

**FUND FOR SANTA BARBARA, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2013

**FUND FOR SANTA BARBARA, INC.**

DECEMBER 31, 2013

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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, 2013, 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, 2012, is presented for comparative purposes only and was extracted from the compiled financial statements for that year, with a report date of November 11, 2013, 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*

December 18, 2014

**FUND FOR SANTA BARBARA, INC.**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2013

(With Comparative Totals for December 31, 2012)

ASSETS					
	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	(Memo) 2012 Total
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 82,531	\$ 14,042	\$ -	\$ 96,573	\$ 30,163
Accounts and pledges receivable	-	59,112	-	59,112	18,728
<b>Total Current Assets</b>	<u>82,531</u>	<u>73,154</u>	<u>-</u>	<u>155,685</u>	<u>48,891</u>
<b>INVESTMENTS</b>	455,991	646,280	1,350,238	2,452,509	2,666,923
<b>PROPERTY AND EQUIPMENT</b>					
Property and equipment	29,457	-	-	29,457	23,555
Less: accumulated depreciation	(22,221)	-	-	(22,221)	(19,783)
<b>Net Property and equipment</b>	<u>7,236</u>	<u>-</u>	<u>-</u>	<u>7,236</u>	<u>3,772</u>
<b>OTHER ASSETS</b>					
Deposits	1,123	-	-	1,123	1,123
Charitable remainder trust assets	-	174,039	-	174,039	148,630
<b>Total Other Assets</b>	<u>1,123</u>	<u>174,039</u>	<u>-</u>	<u>175,162</u>	<u>149,753</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 546,881</b></u>	<u><b>\$ 893,473</b></u>	<u><b>\$ 1,350,238</b></u>	<u><b>\$ 2,790,592</b></u>	<u><b>\$ 2,869,339</b></u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Grants payable and accrued expenses	\$ 65,589	\$ -	\$ -	\$ 65,589	\$ 51,356
<b>LONG-TERM LIABILITIES</b>					
Grants payable, noncurrent	25,000	-	-	25,000	27,500
Charitable remainder trust liability	-	8,442	-	8,442	8,438
<b>Total Long-term Liabilities</b>	<u>25,000</u>	<u>8,442</u>	<u>-</u>	<u>33,442</u>	<u>35,938</u>
<b>TOTAL LIABILITIES</b>	<u>90,589</u>	<u>8,442</u>	<u>-</u>	<u>99,031</u>	<u>87,294</u>
<b>NET ASSETS</b>					
Unrestricted					
Operating deficit	(28,564)	-	-	(28,564)	(67,075)
Donor-advised funds	484,856	-	-	484,856	794,251
<b>Total unrestricted</b>	<u>456,292</u>	<u>-</u>	<u>-</u>	<u>456,292</u>	<u>727,176</u>
Temporarily restricted	-	885,031	-	885,031	704,631
Permanently restricted	-	-	1,350,238	1,350,238	1,350,238
<b>Total Net Assets</b>	<u>456,292</u>	<u>885,031</u>	<u>1,350,238</u>	<u>2,691,561</u>	<u>2,782,045</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 546,881</b></u>	<u><b>\$ 893,473</b></u>	<u><b>\$ 1,350,238</b></u>	<u><b>\$ 2,790,592</b></u>	<u><b>\$ 2,869,339</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, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	(Memo) 2012 Total
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>					
Donations	\$ 196,026	\$ 59,112	\$ -	\$ 255,138	\$ 334,570
Grants	326,439	-	-	326,439	190,500
Special events (net of expenses of \$130,528 and \$157,759)	180,099	-	-	180,099	121,676
Investment income (net of expenses of \$15,964 and \$15,286)	(96,387)	401,821	-	305,434	288,634
Change in value of charitable remainder trust	-	25,405	-	25,405	6,636
Program management fees	10,403	-	-	10,403	13,282
Released from restrictions	305,938	(305,938)	-	-	-
Total Revenue, Gains, and Other Support	922,518	180,400	-	1,102,918	955,298
<b>EXPENSES</b>					
Program	978,298	-	-	978,298	882,730
Management and general	153,480	-	-	153,480	123,866
Fundraising	61,624	-	-	61,624	58,587
Total Expenses	1,193,402	-	-	1,193,402	1,065,183
<b>CHANGE IN NET ASSETS</b>	<b>(270,884)</b>	<b>180,400</b>	<b>-</b>	<b>(90,484)</b>	<b>(109,885)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	727,176	704,631	1,350,238	2,782,045	2,891,930
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 456,292</b>	<b>\$ 885,031</b>	<b>\$ 1,350,238</b>	<b>\$ 2,691,561</b>	<b>\$ 2,782,045</b>

See accountants' compilation report and footnotes.

