

**FUND FOR SANTA BARBARA, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

**FUND FOR SANTA BARBARA, INC.**

December 31, 2011

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## **ACCOUNTANTS' COMPILATION REPORT**

Board of Directors  
Fund for Santa Barbara, Inc.  
Santa Barbara, California

We have compiled the accompanying statement of financial position of the Fund for Santa Barbara, Inc. (a non-profit corporation) as of December 31, 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements, and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United State of America. Information for the year ended December 31, 2010, is presented for comparative purposes only and was extracted from the compiled financial statements for that year, with a report date of November 7, 2011, stating we did not express an opinion or any other form of assurance on those statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

*McGowan Guntermann*

November 12, 2012

**FUND FOR SANTA BARBARA, INC.**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2011

(With Comparative Totals for December 31, 2010)

	ASSETS				(Memo)
	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 59,919	\$ 25,727	\$ -	\$ 85,646	\$ 72,650
Accounts and pledges receivable	<u>5,773</u>	<u>148,782</u>	<u>-</u>	<u>154,555</u>	<u>159,151</u>
Total Current Assets	<u>65,692</u>	<u>174,509</u>	<u>-</u>	<u>240,201</u>	<u>231,801</u>
<b>INVESTMENTS</b>	761,642	455,932	1,350,238	2,567,812	1,857,520
<b>PROPERTY AND EQUIPMENT</b>					
Property and equipment	21,653	-	-	21,653	20,556
Less: accumulated depreciation	<u>(17,591)</u>	<u>-</u>	<u>-</u>	<u>(17,591)</u>	<u>(15,349)</u>
Net Property and equipment	<u>4,062</u>	<u>-</u>	<u>-</u>	<u>4,062</u>	<u>5,207</u>
<b>OTHER ASSETS</b>					
Deposits	1,428	-	-	1,428	1,428
Pledges receivable	-	-	-	-	95,000
Charitable remainder trust assets	<u>-</u>	<u>142,908</u>	<u>-</u>	<u>142,908</u>	<u>147,598</u>
Total Other Assets	<u>1,428</u>	<u>142,908</u>	<u>-</u>	<u>144,336</u>	<u>244,026</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 832,824</b></u>	<u><b>\$ 773,349</b></u>	<u><b>\$ 1,350,238</b></u>	<u><b>\$ 2,956,411</b></u>	<u><b>\$ 2,338,554</b></u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Grants payable and accrued expenses	\$ 45,128	\$ -	\$ -	\$ 45,128	\$ 45,276
<b>LONG-TERM LIABILITIES</b>					
Grants payable, noncurrent	10,000	-	-	10,000	10,000
Charitable remainder trust liability	<u>-</u>	<u>9,353</u>	<u>-</u>	<u>9,353</u>	<u>10,994</u>
Total Long-term Liabilities	<u>10,000</u>	<u>9,353</u>	<u>-</u>	<u>19,353</u>	<u>20,994</u>
<b>TOTAL LIABILITIES</b>	<u>55,128</u>	<u>9,353</u>	<u>-</u>	<u>64,481</u>	<u>66,270</u>
<b>NET ASSETS</b>					
Unrestricted					
Operating funds	1,054	-	-	1,054	976
Donor-advised funds	<u>776,642</u>	<u>-</u>	<u>-</u>	<u>776,642</u>	<u>13,429</u>
Total Unrestricted	<u>777,696</u>	<u>-</u>	<u>-</u>	<u>777,696</u>	<u>14,405</u>
Temporarily restricted	-	763,996	-	763,996	907,641
Permanently restricted	<u>-</u>	<u>-</u>	<u>1,350,238</u>	<u>1,350,238</u>	<u>1,350,238</u>
Total Net Assets	<u>777,696</u>	<u>763,996</u>	<u>1,350,238</u>	<u>2,891,930</u>	<u>2,272,284</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 832,824</b></u>	<u><b>\$ 773,349</b></u>	<u><b>\$ 1,350,238</b></u>	<u><b>\$ 2,956,411</b></u>	<u><b>\$ 2,338,554</b></u>

See accountants' compilation report and footnotes.

