-TERM LIABILITIES				
Grants payable, noncurrent	28,000	-	28,000	30,000
Charitable remainder trust liability	-	2,599	2,599	3,825
Total Long-term Liabilities	28,000	2,599	30,599	33,825
TOTAL LIABILITIES	143,457	2,599	146,056	123,012
NET ASSETS				
Without Donor Restrictions				
General operating deficit	(70,241)	-	(70,241)	(91,183)
Donor-advised funds	72,155	-	72,155	65,550
Total Without Donor Restrictions	1,914	-	1,914	(25,633)
With Donor Restrictions	-	2,363,430	2,363,430	2,776,353
Total Net Assets	1,914	2,363,430	2,365,344	2,750,720
TOTAL LIABILITIES AND NET ASSETS	\$ 145,371	\$ 2,366,029	\$ 2,511,400	\$ 2,873,732

THE FUND FOR SANTA BARBARA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions	\$ 270,216	\$ 8,318	\$ 278,534	\$ 229,843
Grants	563,012	120,000	683,012	709,696
SB Gives	-	361,936	361,936	371,983
Change in value of charitable remainder trust	-	(12,378)	(12,378)	17,315
Program management fees	2,838	-	2,838	8,236
Special events (net of expenses of \$121,730 and \$123,263)	168,981	-	168,981	132,794
Investment income (net of expenses of \$16,025 and \$15,105)	957	(22,949)	(21,992)	286,001
Total Revenue, Gains, and Other Support	<u>1,006,004</u>	<u>454,927</u>	<u>1,460,931</u>	<u>1,755,868</u>
RECLASSIFICATIONS				
Net assets released from restrictions	<u>867,850</u>	<u>(867,850)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program	1,514,311	-	1,514,311	1,036,943
Management and general	246,024	-	246,024	171,443
Fundraising	85,972	-	85,972	78,868
Total Expenses	<u>1,846,307</u>	<u>-</u>	<u>1,846,307</u>	<u>1,287,254</u>
CHANGE IN NET ASSETS	27,547	(412,923)	(385,376)	468,614
NET ASSETS, BEGINNING OF YEAR	<u>(25,633)</u>	<u>2,776,353</u>	<u>2,750,720</u>	<u>2,282,106</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,914</u></u>	<u><u>\$ 2,363,430</u></u>	<u><u>\$ 2,365,344</u></u>	<u><u>\$ 2,750,720</u></u>

THE FUND FOR SANTA BARBARA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Program	Management and General	Fundraising	Total 2018	Total 2017
EXPENSES					
Grants	\$ 795,288	\$ -	\$ -	\$ 795,288	\$ 351,776
Salaries	315,888	113,372	67,475	496,735	411,873
Community program expenses	92,049	-	-	92,049	94,926
Professional services	123,920	74,161	-	198,081	175,306
Rent, storage, repairs, and utilities	59,269	31,610	7,902	98,781	103,940
Employee benefits	50,078	5,493	4,550	60,121	45,159
Payroll taxes	25,074	8,941	5,340	39,355	35,071
Supplies	11,483	6,457	-	17,940	7,831
Printing and postage	20,882	-	-	20,882	29,994
Travel, meetings, and conferences	13,585	2,343	-	15,928	15,448
Special event expenses	-	-	121,730	121,730	123,263
Insurance	2,114	705	705	3,524	4,464
Dues and subscriptions	4,681	-	-	4,681	7,370
Depreciation	-	2,942	-	2,942	4,096
Total Expenses by Function	<u>1,514,311</u>	<u>246,024</u>	<u>207,702</u>	<u>1,968,037</u>	<u>1,410,517</u>
Less expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>(121,730)</u>	<u>(121,730)</u>	<u>(123,263)</u>
TOTAL EXPENSES 2018	<u>\$ 1,514,311</u>	<u>\$ 246,024</u>	<u>\$ 85,972</u>	<u>\$ 1,846,307</u>	
TOTAL EXPENSES 2017		<u>\$ 171,443</u>	<u>\$ 78,868</u>		<u>\$ 1,287,254</u>

