



Fund for Santa Barbara

FINANCIAL STATEMENTS

**December 31, 2021
And For The Year Then Ended**

**Fund for Santa Barbara
TABLE OF CONTENTS**

December 31, 2021

| | <u>Page</u> |
|----------------------------------|-------------|
| INDEPENDENT AUDITORS' REPORT | 1-2 |
| FINANCIAL STATEMENTS: | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7-15 |



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Fund for Santa Barbara:

Opinion

We have audited the accompanying financial statements of Fund for Santa Barbara (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fund for Santa Barbara as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fund for Santa Barbara and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial 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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fund for Santa Barbara's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fund for Santa Barbara's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fund for Santa Barbara's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Fund for Santa Barbara's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stoltey & Associates

Orcutt, California

November 28, 2022

**Fund for Santa Barbara
Statement of Financial Position
December 31, 2021
(with comparative totals for 2020)**

| ASSETS | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 379,396 | \$ 325,524 |
| Cash held in donor advised funds | 63,124 | 48,124 |
| Contributions receivable | 134,500 | 359,868 |
| Prepaid expenses and other assets | <u>4,341</u> | <u>5,814</u> |
| Total Current Assets | 581,361 | 739,330 |
| Investments held in split interest agreements | 252,715 | 221,395 |
| Investments designated for endowment | 348,806 | - |
| Investments restricted for endowment | 2,384,646 | 2,146,074 |
| Fixed assets, net | <u>7,648</u> | <u>11,414</u> |
| Total Assets | <u><u>\$ 3,575,176</u></u> | <u><u>\$ 3,118,213</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable & accrued expenses | \$ 35,008 | \$ 22,801 |
| Grants payable | <u>60,000</u> | <u>58,763</u> |
| Total Current Liabilities | <u>95,008</u> | <u>81,564</u> |
| Noncurrent Liabilities | | |
| Grants payable, noncurrent | 48,763 | 58,763 |
| Note payable | - | 105,172 |
| Liabilities due under split interest agreements | <u>-</u> | <u>4,698</u> |
| Total Noncurrent Liabilities | 48,763 | 168,633 |
| Total Liabilities | <u>143,771</u> | <u>250,197</u> |
| Net Assets | | |
| Without donor restriction: | | |
| Undesignated | 183,760 | 97,253 |
| Designated - endowment | 348,806 | - |
| Donor-advised funds | <u>63,124</u> | <u>48,124</u> |
| Total without donor restriction | 595,690 | 145,377 |
| With donor restriction | <u>2,835,715</u> | <u>2,722,639</u> |
| Total Net Assets | <u>3,431,405</u> | <u>2,868,016</u> |
| Total Liabilities and Net Assets | <u><u>\$ 3,575,176</u></u> | <u><u>\$ 3,118,213</u></u> |

The accompanying notes are an integral part of these financial statements.

**Fund for Santa Barbara
Statement of Activities
For the Year Ended December 31, 2021
(with comparative totals for 2020)**

