

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT
AND FINANCIAL STATEMENTS**

**THE FUND
FOR SANTA
BARBARA**

DECEMBER 31, 2016

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

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TRAVIS J. WILSON
VANESSA M. GARCIA
HOWARD B. ATKINSON
MARILYN D. PARKE
DIANE M. RAVENSCROFT
DAVID E. LEHMAN

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

GAIL H. ANIKOUCHE
Consultant
RICHARD L. HUNT
Consultant
SCOTT N. WILSON
Consultant

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, 2016, the related statements of activities, 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.

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

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

The financial statements of The Fund for Santa Barbara, Inc. as of and for the year ended December 31, 2015, were audited by other auditors whose report dated August 29, 2016, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

MacFarlane, Faletti, & Co., LLP

**Santa Barbara, California
October 30, 2017**

THE FUND FOR SANTA BARBARA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(With Comparative Totals as of December 31, 2015)

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
CURRENT ASSETS					
Cash and cash equivalents	\$ 325,653	\$ 47,656	\$ -	\$ 373,309	\$ 472,693
Accounts and pledges receivable	-	50,506	-	50,506	26,938
Total Current Assets	<u>325,653</u>	<u>98,162</u>	<u>-</u>	<u>423,815</u>	<u>499,631</u>
INVESTMENTS	<u>2,005</u>	<u>458,490</u>	<u>1,350,238</u>	<u>1,810,733</u>	<u>1,750,048</u>
PROPERTY AND EQUIPMENT					
Property and equipment	46,197	-	-	46,197	32,327
Less: accumulated depreciation	<u>(29,109)</u>	<u>-</u>	<u>-</u>	<u>(29,109)</u>	<u>(26,173)</u>
Net Property and equipment	<u>17,088</u>	<u>-</u>	<u>-</u>	<u>17,088</u>	<u>6,154</u>
OTHER ASSETS					
Deposits	1,123	-	-	1,123	1,123
Charitable remainder trust assets	-	<u>170,028</u>	-	<u>170,028</u>	<u>164,751</u>
Total Other Assets	<u>1,123</u>	<u>170,028</u>	<u>-</u>	<u>171,151</u>	<u>165,874</u>
TOTAL ASSETS	<u>\$ 345,869</u>	<u>\$ 726,680</u>	<u>\$ 1,350,238</u>	<u>\$ 2,422,787</u>	<u>\$ 2,421,707</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 34,052	\$ -	\$ -	\$ 34,052	\$ 50,067
Grants payable	30,000	-	-	30,000	50,000
Total Current Liabilities	<u>64,052</u>	<u>-</u>	<u>-</u>	<u>64,052</u>	<u>100,067</u>
LONG-TERM LIABILITIES					
Grants payable, noncurrent	72,100	-	-	72,100	25,000
Charitable remainder trust liability	-	<u>4,529</u>	-	<u>4,529</u>	<u>5,501</u>
Total Long-term Liabilities	<u>72,100</u>	<u>4,529</u>	<u>-</u>	<u>76,629</u>	<u>30,501</u>
TOTAL LIABILITIES	<u>136,152</u>	<u>4,529</u>	<u>-</u>	<u>140,681</u>	<u>130,568</u>
NET ASSETS					
Unrestricted					
General operating	136,893	-	-	136,893	234,425
Donor-advised funds	<u>72,824</u>	<u>-</u>	<u>-</u>	<u>72,824</u>	<u>108,366</u>
Total unrestricted	<u>209,717</u>	<u>-</u>	<u>-</u>	<u>209,717</u>	<u>342,791</u>
Temporarily restricted	-	722,151	-	722,151	598,110
Permanently restricted	-	-	<u>1,350,238</u>	<u>1,350,238</u>	<u>1,350,238</u>
Total Net Assets	<u>209,717</u>	<u>722,151</u>	<u>1,350,238</u>	<u>2,282,106</u>	<u>2,291,139</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 345,869</u>	<u>\$ 726,680</u>	<u>\$ 1,350,238</u>	<u>\$ 2,422,787</u>	<u>\$ 2,421,707</u>