THE FUND FOR SANTA BARBARA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	Total 2018	Total 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (385,376)	\$ 468,614
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,942	4,096
Realized and unrealized loss (gain) on investments	51,340	(259,368)
Decrease (increase) in:		
Accounts and pledges receivable	(105,559)	(21,847)
Prepaid expenses and deposits	(2,487)	-
Charitable remainder trust assets	13,604	(16,611)
Increase (decrease) in:		
Accounts payable, accrued expenses, and grants payable	24,270	(16,965)
Charitable remainder trust liability	(1,226)	(704)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(402,492)	157,215
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,104)	-
Proceeds from sale of marketable securities	438,798	221,161
Purchase of marketable securities	(203,639)	(155,163)
NET CASH PROVIDED BY INVESTING ACTIVITIES	232,055	65,998
 NET (DECREASE) INCREASE IN CASH	(170,437)	223,213
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	596,522	373,309
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 426,085	\$ 596,522
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash transactions consisted of the following:		
In-kind donation of goods and services	\$ 80,443	\$ 78,109
In-kind donation of stock	\$ 12,206	\$ 7,497

NOTE 1 ORGANIZATION

The Fund for Santa Barbara, Inc. (the Fund) is a 501(c)(3) nonprofit community foundation that supports organizations working for social, economic, environmental and political change in Santa Barbara County. This includes grassroots organizing against discrimination of all kinds, supporting the rights and dignity of working people, promoting community self-determination, organizing for peace and nonviolence, working to improve the quality of our environment, building cross-issue/cross-constituency coalitions and alliances, educating the community about social and economic conditions and organizing people to confront fundamental problems affecting their lives.

The Fund raises money through donations of all sizes in order to provide grants and technical assistance.

Since its founding in 1980, the Fund has awarded more than \$6 million to over 1,200 projects.

The Fund's technical assistance program serves over 250 organizations each year by providing training and advising in areas such as organizational development, fundraising, effective use of media, organizing strategy, lobbying, and advocacy.

The Fund also convenes activists, service providers, policy-makers, and funders around critical issues.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncements

The December 31, 2018, financial statements reflect adoption of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU 2014-15 defines management's responsibility to evaluate whether there is a substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The Organization adopted this ASU and concluded there was not substantial doubt of its continued operations.

During the fiscal year, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the balance sheet (statement of financial position) date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Presentation

The financial statements of the Fund have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported either as Net Assets Without Donor Restrictions or Net Assets with Donor Restrictions.

Net Assets Without Donor Restrictions are net assets available for use in general operations and not subject to donor restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for operation reserves, loan losses, and for various projects and programs.

Net Assets With Donor Restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Fund considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. Cash held by investment custodians, including money market funds, are reported as investments.

Investments

The Fund records investments in debt and equity securities with readily determinable market values at fair value. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last business day of the year. None of these investments are held for trading purposes. Realized and unrealized gains and losses on investments are reflected in the statement of activities. Donated securities are recorded at their estimated value at date of receipt.

Contributions

Contributions received are recorded at their fair value on the date of donation. Contributions receivable are recognized as revenue when committed and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants

Grants are recorded as expenses when they are approved by the Board of Directors for payment. Multi-year commitments awarded by the Board of Directors are recorded as grants payable as of December 31, 2018.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair market value at the time of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. It is management's policy to capitalize certain purchases and donations with a useful life greater than one year and a value greater than \$1,000. Depreciation is calculated using the straight-line method over an estimated useful life of five to ten years. Depreciation expense for the year ended December 31, 2018, totaled \$2,942.

Use of 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. Those estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. It is at least reasonably possible that the significant estimates could change in the coming year. Significant estimates used in the preparation of these financial statements include fair market value of certain investments, allocation of certain expenses by function, and discount factors used in determining annuities payable under charitable trust.