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>2021 Total</u> | <u>2020 Total</u> |
|--|--------------------------------------|-----------------------------------|-----------------------|-----------------------|
| Revenues, Gains, and Other Support | | | | |
| Fundraising events - gross revenue | \$ 171,857 | \$ - | \$ 171,857 | \$ 166,249 |
| Direct costs | <u>(60,059)</u> | <u>-</u> | <u>(60,059)</u> | <u>(52,637)</u> |
| Net revenues from fundraising events | 111,798 | - | 111,798 | 113,612 |
| Contributions and grants | 1,044,104 | 281,254 | 1,325,358 | 1,315,079 |
| Noncash forgiveness of PPP loan | 105,172 | - | 105,172 | - |
| Change in value of interest in split interest agreements | - | 36,018 | 36,018 | 7,901 |
| Investment income | 48,806 | 349,134 | 397,940 | 182,382 |
| Program income | <u>-</u> | <u>-</u> | <u>-</u> | <u>504</u> |
| Total Revenues, Gains, and Other Support | <u>1,309,880</u> | <u>666,406</u> | <u>1,976,286</u> | <u>1,619,478</u> |
| Net assets released from restrictions | <u>553,330</u> | <u>(553,330)</u> | <u>-</u> | <u>-</u> |
| Expenses | | | | |
| Program expenses | 1,062,409 | - | 1,062,409 | 1,067,683 |
| Management and general | 227,927 | - | 227,927 | 176,057 |
| Fundraising | <u>122,561</u> | <u>-</u> | <u>122,561</u> | <u>113,536</u> |
| Total Expenses | <u>1,412,897</u> | <u>-</u> | <u>1,412,897</u> | <u>1,357,276</u> |
| Change in Net Assets | 450,313 | 113,076 | 563,389 | 262,202 |
| Net Assets Beginning of Year | <u>145,377</u> | <u>2,722,639</u> | <u>2,868,016</u> | <u>2,605,814</u> |
| Net Assets Ending of Year | <u>\$ 595,690</u> | <u>\$ 2,835,715</u> | <u>\$ 3,431,405</u> | <u>\$ 2,868,016</u> |

The accompanying notes are an integral part of these financial statements.

Fund for Santa Barbara
Statement of Functional Expenses
For the Year Ended December 31, 2021
(with comparative totals for 2020)

| | <u>Program Expense</u> | <u>Management & General</u> | <u>Fundraising</u> | <u>2021 Total Expenses</u> | <u>2020 Total Expenses</u> |
|------------------------------------|----------------------------|-------------------------------------|--------------------|------------------------------------|------------------------------------|
| Salaries | \$ 363,146 | \$ 67,246 | \$ 83,705 | \$ 514,097 | \$ 495,466 |
| Pension | 8,521 | 1,883 | 1,899 | 12,303 | 11,339 |
| Employee benefits | 37,157 | 4,539 | 4,085 | 45,781 | 47,529 |
| Payroll taxes | 28,906 | 5,100 | 6,680 | 40,686 | 39,191 |
| Total Salaries & Related Expenses | <u>437,730</u> | <u>78,768</u> | <u>96,369</u> | <u>612,867</u> | <u>593,525</u> |
| Grants | 280,574 | - | - | 280,574 | 351,449 |
| Occupancy | 77,044 | 41,090 | 10,272 | 128,406 | 104,599 |
| Dues and subscriptions | 3,549 | - | - | 3,549 | 4,340 |
| Professional services | - | 97,856 | - | 97,856 | 55,934 |
| Board expenses | 264 | 148 | - | 412 | 866 |
| Community program expenses | 234,113 | - | - | 234,113 | 188,121 |
| Conferences and travel | 6,237 | - | - | 6,237 | 6,578 |
| Office expenses | 12,103 | 6,809 | - | 18,912 | 19,940 |
| Insurance | 3,500 | 1,167 | 1,167 | 5,834 | 6,459 |
| Bank fees | 3,530 | 1,883 | 471 | 5,884 | 8,676 |
| Promotion and direct mail expenses | - | - | 14,282 | 14,282 | 12,681 |
| Miscellaneous | - | 206 | - | 206 | 160 |
| Depreciation | 3,765 | - | - | 3,765 | 3,948 |
| Total Operating Expenses | <u>624,679</u> | <u>149,159</u> | <u>26,192</u> | <u>800,030</u> | <u>763,751</u> |
| Total Expenses - 2021 | <u>\$ 1,062,409</u> | <u>\$ 227,927</u> | <u>\$ 122,561</u> | <u>\$ 1,412,897</u> | |
| Total Expenses - 2020 | <u>\$ 1,067,683</u> | <u>\$ 176,057</u> | <u>\$ 113,536</u> | | <u>\$ 1,357,276</u> |

The accompanying notes are an integral part of these financial statements.