**FUND FOR SANTA BARBARA, INC.**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the Year Ended December 31, 2011

(With Comparative Totals for the Year Ended December 31, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	(Memo) 2010 Total
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>					
Donations	\$ 1,355,959	\$ 42,822	\$ -	\$ 1,398,781	\$ 375,273
Grants	85,000	-	-	85,000	144,860
Special events (net of expenses of \$192,013 and \$163,473)	121,262	-	-	121,262	132,844
Investment (loss) income (net of expenses of \$15,152 and \$14,985)	(131,940)	35,950	-	(95,990)	209,300
Change in value of charitable remainder trust	-	(3,049)	-	(3,049)	12,860
Program management fees	7,149	-	-	7,149	-
Released from restrictions	219,368	(219,368)	-	-	-
Total Revenue, Gains, and Other Support	<u>1,656,798</u>	<u>(143,645)</u>	<u>-</u>	<u>1,513,153</u>	<u>875,137</u>
<b>EXPENSES</b>					
Program	756,596	-	-	756,596	661,934
Management and general	82,041	-	-	82,041	91,111
Fundraising	54,870	-	-	54,870	67,683
Total Expenses	<u>893,507</u>	<u>-</u>	<u>-</u>	<u>893,507</u>	<u>820,728</u>
<b>CHANGE IN NET ASSETS</b>	<b>763,291</b>	<b>(143,645)</b>	<b>-</b>	<b>619,646</b>	<b>54,409</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>14,405</u>	<u>907,641</u>	<u>1,350,238</u>	<u>2,272,284</u>	<u>2,217,875</u>
<b>NET ASSETS, END OF YEAR</b>	<u><b>\$ 777,696</b></u>	<u><b>\$ 763,996</b></u>	<u><b>\$ 1,350,238</b></u>	<u><b>\$ 2,891,930</b></u>	<u><b>\$ 2,272,284</b></u>

See accountants' compilation report and footnotes.

**FUND FOR SANTA BARBARA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2011

(With Comparative Totals for the Year Ended December 31, 2010)

EXPENSES	Program	Management and General	Fundraising	2011 Total	(Memo) 2010 Total
Grants (less rescindments of \$6,288 and \$27)	\$ 447,190	\$ -	\$ -	\$ 447,190	\$ 385,013
Salaries	166,734	34,129	42,256	243,119	225,560
Rent, storage and utilities	27,616	15,534	-	43,150	45,688
Community program expenses	38,960	-	-	38,960	59,450
Employee benefits	17,747	3,237	4,222	25,206	24,397
Payroll taxes	14,312	2,806	3,536	20,654	19,035
Travel and conferences	9,367	1,691	-	11,058	8,916
Professional services	-	10,855	-	10,855	10,445
Supplies	8,799	1,829	-	10,628	8,764
Dues and subscriptions	7,973	-	-	7,973	3,278
Printing and postage	3,604	900	2,703	7,207	6,557
Repairs and maintenance	4,285	2,411	-	6,696	4,146
Telephone and internet	3,903	2,196	-	6,099	4,640
Insurance	3,476	1,956	-	5,432	4,688
Public relations	2,153	-	2,153	4,306	5,194
Miscellaneous	477	2,255	-	2,732	2,833
Depreciation	-	2,242	-	2,242	2,124
<b>TOTAL EXPENSES</b>	<b><u>\$ 756,596</u></b>	<b><u>\$ 82,041</u></b>	<b><u>\$ 54,870</u></b>	<b><u>\$ 893,507</u></b>	<b><u>\$ 820,728</u></b>
	85%	9%	6%		

See accountants' compilation report and footnotes.