Income Taxes

The Fund is a California nonprofit public benefit corporation, which is exempt from income taxes under Internal Revenue Code Section number 501(c)(3) and State of California Revenue and Taxation Code Section 23701(d); therefore, no provision for income taxes is required. The Fund qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Fund evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2018, the Fund had no uncertain tax positions requiring accrual. The Fund files tax returns in California and U.S. federal jurisdictions. The Fund is no longer subject to U.S. federal and state tax examinations by tax authorities for years before 2015 and 2014, respectively.

Donated Services

During the fiscal year ended December 31, 2018, numerous volunteers gave their time and expertise to the Fund in a wide variety of areas including grant-making, administration, technical and financial advice, and office and public relations activities. This contribution, despite its considerable value to the mission of the Fund, is not reflected in the financial statements.

NOTE 2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Functional Expenses

The Fund 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.

Comparative Information

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 Fund's reviewed financial statements for the year ended December 31, 2017, from which the summarized information was derived.

NOTE 3 **ACCOUNTS AND PLEDGES RECEIVABLE**

Accounts receivable and unconditional promises to give are included in the financial statements as accounts receivables and pledges receivable and revenue of the appropriate net asset category. At December 31, 2018, these amounts are considered fully collectible within one year and therefore no present value discounts, allowances for receivables, or allowances for uncollectible promises to give have been recorded.

NOTE 4 **NET ASSETS RELEASED FROM RESTRICTIONS**

For the year ended December 31, 2018, the passage of time restrictions, satisfying the purposes specified by donors, and appropriation of endowment net assets for expenditure resulted in net assets released from restriction of \$867,850.

NOTE 5 **CHARITABLE REMAINDER TRUST AGREEMENT**

The Fund is the trustee and residual beneficiary of an irrevocable charitable remainder trust, the assets of which are in the possession of the Fund. Upon termination of the trust, the Fund shall receive the assets remaining in the trust. The Fund recognizes annually the change in the present value of the estimated future benefits to be received when the trust assets are distributed, as well as the present value of the liability of future payments to the beneficiary under the trust agreement, as increases or decreases in the value of charitable trust. The discount rate used for the year ended December 31, 2018 was 2%.

NOTE 6 **FAIR VALUE MEASUREMENT**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurement and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

NOTE 6 FAIR VALUE MEASUREMENT (Continued)

The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets.
Level 2	Inputs to the valuation methodology may include: quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for asset measured at fair value:

Money market	Money market funds valued at the net asset value (NAV) of shares held at year end.
Bonds, mutual funds, and common stocks	Exchange traded securities, mutual funds, and highly-liquid government bonds valued at quoted market prices or NAV of shares held as of year-end.
Charitable trust assets	Valued at estimated net present value of beneficial interest in trust.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Fund believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 6 FAIR VALUE MEASUREMENT (Continued)

The following table sets forth by level within the fair value hierarchy the assets at fair values as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market	\$ 91,488	\$ -	\$ -	\$ 91,488
Government bonds	148,708	-	-	148,708
Corporate bonds	150,637	-	-	150,637
Municipal bonds	51,920	-	-	51,920
Mutual funds	24,116	-	-	24,116
Mutual funds	100,035	-	-	100,035
Common stocks				
Communication Services	37,503	-	-	37,503
Consumer products	88,504	-	-	88,504
Consumer services	118,815	-	-	118,815
Financial	176,341	-	-	176,341
Healthcare	156,682	-	-	156,682
Industrials	156,745	-	-	156,745
Information technology	239,026	-	-	239,026
International	66,018	-	-	66,018
Other	<u>109,408</u>	<u>-</u>	<u>-</u>	<u>109,408</u>
Total common stocks	<u>1,150,600</u>	<u>-</u>	<u>-</u>	<u>1,150,600</u>
Total Investments	1,717,504	-	-	1,717,504
Charitable trust assets	<u>-</u>	<u>173,035</u>	<u>-</u>	<u>173,035</u>
Total assets, measured at fair value	<u>\$ 1,717,504</u>	<u>\$ 173,035</u>	<u>\$ -</u>	<u>\$ 1,890,539</u>

NOTE 7 ENDOWMENT FUNDS

Interpretation of Relevant Law

The Board of Directors, in concurrence with the advise of legal counsel, has 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 Fund retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 7 **ENDOWMENT FUNDS (Continued)**

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 Fund and the endowment funds with donor restrictions
- (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 Fund
- (7) The investment policies of the Fund

Endowment Investment and Spending Policies

The Fund has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the long-term purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity for donor-specified periods. The endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The investment policy calls for a diversified portfolio utilizing various asset classes with a goal of reducing portfolio volatility and risk.