THE FUND FOR SANTA BARBARA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
REVENUE, GAINS, AND OTHER SUPPORT					
Contributions	\$ 243,701	\$ 64,120	\$ -	\$ 307,821	\$ 517,981
Grants	548,803	20,000	-	568,803	400,074
Change in value of charitable remainder trust	-	6,249	-	6,249	(9,574)
Program management fees	7,423	-	-	7,423	3,895
Special events (net of expenses of \$129,827 and \$146,433)	173,620	-	-	173,620	196,635
Investment income (net of expenses of \$14,868 and \$15,660)	374	156,423	-	156,797	(38,679)
Total Revenue, Gains, and Other Support	973,921	246,792	-	1,220,713	1,070,332
RECLASSIFICATIONS					
Net assets released from restrictions	122,751	(122,751)	-	-	-
EXPENSES					
Program	981,296	-	-	981,296	1,079,959
Management and general	164,029	-	-	164,029	142,266
Fundraising	84,421	-	-	84,421	66,041
Total Expenses	1,229,746	-	-	1,229,746	1,288,266
CHANGE IN NET ASSETS	(133,074)	124,041	-	(9,033)	(217,934)
NET ASSETS, BEGINNING OF YEAR	342,791	598,110	1,350,238	2,291,139	2,509,073
NET ASSETS, END OF YEAR	\$ 209,717	\$ 722,151	\$ 1,350,238	\$ 2,282,106	\$ 2,291,139

THE FUND FOR SANTA BARBARA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	Program	Management and General	Fundraising	Total 2016	Total 2015
EXPENSES					
Grants	\$ 361,101	\$ -	\$ -	\$ 361,101	\$ 426,605
Salaries	298,060	62,267	59,759	420,086	389,150
Community program expenses	91,430	-	-	91,430	81,717
Professional services	75,464	48,315	262	124,041	151,649
Rent, storage, repairs, and utilities	62,150	33,147	8,287	103,584	85,802
Employee benefits	30,444	3,483	4,365	38,292	42,578
Payroll taxes	25,037	4,654	4,911	34,602	34,163
Supplies	5,966	2,962	572	9,500	18,020
Printing and postage	13,515	4,505	4,505	22,525	35,345
Travel and conferences	6,788	-	-	6,788	10,528
Insurance	5,281	1,760	1,760	8,801	7,085
Dues and subscriptions	6,060	-	-	6,060	3,629
Depreciation	-	2,936	-	2,936	1,995
TOTAL EXPENSES	\$ 981,296	\$ 164,029	\$ 84,421	\$ 1,229,746	\$ 1,288,266

THE FUND FOR SANTA BARBARA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	Total 2016	Total 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (9,033)	\$ (217,934)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	2,936	1,995
Realized and unrealized loss (gain) on investments	(120,728)	75,413
Decrease (increase) in:		
Accounts and pledges receivable	(23,568)	37,221
Charitable remainder trust assets	(5,277)	11,235
Increase (decrease) in:		
Grants payable and accrued expenses	11,085	35,657
Charitable remainder trust liability	(972)	(1,661)
NET CASH USED BY OPERATING ACTIVITIES	(145,557)	(58,074)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(13,870)	(2,870)
Proceeds from sale of marketable securities	309,715	765,128
Purchase of marketable securities	(249,672)	(292,667)
NET CASH PROVIDED BY INVESTING ACTIVITIES	46,173	469,591
 NET INCREASE (DECREASE) IN CASH	(99,384)	411,517
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	472,693	61,176
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 373,309	\$ 472,693

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Noncash transactions consisted of the following:

In-kind donation of goods and services	\$ 94,967	\$ 112,870
In-kind donation of stock	\$ 14,071	\$ 14,959

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 1,000 projects.

The Fund's technical assistance program serves over 225 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

Unrestricted net assets represent 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.

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 funds temporarily subject to donor-imposed restrictions. The restrictions 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.

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.

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, 2016.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016, totaled \$2,936.

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, 2016, 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 2013 and 2012, respectively.

Donated Services

During the fiscal year ended December 31, 2016, 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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 audited financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Subsequent Events

The Fund has evaluated subsequent events through October 30, 2017, the date which the financial statements were available to be issued.

NOTE 3 ACCOUNTS AND PLEDGES 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, 2016, 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

Net assets were released from donor restrictions by satisfying the purposes specified by donors. For the year ended December 31, 2016, the passage of time restrictions and appropriation of endowment net assets for expenditure resulted in net assets released from restriction of \$122,751.

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 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, 2016, marketable securities consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Money market	\$ 64,180	\$ 64,180	\$ -
Government bonds	126,064	125,646	(418)
Corporate bonds	247,408	236,683	(10,725)
Municipal and foreign bonds	74,499	77,907	3,408
Mutual funds	91,197	93,132	1,935
Common stocks	<u>712,015</u>	<u>1,213,185</u>	<u>501,170</u>
Total	<u>\$ 1,315,363</u>	<u>\$ 1,810,733</u>	<u>\$ 495,370</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	\$ 1,315,363	\$ 1,810,733	\$ 495,370
Balance at beginning of year	\$ 1,303,635	\$ 1,748,205	<u>444,570</u>
Net change in unrealized gain			<u>\$ 50,800</u>

The following summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2016.