**FUND FOR SANTA BARBARA, INC.**

**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2011

(With Comparative Totals for the Year Ended December 31, 2010)

	<u>2011</u>	<u>(Memo)</u> <u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 619,646	\$ 54,409
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	2,242	2,124
In-kind donation of stock	(1,012,341)	(11,135)
Contributions restricted for long-term investment	-	(10,489)
Realized and unrealized loss (gain) on investments	186,994	(173,379)
Decrease (increase) in:		
Accounts and pledges receivable	99,596	63,433
Charitable remainder trust assets	4,690	(12,529)
Increase (decrease) in:		
Grants payable and accrued expenses	(148)	(3,419)
Charitable remainder trust liability	<u>(1,641)</u>	<u>(331)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(100,962)</u>	<u>(91,316)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(1,097)	(825)
Proceeds from sale of marketable securities	498,134	794,501
Purchase of marketable securities	<u>(383,079)</u>	<u>(734,289)</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>113,958</u>	<u>59,387</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for long-term investment	<u>-</u>	<u>10,489</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>-</u>	<u>10,489</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	<b>12,996</b>	<b>(21,440)</b>
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>72,650</u>	<u>94,090</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 85,646</u></b>	<b><u>\$ 72,650</u></b>
 <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Noncash transactions consisted of the following:		
In-kind donation of goods, services, and facility for special events	\$ 149,312	\$ 122,347

See accountants' compilation report and footnotes.

# FUND FOR SANTA BARBARA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – ORGANIZATION

The Fund for Santa Barbara (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 \$4 million to over 800 projects.

The Fund's technical assistance program serves over 200 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 serves as a meeting point for grassroots organizations and has a long history of convening activists, service providers, policy-makers, and funders around critical issues.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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.

#### Financial Statement Presentation

The Fund reports information regarding its financial position and activities in three classes of net assets - unrestricted, temporarily restricted, and permanently restricted - based on the existence or absence of donor-imposed restrictions.

#### Unrestricted Net Assets

The unrestricted net assets represent unrestricted resources available for current support of the Fund activities. In addition, unrestricted net assets include donor-advised funds for which the donors will recommend that the monies be granted to specific non-profits. The Fund has no obligation to follow the donor's recommendations, nor can the funds be returned to the donor.



# FUND FOR SANTA BARBARA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial Statement Presentation (continued)

##### Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions and other inflows 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 Fund that fulfill donor stipulations. In addition, temporarily restricted net assets include planned gifts and contributions receivable. Earnings on temporarily restricted net assets are reported as an increase in temporarily restricted net assets. Earnings on donor-restricted endowment funds that have not yet been appropriated are also classified as temporarily restricted net assets. When a restriction expires temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as “net assets released from restrictions”.

##### 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 actions of the Fund. Permanently restricted net assets consist of those donor-restricted endowments held by the Fund as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

##### 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. Unrealized gains and losses are included in the change in net assets. Donated securities are recorded at their estimated value at date of receipt.

##### 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 \$500. 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, 2011, totaled \$2,242.

# FUND FOR SANTA BARBARA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

#### 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, 2011, 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 2008.

#### Donated Services

During the fiscal year ended December 31, 2011, hundreds of 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.

#### 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, 2011.

**FUND FOR SANTA BARBARA, INC.**

NOTES TO 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 compiled financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Subsequent Events

The Fund has evaluated subsequent events through November 12, 2012, the date which the financial statements were available to be issued.

NOTE 3 – INVESTMENTS

Investments are presented in the financial statements at fair market value, which is derived from quoted market prices at year end. None of these investments are held for trading purposes. These amounts are not necessarily indicative of the amounts the Fund could realize in a current market exchange. Realized and unrealized gains and losses on investments are reflected in the statement of activities. At December 31, 2011, marketable securities consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Money market	\$ 87,972	\$ 87,972	\$ -
Domestic bonds	356,907	378,033	21,126
International bonds	454,612	357,659	(96,953)
Corporate bonds	514,362	431,984	(82,378)
Mutual funds	100,000	114,200	14,200
Common stocks	<u>933,333</u>	<u>1,197,964</u>	<u>264,631</u>
Total	<u>\$ 2,447,186</u>	<u>\$ 2,567,812</u>	<u>\$ 120,626</u>

The following summarizes the net change in unrealized gain on investments:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Balance at end of year	\$ 2,447,186	\$ 2,567,812	\$ 120,626
Balance at beginning of year	1,538,873	1,857,520	<u>318,647</u>
Net change in unrealized			<u>\$ (198,021)</u>

# FUND FOR SANTA BARBARA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 3 – INVESTMENTS (continued)

The following summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2011.