The Fund's endowment is invested in a diversified portfolio of domestic equities and fixed income. The Fund has adopted an *Investment Policy Statement* that requires that endowment funds be invested in a socially responsible manner, consistent with the mission and political values of the organization. The portfolio's objective is to achieve a total return equivalent to or greater than the Fund's financial requirements over the long-term time horizon. Long-term investment strategies are used to manage risk and ensure that charitable dollars grow and are available forever. Accordingly, over the long term, the Fund expects current spending policy to allow its endowment assets to grow.

The Fund uses a total investment return methodology for determining its spending policy each year. The portfolio's total returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The spending policy calculates the amount of money annually distributed from the Fund's endowed funds for grant making and administrative support. The spending policy for the year ended December 31, 2018, was 5% of the endowment fund investment balance based on a rolling average of the market value for the previous three years. The Fund did not have any board-restricted endowment funds as of December 31, 2018.

NOTE 7 ENDOWMENT FUNDS (Continued)

Changes in endowment net assets for the year ended December 31, 2018, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ -	\$ 2,002,147	\$ 2,002,147
Net investment return (investment income, realized and unrealized gains and losses, net of investment fees)	-	(36,201)	(36,201)
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	(250,000)	(250,000)
Endowment net assets, end of year	\$ -	\$ 1,715,946	\$ 1,715,946

NOTE 8 LEASES

The Fund rents office facilities in Santa Barbara, California under a non-cancellable lease agreement expiring April 30, 2021, with monthly installments, including common area expenses, of \$4,051 as of December 31, 2018.

The Fund rents facilities in Santa Maria on a month-to-month basis with installments, including common area expenses, of \$1,197 as of December 31, 2018.

The Fund also leases office equipment under a non-cancellable operating lease, with monthly installments of \$173 through January 2019.

Minimum annual lease payments for the years ended December 31 are as follows:

2019	\$ 48,785
2020	48,612
2021	<u>16,204</u>
Total	<u>\$ 113,601</u>

Rent expense related to leases for the year ended December 31, 2018 totaled \$71,046.

NOTE 9 GRANTS PAYABLE

Grants payable are as follows for the years ended December 31:

2019	\$ 98,150
2020	<u>28,000</u>
Total	<u>\$ 126,150</u>

NOTE 10 RETIREMENT PLAN

The Fund for Santa Barbara has adopted a SIMPLE retirement plan and allows all employees the option to participate in a matching program for retirement benefits. The Fund matches up to a 3% of gross salary for all employees who choose to participate. For the year ended December 31, 2018, employer contributions to the plan totaled \$11,369.

NOTE 11 CONCENTRATIONS AND RISKS

Concentrations

For the years ended December 31, 2018 and 2017, approximately 60% of the grant revenue was derived from three donors.

A majority of donors to the Fund are from Santa Barbara County.

Credit Risk

The Fund maintains cash balances at banks insured by the Federal Deposit Insurance Corporation (FDIC). The Federal Deposit Insurance Corporation (FDIC) only insures the first \$250,000 of funds on deposit at any one institution. The Fund had uninsured cash of approximately \$219,000 as of December 31, 2018.

Market Risk

The Fund holds its investments in a diversified portfolio. Nevertheless, 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.

NOTE 12 RECLASSIFICATION

Certain amounts from the December 31, 2017, financial statements have been reclassified to conform with the December 31, 2018, financial statement presentation.