**Fund for Santa Barbara
Statement of Cash Flows
For the Year Ended December 31, 2021
(with comparative totals for 2020)**

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------|--------------------------|
| Cash Flows From Operating Activities: | | |
| Change in net assets | \$ 563,389 | \$ 262,202 |
| Adjustments to reconcile increase in net assets to cash used by operating activities: | | |
| Depreciation | 3,765 | 3,948 |
| Noncash forgiveness of PPP loan | (105,172) | - |
| Noncash contribution of investment securities | (494,043) | - |
| Gain on investments | (362,688) | (75,462) |
| Changes in: | | |
| Pledges receivable | 225,368 | (243,773) |
| Prepaid and other assets | 1,473 | (5,314) |
| Beneficial interest in split interest agreements | (36,018) | (7,901) |
| Accounts payable and accrued expenses | 12,207 | (65,459) |
| Grants payable | (8,763) | (312,474) |
| Net Cash From Operating Activities | <u>(200,482)</u> | <u>(444,233)</u> |
| Cash Flows From Investing Activities: | | |
| Purchase of fixed assets | - | (2,614) |
| Proceeds from sale of investments | 870,898 | 125,192 |
| Purchase of investments | (601,544) | (161,721) |
| Net Cash From Investing Activities | <u>269,354</u> | <u>(39,143)</u> |
| Cash Flows From Financing Activities: | | |
| Proceeds from notes payable | - | 105,172 |
| Net Cash From Financing Activities | <u>-</u> | <u>105,172</u> |
| Net change in cash and cash equivalents | 68,872 | (378,204) |
| Cash and cash equivalents at beginning of year | <u>373,648</u> | <u>751,852</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 442,520</u> | <u>\$ 373,648</u> |
| <u>Supplemental Cash Flow Information</u> | | |
| In-kind donation of goods | <u>\$ 9,358</u> | <u>\$ 16,184</u> |
| <u>Reconciliation of Cash and Cash Equivalents to Statement of Position</u> | | |
| Cash and cash equivalents | \$ 379,396 | \$ 325,524 |
| Cash held in donor advised funds | 63,124 | 48,124 |
| Total Cash and cash equivalents | <u>\$ 442,520</u> | <u>\$ 373,648</u> |

The accompanying notes are an integral part of these financial statements.

Fund for Santa Barbara
Notes to Financial Statements
December 31, 2021

NOTE 1 ORGANIZATION

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

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

Since its founding in 1980, the Fund has awarded more than \$8 million to over 1,277 projects.

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

The Fund also convenes activists, service providers, policymakers, 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.

Net Assets

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

Net Assets Without Donor Restrictions are net assets available for use in general operations and not subject to donor restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for donor advised funds.

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

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

Fund for Santa Barbara
Notes to Financial Statements
December 31, 2021

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. Realized and unrealized gains and losses on investments are reflected in the statement of activities. Donated securities are recorded at their estimated value at date of receipt.

Contributions

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Grants

Grants are recorded as expenses when they are approved by the Board of Directors for payment.

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, 2021, totaled \$3,765. At December 31, 2021 property and equipment consisted entirely of furniture and equipment with a cost basis of \$36,873 and accumulated depreciation of \$29,225.

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).

Fund for Santa Barbara
Notes to Financial Statements
December 31, 2021

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, 2021, 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 2018 and 2017, respectively.

Donated Services

During the year ended December 31, 2021, numerous volunteers gave their time and expertise to the Fund in a wide variety of areas including grant-making, administration, technical and financial advice, fundraising event volunteers 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 more than one function are allocated by various statistical bases. The significant basis for allocations are as follows:

| | |
|------------------------------------|---------------------------|
| Non-direct payroll related costs | Estimated time and effort |
| Occupancy related costs | Estimated time and effort |
| Office and insurance related costs | Estimated time and effort |

Summarized Prior Year 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 financial statements for the year ended December 31, 2020, from which the summarized information was derived.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as accounts receivables and pledges receivable and revenue of the appropriate net asset category. At December 31, 2021, 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.