Investment and dividend income	\$ 106,157
Unrealized loss on value of securities	(198,021)
Realized gain on sale of securities	11,026
Less: Investment fees	<u>(15,152)</u>
Total Investment Return	<u>\$ (95,990)</u>

### NOTE 4 – PLEDGES RECEIVABLE AND ACCOUNTS RECEIVABLE

Accounts receivable and unconditional promises to give are included in the financial statements as receivables and pledges receivable and revenue of the appropriate net asset category. At December 31, 2011, these amounts are considered fully collectible within one year and therefore no allowances for receivables or uncollectible promises to give have been recorded.

### 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.

### NOTE 6 – LEASES

The Fund rents facilities in Santa Barbara and Santa Maria under a leases agreement expiring through August 2013 with monthly installments, including common area expenses, of \$3,186 as of December 31, 2011. Minimum annual lease payments are as follows for the years ended December 31:

2012	\$ 38,232
2013	<u>22,568</u>
Total	<u>\$ 60,800</u>

### NOTE 7 – GRANTS PAYABLE

Future minimum grants payable are as follows for the years ended December 31:

2012	\$ 35,200
2013	<u>10,000</u>
Total	<u>\$ 45,200</u>

# FUND FOR SANTA BARBARA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8 – 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). The three levels of the fair value hierarchy under FASB 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 Funds	Money market funds valued at the net asset value (NAV) of shares held at year end.
Common Stocks, Fixed Income, and Mutual Funds	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 Foundation 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.

**FUND FOR SANTA BARBARA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 – 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, 2011:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market	\$ 87,972	\$ -	\$ -	\$ 87,972
Domestic bonds	378,033	-	-	378,033
International bonds	357,659	-	-	357,659
Corporate bonds	431,984	-	-	431,984
Mutual funds	114,200	-	-	114,200
Common stocks				
Consumer products	190,002	-	-	190,002
Consumer services	116,985	-	-	116,985
Business services	190,184	-	-	190,184
Capital goods	276,137	-	-	276,137
Energy	115,478	-	-	115,478
Transportation	72,269	-	-	72,269
Financial	120,900	-	-	120,900
International	<u>116,009</u>	<u>-</u>	<u>-</u>	<u>116,009</u>
Total common stocks	<u>1,197,964</u>	<u>-</u>	<u>-</u>	<u>1,197,964</u>
Total Investments	2,567,812	-	-	2,567,812
Charitable trust assets	<u>-</u>	<u>133,555</u>	<u>-</u>	<u>133,555</u>
Total assets, net of liabilities, measured at fair value	<u>\$ 2,567,812</u>	<u>\$ 133,555</u>	<u>\$ -</u>	<u>\$ 2,701,367</u>

**NOTE 9 – NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by satisfying the purposes specified by donors. For 2011, the passage of time restrictions and appropriation of endowment net assets for expenditure resulted in net assets released from restriction of \$219,368.

**NOTE 10 – CONCENTRATIONS AND RISKS**

Concentrations

As of December 31, 2011, 70% of the total revenue, gains, and other support were derived from a single contribution to a donor advised fund and 89% of the year-end pledge receivable balance was due from one donor. In addition, a majority of donors to the Fund are from Santa Barbara County.

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.

# FUND FOR SANTA BARBARA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 11 – RECLASSIFICATION

Certain amounts from the December 31, 2010 financial statements have been reclassified to conform with the December 31, 2011 financial statement presentation.

### NOTE 12 – AFFILIATIONS

The Fund is a member of The Funding Exchange – a national network of publicly supported, community-based foundations who share a commitment to social change philanthropy. The Fund is not considered part of an affiliated group for tax reporting purposes.