Investment and dividend income	\$ 50,937
Unrealized gain on value of securities	50,800
Realized gain on sale of securities	69,928
Less: Investment fees	<u>(14,868)</u>
Total Investment Return	<u>\$ 156,797</u>

NOTE 7 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 7 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 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.

NOTE 7 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, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market	\$ 64,180	\$ -	\$ -	\$ 64,180
Government bonds	125,646	-	-	125,646
Corporate bonds	236,683	-	-	236,683
Municipal and foreign bonds	77,907	-	-	77,907
Mutual funds	93,132			93,132
Common stocks				
Consumer products	123,342	-	-	123,342
Consumer services	161,430	-	-	161,430
Financial	213,738	-	-	213,738
Healthcare	169,950	-	-	169,950
Industrials	188,229	-	-	188,229
Information technology	210,450	-	-	210,450
International	79,972	-	-	79,972
Other	<u>66,074</u>	<u>-</u>	<u>-</u>	<u>66,074</u>
Total common stocks	<u>1,213,185</u>	<u>-</u>	<u>-</u>	<u>1,213,185</u>
Total Investments	1,810,733	-	-	1,810,733
Charitable trust assets	<u>-</u>	<u>170,028</u>	<u>-</u>	<u>170,028</u>
Total assets, measured at fair value	<u>\$ 1,810,733</u>	<u>\$ 170,028</u>	<u>\$ -</u>	<u>\$ 1,980,761</u>

NOTE 8 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.

NOTE 8 **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 donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return and the appreciation of investments
- (6) Other resources of the 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, 2016 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, 2016.

NOTE 8 ENDOWMENT FUNDS (Continued)

Changes in endowment net assets for the year ended December 31, 2016, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 397,967	\$ 1,350,238	\$ 1,748,205
Net investment return (investment income, realized and unrealized gains and losses, net of investment fees)	-	156,423	-	156,423
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(95,900)</u>	<u>-</u>	<u>(95,900)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 458,490</u>	<u>\$ 1,350,238</u>	<u>\$ 1,808,728</u>

NOTE 9 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, 2016.

The Fund rents facilities in Santa Maria on a month-to-month basis with installments, including common area expenses, of \$1,572 as of December 31, 2016.

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:

2017	\$ 50,691
2018	50,691
2019	48,785
2020	48,612
2021	<u>16,204</u>
Total	<u>\$ 214,983</u>

Rent expense related to leases for the year ended December 31, 2016 totaled \$68,091.

NOTE 10 GRANTS PAYABLE

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

2017	\$ 72,100
2018	<u>30,000</u>
Total	<u>\$ 102,100</u>

NOTE 11 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, 2016, employer contributions to the plan totaled \$9,915.

NOTE 12 CONCENTRATIONS AND RISKS

Concentrations

For the year ended December 31, 2016, approximately 31% of the grant revenue was derived from one donor.

For the year ended December 31, 2015, approximately 51% of the contribution revenue was derived from one bequest.

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 Foundation had uninsured cash of approximately \$260,000 as of December 31, 2016.

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 13 RECLASSIFICATION

Certain amounts from the December 31, 2015, financial statements have been reclassified to conform with the December 31, 2016, financial statement presentation.

NOTE 14 NET ASSETS

Unrestricted Net Assets

As of December 31, 2016, unrestricted net assets consist of:

General operating funds	\$ 136,893
Donor-advised funds	<u>72,824</u>
Total unrestricted net assets	<u>\$ 209,717</u>

Temporarily Restricted Net Assets

As of December 31, 2016, temporarily restricted net assets consist of:

Pledges receivable	\$ 50,506
Split-interest agreements, net	165,499
Donations with time restrictions	47,656
Un-appropriated earnings on endowments	<u>458,490</u>
Total temporarily restricted net assets	<u>\$ 722,151</u>

Permanently Restricted Net Assets

As of December 31, 2016, permanently restricted net assets consist of:

Donor-restricted endowment funds	<u>\$ 1,350,238</u>
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NOTE 15 GRANT-MAKING

Grant expense for the year ended December 31, 2016, consisted of the following amounts:

AGIF Education Foundation	One Community Action Coalition	\$ 2,937
Allan Hancock Joint Community College District	Students Organizing for Advocacy and Retention Club	4,800
American Sign Language Club (Foundation for SBCC)	Deaf Community Empowerment Program	6,500
AVID Class of 2018 Santa Maria High School	Inspiring College Dreams Through Film	2,450
AVP Santa Barbara	All Valuable People	30,000
Beekeepers Guild of Santa Barbara	Plant Bee Friendly	5,000
Bellas Artes	Mural Re - Painting	1,500
Big Brothers Big Sisters Site Based Mentoring Program	Bigs and Little's Helping Together	2,326
Boys and Girls Club Santa Maria Valley Keystone Club	Drop it Like it's Hot!!!	2,234
Brave New Films	Film Screening: Making a Killing: Guns, Greed, and The NRA	2,248
California Water Impact Network (C-WIN)	Santa Barbara Campaign	3,000
Carpinteria Children's Project	Carpinteria Children's Project	9,500
CAUSE	Building Leadership and Organizing in Our Neighborhoods	30,000
CE'ENI	Conferencia y Encuentro Para Jovenes Indigenas	8,000
Central Coast Future Leaders	CCFL Youth Advocacy Development	8,000
Central Coast Future Leaders	Guadalupe Future Leaders & Spring Forward Guadalupe	990
Central Coast Literacy Council (CCLC)	Empower Adults Through English Literacy	8,500
Citizens Planning Association	Lompoc Community Environmental Project	8,500
City at Peace - Santa Babrara	Restorative Justice Project	10,000
Community Action Commission of Santa Barbara County	Bilingual Santa Maria Youth Resource Guide	3,000
Cuyama Valley Family Resource Center	Cuyama Valley Community Association	10,000
Environmental Defense Center (EDC)	Protecting Our Community from New Offshore Oil	8,000
Everybody Dance Now! (EDN!)	One Transformative Year for At-Risk Youth Dancers	2,375
Families ACT!	Beds Not Cells	6,000
Four Ingenieros Foundation	Four Ingenieros Foundation Engineering Competition	5,000
Friends of the Carpinteria Library	Artesania para la familia (Family Arts & Crafts)	6,000
Friends of the Santa Barbara Public Library	Youth Isolation Exhibit	1,500
Friends of the Santa Barbara Public Library	Library Teen Space	5,460
Guadalupe Union School District	The Guadalupe Community Changers	10,000
Guardian Scholars Program Santa Barbara City College	Resource Map and Outreach/Peer Mentoring	1,700
Housing Authority of the City of Santa Barbara Teen Night	El Proximo Paso ("The Next Step")	3,000
Independent Living Resource Center, Inc.	Civic Engagement for People with Disabilities and Seniors	3,204
Interfaith Initiative/HEAL	Showers of Blessing	7,500
Just Communities	North County Youth Organizing Initiative	10,000
Just Communities	Come Together Initiative	10,000
Latinos Unidos ERHS	Latinos Unidos 2016 Conference	1,400
Legal Aid Foundation of Santa Barbara County	Human Trafficking Legal Assistance	3,900
Lompoc Cooperative Development Project	Outreach to the Community	10,000
Martin Luther King, Jr. Day Celebration Committee	Multicultural Celebration of Rev. Dr. King's Vision	3,500
MUJER de UCSB	MUJERcitas Conference	2,600
P.A.L. Key Club	Support Group by Teen for Teens	1,400
Pacific Pride Foundation	LGBTQ+ Youth Advocate Leadership Program	10,000
PeerBuddies	PeerBuddies Volunteers	2,000
Project Teen Health Club	Project Teen Health Club	2,275
Quail Springs Permaculture	Youth Empowerment for Social and Environmental Change	6,865
San Louis Obispo Mothers for Peace	How Radioactive Is Our Ocean?	2,750
Santa Barbara Channelkeeper	Implementing Lessons Learned from the Refugio Oil Spill	5,000
Santa Barbara Education Foundation	Quetzal Entrepreneurial Garden Market Project	4,845
Santa Barbara PAL's Youth Leadership Conference	6th Annual Big & Little PAL Spring Break Mentoring Camp	1,825
Santa Barbara Transgender Advocacy Network	The Santa Barbara Transgender Center	8,250
SBCAN	Mobile Homeowners Project	1,049
Shelby Foothills Coalition (Fiscal Sponsor: SBCAN)	Impacts of rezoning agricultural lands to residential	8,900
SPAN - Spanish Speakers Access Nework	Spanish Language Driver's Ed Classes	5,000
Teens in Action	"Save the Park" Youth Events	1,925
The Blessed Tree Foundation	Rumi Bouquet / Interfaith Cookout	8,000
UCSB Afrikan Black Coalition	2016 ABC Conference	3,000
William James Association	Poetic Justice Project	30,000
	Less: returned grants	<u>(2,607)</u>
		<u>\$ 361,101</u>