**FUND FOR SANTA BARBARA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

EXPENSES	Program	Management and General	Fundraising	2013 Total	(Memo) 2012 Total
Grants (less rescindments of \$15,687 and \$1,500)	\$ 516,960	\$ -	\$ -	\$ 516,960	\$ 507,215
Salaries	215,170	80,083	42,437	337,690	276,362
Community program expenses	86,721	-	-	86,721	59,795
Professional services	33,619	13,555	-	47,174	53,622
Rent, storage, repairs, and utilities	36,042	20,274	-	56,316	54,209
Employee benefits	32,983	14,734	6,635	54,352	37,820
Payroll taxes	16,647	7,413	3,389	27,449	22,128
Travel and conferences	7,624	-	-	7,624	14,010
Supplies	11,288	7,369	9,163	27,820	19,044
Dues and subscriptions	7,706	-	-	7,706	7,273
Telephone, internet, and equipment	9,539	5,365	-	14,904	6,390
Insurance	3,999	2,249	-	6,248	5,123
Depreciation	-	2,438	-	2,438	2,192
<b>TOTAL EXPENSES</b>	<b>\$ 978,298</b>	<b>\$ 153,480</b>	<b>\$ 61,624</b>	<b>\$ 1,193,402</b>	<b>\$ 1,065,183</b>
	82%	13%	5%		

See accountants' compilation report and footnotes.

**FUND FOR SANTA BARBARA, INC.**

**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	2013	(Memo) 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (90,484)	\$ (109,885)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	2,438	2,192
Realized and unrealized gain on investments	(222,266)	(182,645)
Decrease (increase) in:		
Accounts and pledges receivable	(40,384)	135,827
Charitable remainder trust assets	(25,409)	(5,722)
Deposits	-	305
Increase (decrease) in:		
Grants payable and accrued expenses	11,733	23,728
Charitable remainder trust liability	4	(915)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(364,368)</b>	<b>(137,115)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(5,902)	(1,902)
Proceeds from sale of marketable securities	572,474	477,687
Purchase of marketable securities	(135,794)	(394,153)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>430,778</b>	<b>81,632</b>
 <b>NET INCREASE (DECREASE) IN CASH</b>	<b>66,410</b>	<b>(55,483)</b>
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>30,163</b>	<b>85,646</b>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 96,573</b>	<b>\$ 30,163</b>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Noncash transactions consisted of the following:

In-kind donation of goods, services, and facility for special events	\$ 99,425	\$ 102,002
In-kind donation of stock	\$ 11,576	\$ 13,444

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 \$5 million to over 900 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 convenes 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, 2013, totaled \$2,438.

# 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, 2013, 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 2010 and 2009, respectively.

#### Donated Services

During the fiscal year ended December 31, 2013, 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, 2013.

**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, 2012, from which the summarized information was derived.

Subsequent Events

The Fund has evaluated subsequent events through December 18, 2014, 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, 2013, marketable securities consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Money market	\$ 96,345	\$ 96,345	\$ -
Municipal bonds	49,992	50,474	482
Corporate bonds (donated)	763,610	552,166	(211,444)
Mutual funds	106,138	154,120	47,982
Common stocks	<u>929,267</u>	<u>1,599,404</u>	<u>670,137</u>
Total	<u>\$ 1,945,352</u>	<u>\$ 2,452,509</u>	<u>\$ 507,157</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	\$ 1,945,352	\$ 2,452,509	\$ 507,157
Balance at beginning of year	2,377,349	2,666,923	<u>289,596</u>
Net change in unrealized			<u>\$ 217,561</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, 2013.

Investment and dividend income	\$ 99,132
Unrealized gain on value of securities	217,561
Realized gain on sale of securities	4,705
Less: Investment fees	<u>(15,964)</u>
Total Investment Return	<u>\$ 305,434</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, 2013, 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 on a month-to-month basis with monthly installments, including common area expenses, of \$3,467 as of December 31, 2013.

The Fund rents facilities in Santa Maria under a leases agreement expiring August 15, 2016 with monthly installments, including common area expenses, of \$1,218 as of December 31, 2013.

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

2014	\$ 14,616
2015	14,616
2016	<u>9,135</u>
Total	<u>\$ 38,367</u>

Rent expense related to leases for the year ended December 31, 2013 totaled \$49,474.

**FUND FOR SANTA BARBARA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – GRANTS PAYABLE**

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

2014	\$ 52,500
2015	<u>25,000</u>
Total	<u>\$ 77,500</u>

**NOTE 8 – NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by satisfying the purposes specified by donors. For the year ended December 31, 2013, the passage of time restrictions and appropriation of endowment net assets for expenditure resulted in net assets released from restriction of \$305,938.