NOTE 13 NET ASSETS

Net Assets Without Donor Restrictions

As of December 31, 2018, Net Assets Without Donor Restrictions consist of:

General operating deficit	\$ (70,241)
Donor-advised funds	<u>72,155</u>
Total Net Assets Without Donor Restrictions	<u>\$ 1,914</u>

Net Assets With Donor Restrictions

As of December 31, 2018, Net Assets With Donor Restrictions consist of:

Accounts and pledges receivable	\$ 177,912
Charitable remainder trust agreement, net	170,436
SB Gives regranting	299,136
Un-appropriated earnings on endowments	365,708
Donor-restricted endowment funds	<u>1,350,238</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,363,430</u>

NOTE 14 LIQUIDITY AND AVAILABILITY

Financial assets available to meet cash needs for general expenditures within one year as of December 30, 2018:

Current Assets	
Cash and cash equivalents	\$ 126,949
Board approved endowment draw	100,000
Investments	<u>1,558</u>
	<u>\$ 228,507</u>

NOTE 15 SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 21, 2020, which is the date the financial statements were available to be issued. Management has determined there are no subsequent events that require recognition or disclosure in the financial statements as of and for the year ended December 31, 2018, with the exception of the following:

Subsequent to year-end, the Board of Directors approved and disbursed a total of \$364,488 in grants to participating community organizations as part of the SB Gives campaign.

NOTE 16 GRANT-MAKING

Grant expense for the year ended December 31, 2018, consisted of the following amounts:

Alternatives to Violence SB	SB Gives	\$ 29,753
Beekeepers Guild of Santa Barbara	Plant Bee Friendly	5,000
California Voting Rights Project	Special June Election Voter Engagement	3,000
Californians for Pesticide Reform	Organizing to reduce the pesticide threat in SB	10,000
Carpinteria Valley Arts Council	SB Gives	26,775
CAUSE	SB Gives	2,662
CAUSE Action Fund	SAME	30,000
Central Coast Coalition for Undocumented Success	Central Coast Coalition for Undocumented Success	9,820
Coalition Against Gun Violence	Taskforce for policies for gun violence prevention	3,000
Coalition for Sustainable Transportation	Save SB 1 - No on Proposition 6	1,999
COAST	SB Gives	3,415
College Club Fesler- Jr. High	Fesler Jr. High - UC Conference	2,900
Committee for Social Justice	Help for the Helpless	3,000
Community Action Partnership of San Luis Obispo	Teen Monologues	7,023
Community Environmental Council	Food Justice Capacity Building -- SB County	2,350
Cowboy Freedom Inc	Cowboy Freedom	4,412
Cuyama Valley REC Fund	Cuyama Valley REC Fund	5,400
Edible Campus Program	Edible Campus Program Campus Farm	3,000
Environmental Defense Center	SB Gives	7,986
Everybody Dance Now!	Inspiring SB County Youth Through Dance Culture	2,000
Everybody Dance Now!	SB Gives	874
Explore Ecology	SB Gives	5,447
Families ACT!	Jail Advocacy Project	10,000
Families ACT!	SB Gives	12,038
Foundation for SBCC	Transitions Program	30,000
Four Ingenieros Foundation	SB Gives	2,474
Franklin Service Center	Eastside Diabetes Initiative	9,000
Friends of the Carpinteria Library	SB Gives	6,372
Future Leaders of America	Youth-led Community Organizing for Local Change	3,000
Future Leaders of America	SB Gives	378
Gaviota Coast Conservancy	SB Gives	17,048
Girls Rock Santa Barbara	SB Gives	5,088
United Way NSBC	SB Gives	31,592
Housing Authority of SB	HACSB College Preparatory Series	900
I Have a Voice	I Have a Voice	2,000
Immigrant Hope	Building Legal Capacity	10,000
Importa	Expansion of North County Capacity	10,000
Independent Living Resource Center, Inc.	Busting Barriers II North County	1,844
Independent Living Resource Center, Inc.	SB Gives	1,134
Interfaith Initiative of Santa Barbara County	SB Gives	5,578
Interfaith Initiative of Santa Barbara County	Radical Hospitality!	7,550
International Cesarean Awareness Network	ICAN-SB	7,500
International Cesarean Awareness	SB Gives	325
Jodi House Brain Injury Support Center	SB Gives	4,137
Just Communities Central Coast	Language Justice Emergency Response	3,000
Just Communities Central Coast	North County Youth Organizing Initiative	10,000
Just Communities Central Coast	SB Gives	12,020
Kuya'mu-Mikiw Park Association	Kuya'mu-Mikiw Park	10,000
La Casa de la Raza	KZAA-LP Community Radio Project	10,000
La Casa de la Raza	SB Gives	4,343
Latinos Unidos	Juntos in Literature	2,860
League of Women Voters of Santa Barbara:	New Voter Outreach	5,000
Legal Aid Foundation of SB County	SB Gives	1,876
Little House By The Park	Adelante Guadalupe/Onward Guadalupe	10,000
Lompoc Cooperative Development Project	SB Gives	2,541
Los Padres ForestWatch	Latino and Youth Outreach Program	10,000
M.U.J.E.R.	Mujercitas Conference	3,000
Mental Health Association in Santa Barbara County	SB Gives	26,756
MICOP	MICOP Immigration Legal Assistance (MILA)	10,000
Mixteco / Indigena Community Organizing Project	Strengthening Indigenous Immigrant Rights	10,000
NAACP, Santa Maria-Lompoc	Women's March Santa Maria Valley	7,350
Notes for Notes Inc.	SB Gives	1,706
Organizacion en California de Lideres Campesinas	Farmworker Women Preventing Sexual Violence	10,000
Pacific Pride Foudnation	LGBTQ+ Youth Leadership Program	10,000
Pacific Pride Foundation	SB Gives	12,323
Peer Buddies	Peer Buddy Volunteers	2,000