### NOTE 13 – EMPLOYEE BENEFITS

The Fund provides comprehensive health insurance to all employees. The Fund pays the full premium for those employees working half-time or more, and a prorated amount for employees working less than half-time.

The Fund for Santa Barbara has adopted a SIMPLE retirement plan beginning January 1, 2009. The plan 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, 2011, employer contributions to the plan totaled \$4,881.

### NOTE 14 – NET ASSETS

#### Unrestricted Restricted Net Assets

As of December 31, 2011, unrestricted net assets consist of the following:

Operating funds	\$ 1,054
Donor-advised funds	<u>776,642</u>
Total unrestricted net assets	<u>\$ 777,696</u>

#### Temporarily Restricted Net Assets

As of December 31, 2011, temporarily restricted net assets consist of the following:

Pledges receivable	\$ 148,782
Split-interest agreements	133,555
Donations with time restrictions	25,727
Un-appropriated earnings on endowments	<u>455,932</u>
Total temporarily restricted net assets	<u>\$ 763,996</u>

#### Permanently Restricted Net Assets

As of December 31, 2011, permanently restricted net assets consist of the following:

Donor-restricted endowment funds	<u>\$ 1,350,238</u>
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# FUND FOR SANTA BARBARA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 15 – GRANT-MAKING

2nd Story Associates / Rental Housing Mediation Task Force	\$ 5,000
AB 540 Coalition of Santa Barbara	5,720
Adsum Education Foundation / General Support	20,000
Adsum Education Foundation / General Support	5,000
Alliance with Mexican Immigrant Labor / MILPA (Mexican Immigrant Labor and Producer's Association)	10,000
Alternative U.S. at UCSB / SOA Watch Conference and Action	3,000
American GI Forum Santa Maria Chapter / Tour de Dreams	1,031
Art Without Limits / Santa Barbara NewSource	9,500
Asociacion de Traductores de Idiomas Indigenas / Indigenous Languages Translators Association	6,000
Carpinteria Valley Foundation / Hydraulic Fracturing Coalition	10,000
Casa Esperanza - Bringing Our Community Home / Homeless Inmate Discharge Planning Project	3,000
Casa Esperanza Homeless Center / Gap Funding in advance of BOCH & Common Ground Consolidation	3,000
Central Coast Alliance United for a Sustainable Economy (CAUSE) / Santa Maria Civic Engagement Project	7,000
Children's Creative Project / Michael Katz Storyteller Residencies	2,500
Christian Associates International / Common Ground & BOCH Merger Preparation	2,500
Coalition for Global Dialogue / "Our House Divided" Forum on Immigration	2,900
Coalition for Sustainable Transportation (COAST) / Pedestrian and Transit Organizing	10,000
Committee for Social Justice / The People's Institute at Casa Esperanza	800
Community Counseling and Education Center / Speak Out	2,000
Conflict Solutions Center / Restorative Justice Partnership Initiative	9,000
Doctors Without Walls – SB Street Medicine / General Support	1,000
Environmental Education Group / Voices From The Gulf	3,000
Families ACT! / Wake-Up Coalition	5,000
Family Therapy Institute / Academy of Healing Arts (AHA!) - General Support	2,500
Freedom Warming Centers / General Operations	15,000
Freedom Warming Centers / Survival Santa Barbara	3,000
Friendship Club of San Marcos High School / Learn 2 Live Project	1,500
Future Leaders of America / "Take the Lead" Project	1,025
Gay Rights Advocates for Change & Equality (GRACE) / General Support	1,000
Gay Straight Alliance of Santa Maria High School	1,600
Girls for Change (G4C) / G4C in the 21st Century	3,375
Good Samaritan Shelter / Faces of Homelessness	5,000
Importa / Non-Partisan Voter Registration Campaign	30,000
Isla Vista Teen Alliance / Teen Wellness Program	2,505
Jodi House, Inc. / Club Diversity	1,300
Just Communities Central Coast / Multilingual Capacity-Building & Training	1,000
Mental Health Association in Santa Barbara County / Pushy Shovel Community Peace and Freedom Garden	3,543
Orcutt Area Seniors In Service, Inc. / "Celebrate Our World"	8,000
Pacific Pride Foundation - LGBTQ Training for the Santa Barbara Police Department	3,000
Pacific Pride Foundation / Santa Barbara Lavender Elders	5,000
PALABRA (collaborative effort with Esperanza and ySTRIVE) / One Community, One Voice, One Power	10,000
People for a Green Community / Green Community Television	9,300
Pioneer Valley High School Link Crew	600
Primo Boxing / Say Yes to Kids	10,000
Project Gutpile / Educational Video: "The Non-Lead Hunter"	7,000
PUEBLO / Youth Violence Programming in Response to the Gang Injunction	10,000
Ready2Move / Club Development and Santa Barbara High School Wellness Week	500