**NOTE 9 – 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.

**FUND FOR SANTA BARBARA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – FAIR VALUE MEASUREMENT (continued)**

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.

The following table sets forth by level within the fair value hierarchy the assets at fair values as of December 31, 2013:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market	\$ 96,345	\$ -	\$ -	\$ 96,345
Municipal bonds	50,474	-	-	50,474
Corporate bonds	552,166	-	-	552,166
Mutual funds	154,120	-	-	154,120
Common stocks				
Consumer products	268,396	-	-	268,396
Consumer services	165,094	-	-	165,094
Business services	206,980	-	-	206,980
Capital goods	356,920	-	-	356,920
Energy	68,310	-	-	68,310
Transportation	56,724	-	-	56,724
Financial	280,064	-	-	280,064
International	<u>196,916</u>	<u>-</u>	<u>-</u>	<u>196,916</u>
Total common stocks	<u>1,599,404</u>	<u>-</u>	<u>-</u>	<u>1,599,404</u>
Total Investments	2,452,509	-	-	2,452,509
Charitable trust assets, net	<u>-</u>	<u>165,597</u>	<u>-</u>	<u>165,597</u>
Total assets, net of liabilities, measured at fair value	<u>\$ 2,452,509</u>	<u>\$ 165,597</u>	<u>\$ -</u>	<u>\$ 2,618,106</u>

# FUND FOR SANTA BARBARA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10 – CONCENTRATIONS AND RISKS

#### Concentrations

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.

### NOTE 11 – RECLASSIFICATION

Certain amounts from the December 31, 2012 financial statements have been reclassified to conform with the December 31, 2013 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. On March 1, 2013, The Funding Exchange Board of Directors voted unanimously to dissolve the organization.

### 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 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, 2013, employer contributions to the plan totaled \$9,515.

### NOTE 14 – NET ASSETS

#### Unrestricted Net Assets

As of December 31, 2013, unrestricted net assets consist of the following:

Operating deficit	\$ ( 28,564)
Donor-advised funds	<u>484,856</u>
Total unrestricted net assets	<u>\$ 456,292</u>

**FUND FOR SANTA BARBARA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 14 – NET ASSETS (continued)**

Temporarily Restricted Net Assets

As of December 31, 2013, temporarily restricted net assets consist of the following:

Pledges receivable	\$ 59,112
Split-interest agreements, net	165,597
Donations with time restrictions	14,042
Un-appropriated earnings on endowments	<u>646,280</u>
Total temporarily restricted net assets	<u>\$ 885,031</u>

Permanently Restricted Net Assets

As of December 31, 2013, permanently restricted net assets consist of the following:

Donor-restricted endowment funds	<u>\$ 1,350,238</u>
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**NOTE 16 – GRANT-MAKING**

<u>ORGANIZATION</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
Academy of Healing Arts (AHA!)	Leadership Council Circle Summer Workshops	\$ 7,000
AHC Dream Club	General Support for AB540 Advocacy and Scholarships	1,350
American GI Forum	Parents for Community Involvement Committee	3,000
American GI Forum	LULAC Youth Council of Santa Maria Educational Workshops	2,149
California Center for Cooperative Development	Lompoc Worker Development & Expansion	7,000
California Independent Provider Training Center	"The Time is Now Project"- "Proyecto Ya Es Ahora"	10,000
Central Coast Alliance United for a Sustainable Economy	Citizenship Fair, May 5th	3,000
Central Coast Alliance United for a Sustainable Economy	Building Leadership and Organizing in Our Neighborhoods	10,000
Central Coast Alliance United for a Sustainable Economy	General Support	7,000
Central Coast Future Leaders	Spring Forward Conference	1,600
Central Coast Green Team	Edible Landscaping Demonstration Garden	4,800
Children's Creative Project	Michael Katz Storyteller Residency Program	1,500
Coast Valley Substance Abuse Treatment Center	Recovery Day in the Park	3,840
Coastal Band of the Chumash Nation	Education Program Cultural Outreach	6,300
Committee for Social Justice	The Jail Ride Program	2,000
Conflict Solutions Center	Restorative Justice Partnership Initiative	10,000
Cuyama Valley Family Resource Center	Cuyama Youth4Change	4,400
Downs Syndrome Association of Santa Barbara County	Next Chapter Book Club	1,600
Dual Immersion Alliance	Dual Immersion Foundational Exploration	1,740
EcoFaith of Santa Barbara	Use of Clean Energy in Santa Barbara Faith Communities	10,000
Environmental Defense Center	Santa Barbara County Environmental Coalition	6,000
Ernest Righetti High School Latinos Unidos Club	College Promotion Conference	3,000
Fighting Back Santa Maria Valley Youth Involvement Group	Respecting Me, Respecting You Conferences	3,081
Foundation for Santa Barbara City College	The Transitions Program	10,000
Freedom4Youth Leadership Program	Los Prietos Boys Camp Anti-Bullying Project	3,190
Future Leaders of America	Strategic Planning Effort	4,000
Future Leaders of America	Immigrant and Latino Youth Civic Engagement and Advocacy	7,000
Guadalupe - Nipomo Dunes Center	Environmental Creative Writing Class for Elementary Students	6,946
Importa	General Support	30,000
Independent Living Resource Center	Pushy Shovels	6,996
Just Communities	North County Language Access Initiative	7,842
Just Communities	Dual Immersion Foundational Exploration	2,500
KCLU	Acquisition of Radio Station in Santa Maria	30,000
La Hermandad Hank Lecayo Youth & Family Center	Engaging the Mixtec Immigrant Community in Santa Maria	6,000
Las Abuelitas of Santa Barbara	Las Abuelitas	7,020
Legal Aid Foundation	U-Visa Project	30,000
Legal Aid Foundation of Santa Barbara County	Common Ground Santa Barbara County Homeless Advocacy	30,000
Lompoc High School SAVE Club	Peace Week	1,180
Lompoc Unified School District AVID	Lompoc AVID United in Dedication to Education (LAUDE)	5,000
Los Alamos Action Committee	Los Alamos Community Center	5,470
Martin Luther King Jr. Committee of Santa Barbara	"Lift Every Voice"	3,000