NOTE 16 GRANT-MAKING (Continued)

PFLAG Santa Barbara	SB Gives	3,769
Planned Parenthood Calif. Central Coast	SB Gives	13,929
Poetic Justice Project	SB Gives	1,407
Quail Springs Permaculture	Inspiring Leadership for Cuyama Valle	7,401
Rainbow Parrot Conservatory	Seaside Wellness Gardens	5,660
Restorative Community Network	Voices Restorative Dialogue	5,750
Restorative Community Network	Implicit Bias Training and Small Group Discussions	2,850
San Marcos Kids Helping Kids Foundation	Kids Helping Kids Lexia Learning Initiative	1,600
Santa Barbara Bicycle Coalition	SB Gives	476
Santa Barbara Channelkeeper	Post-Fire, Flood and Mudslide Monitoring	3,000
Santa Barbara County Action Network- SBCAN	Youth Arts Alive	6,000
Santa Barbara County Immigrant Legal Defense	Expansion of the Immigrant Legal Defense Center	50,000
Santa Barbara Friends Meeting	Truth in Recruitment	10,000
Santa Barbara Rape Crisis Center	SB Gives	10,264
Santa Barbara Response Network	Immigration Advocacy Collaborative	10,000
Santa Barbara Response Network	SB Gives	2,972
Santa Barbara Street Medicine	SB Gives	29,520
Santa Barbara Transgender Advocacy Network	SB Gives	394
Santa Barbara Transgender Advocacy Network	Lisa's Place	24,000
Santa Maria/Lompoc NAACP	SB Gives	3,508
Sarah House Santa Barbara	SB Gives	19,503
SB PAL Youth Leadership Council	8th Annual Big & Little Pal Spring Break Camp	1,000
SBCAN	General Support	5,000
SBCAN	SB Gives	12,348
Senior Class of 2018	Celebration of our Futures	2,000
Alpha Resource Center Inc	SB Gives	13,100
Sociedad Honoraria Hispanic	Alivio el estres (Alleviation of stress)	2,990
The Mobile Homeowners Project	The Mobile Homeowners Project	7,290
Transitions-Mental Health Association	SB Gives	2,598
Santa Barbara Friends Meeting	SB Gives	4,093
Wilderness Youth Project	SB Gives	16,830
Youth Wellness Connection	You Matter Campaign & Self Care Day	1,500
		<u>803,297</u>
	Less: Returned Grants	<u>(8,009)</u>
	Grant Expense	<u>\$ 795,288</u>