# FUND FOR SANTA BARBARA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 15 – GRANT-MAKING (continued)

Santa Barbara Birth Center / General Support	1,500
Santa Barbara Channelkeeper / Clean Water Advocacy and Enforcement Program	16,000
Santa Barbara County Action Network (SB CAN) / General Operational Support	30,000
Santa Barbara County Action Network / General Support	5,000
Santa Barbara County Education Office / SB County Network of Promotores de Salud	8,000
Santa Barbara Foundation / Recidivism Reduction in the County Jail	2,500
Santa Barbara International Film Festival / Social Justice Award for Documentary Film	10,000
Santa Barbara Police Activities League (PAL) Youth Leadership Council / 1st Annual Big & Little PAL Camp	2,022
Santa Barbara Youth & Families Project	33,792
Santa Maria Valley Future Search Collaborative / Familias Unidas Buscando Esperanza	10,000
Santa Ynez Valley Alliance / Valley Blueprint Evaluation	2,500
Sarah House / General Support	2,500
The ACE Academy / ACE Tennis	723
The Business Club Youth Outreach Program / Isla Vista Elementary Business Club	800
The Foundation for SBCC / Transitions Program	9,500
The Good Life / Junior High Mentoring Program	1,400
True Nature Society - Quail Springs / Green For All - The Next American Economy Community Event	2,500
University Park Homeowners Association / Mobile Homeowners Project	15,000
Village Farmers' Market Association / Vandenberg Village Farmers' Market	3,092
What is Love Group – PSA on Teen Dating Violence	1,950
William James Association / Poetic Justice Project	10,000
Youth Action Advisory Council to the SYV Coalition to Promote Drug Free Youth / Healthy Alternatives for Youth	2,000
Youth Cinemedia / General Support	10,000
Youth Cinemedia / Media Classes at Los Prietos Boys Camp	10,000
Less: rescinded grants	<u>(6,288)</u>
<b>TOTAL GRANTMAKING</b>	<b><u>\$ 447,190</u></b>

### NOTE 16 – 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 has classified with the explicit prohibition by the donor 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 are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Fund in a manner consistent with the standard for prudence prescribed by UPMIFA.

# FUND FOR SANTA BARBARA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 16 – 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 fund.
- (2) The purposes of the Fund and the donor-restricted endowment fund.
- (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 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.

#### Endowment Investment and Spending Policies (continued)

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 current spending policy in 2011 was 5% based on a rolling average of the market value for the previous twelve quarters.

**FUND FOR SANTA BARBARA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

NOTE 16 – ENDOWMENT FUNDS (continued)

Changes in endowment net assets for the year ended December 31, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 507,282	\$ 1,350,238	\$ 1,857,520
Net investment return (investment income, realized and unrealized gains and losses)	-	35,950	-	35,950
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(87,300)</u>	<u>-</u>	<u>(87,300)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 455,932</u>	<u>\$ 1,350,238</u>	<u>\$ 1,806,170</u>

The Fund did not have any board-restricted endowment funds as of December 31, 2011.