# FUND FOR SANTA BARBARA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 16 – GRANT-MAKING (continued)

Media4Good	Youth Interactive General Support	35,000
Occupy Santa Barbara	Support for Local Occupy Santa Barbara Movement	203
Pacific Pride Foundation	Gay Rights Advocates for Change and Equality (GRACE)	3,000
Primo Boxing	General Support	27,500
Santa Barbara Beekeepers Association	Pesticide Awareness Program (PAP)	3,000
Santa Barbara Beekeepers Association	SBBA Capacity Building	15,000
Santa Barbara Bicycle Coalition	Support for Youth Bike Summit Participation	1,400
Santa Barbara County Action Network (SBCAN)	Restrictions on Fossil Fuel Production in Santa Maria	9,220
Santa Barbara County Action Network (SBCAN)	Lompoc Valley Preservation Coalition	8,720
Santa Barbara County Action Network (SBCAN)	General Support	5,000
Santa Barbara Foundation	Santa Barbara Neighborhood Clinics 100 Day Plan	30,000
Santa Barbara High School Ready2Move Club	3rd Annual SBHS Week of Wellness and the Brain Breaks	1,280
Santa Barbara International Film Festival	2013 Social Justice Award for Documentary Film	14,000
Santa Barbara PAL's Youth Leadership Council	3rd Annual Big & Little PAL Spring Break Mentoring Camp	2,500
Santa Barbara Permaculture Network	Santa Barbara Food Policy Council	2,500
Santa Barbara Tennis Patrons	"SB Aces" Summer Mentorship Camp	1,060
Santa Maria High School	Las Comadres Club	800
Santa Maria High School Que Padre Parent Group	Que Padre	10,000
Sarah House	General Support	2,000
True Nature Society	Quail Springs General Support	2,000
UCSB IDEAS	IDEAS Youth Conferences	3,735
Vandenberg Village Park & Playground Coalition	Vandenberg Village Park & Playground	3,280
Wilderness Youth Project	Paths to Inclusion	5,120
William James Association	Poetic Justice Project (PJP)	30,000
Youth to Youth Santa Barbara	SB Youth Artisan Entrepreneurs	1,900
ySTRIVE for Youth, Inc.	For Real Employment Achievement Learning (4Real)	5,000
ySTRIVE for Youth, Inc.	4REAL Project (Real Employment Achievement Learning)	2,925
	Less: rescinded grants	(15,687)
	<b>TOTAL GRANTMAKING</b>	<b><u>\$ 516,960</u></b>

### NOTE 17 – 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.

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.

**FUND FOR SANTA BARBARA, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 17 – ENDOWMENT FUNDS (continued)

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 current spending policy in 2013 was 5% based on a rolling average of the market value for the previous twelve quarters. In addition, the Board approved a one-time appropriation of \$200,000 for operating reserves.

Changes in endowment net assets for the year ended December 31, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 527,334	\$ 1,350,238	\$ 1,877,572
Net investment return (investment income, realized and unrealized gains and losses)	-	401,821	-	401,821
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(282,875)</u>	<u>-</u>	<u>(282,875)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 646,280</u>	<u>\$ 1,350,238</u>	<u>\$ 1,996,518</u>

The Fund did not have any board-restricted endowment funds as of December 31, 2013.