NOTES 4 CHARITABLE REMAINDER TRUST AGREEMENT

The Fund is the trustee and residual beneficiary of an irrevocable charitable remainder trust, the assets of which are in the possession of the Fund. Upon termination of the trust, the Fund shall receive the assets remaining in the trust. The Fund recognizes annually the change in the present value of the estimated future benefits to be received when the trust assets are distributed, as well as the present value of the liability of future payments to the beneficiary under the trust agreement, as increases or decreases in the value of charitable trust. The discount rate used for the year ended December 31, 2021 was 2%.

Fund for Santa Barbara
Notes to Financial Statements
December 31, 2021

NOTE 5 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 ASC 820 are described as follows:

Level 1 - Input 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 specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset.

Level 3 - Input 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 stock - Exchange traded securities, mutual funds, and highly liquid government bonds valued at quoted market prices or NAV of shares held as of year-end.

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

The following table sets forth by level within the fair value hierarchy the assets at fair values as of December 31, 2021:

Fund for Santa Barbara
Notes to Financial Statements
December 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------|---------------------|-------------|-------------|---------------------|
| Investments: | | | | |
| Money market funds | \$ 156,644 | \$ - | \$ - | \$ 156,644 |
| US Government Securities | 172,639 | - | - | 172,639 |
| Corporate bonds | 161,421 | - | - | 161,421 |
| Foreign bonds | 25,807 | - | - | 25,807 |
| Mutual funds – fixed income | 242,709 | - | - | 242,709 |
| Mutual funds – equity | 299,983 | - | - | 299,983 |
| Common stocks – domestic | 1,557,561 | - | - | 1,557,561 |
| Common stocks – foreign | <u>116,688</u> | <u>-</u> | <u>-</u> | <u>116,688</u> |
| Total | <u>\$ 2,733,452</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,733,452</u> |

NOTE 6 ENDOWMENT FUNDS

Interpretation of Relevant Law

The Board of Directors, in concurrence with the advice of legal counsel, has interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the fair value of the original gift, as of the gift date. As a result of this interpretation, the Fund retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with California UPMIFA, the Fund 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 purpose of the Fund and the endowment funds with donor restrictions
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return and the appreciation of investments
- (6) Other resources of the Fund
- (7) The investment policies of the Fund

Endowment Investment and Spending Policies

The Fund has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the long-term purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Fund 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

Fund for Santa Barbara
Notes to Financial Statements
December 31, 2021

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 Fund. 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, 2021, 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-designated endowment funds as of December 31, 2021.

Changes in endowment net assets for the year ended December 31, 2021, are as follows:

| | Without Donor Restrictions | With Donor Restriction | | Total |
|------------------------|-------------------------------|----------------------------|-------------------------|---------------------|
| | | Unappropriated Earnings | Original Gift Amount | |
| Endowment balance | | | | |
| at December 31, 2020 | \$ - | \$ 795,835 | \$ 1,350,239 | \$ 2,146,074 |
| Contributions | 300,000 | - | 15,000 | 315,000 |
| Net investment returns | 48,806 | 349,134 | - | 397,940 |
| Appropriation of | | | | |
| endowment assets | <u>-</u> | <u>(125,562)</u> | <u>-</u> | <u>(125,562)</u> |
| Endowment balance | | | | |
| at December 31, 2021 | <u>\$ 348,806</u> | <u>\$ 1,019,407</u> | <u>\$ 1,365,239</u> | <u>\$ 2,733,452</u> |

NOTE 7 LEASES

The Fund rents office facilities in Santa Barbara, California under a month-to-month lease agreement, with monthly installments, including common area expenses, of \$1,754 plus estimated common area expenses of \$250 as of December 31, 2021.

The Fund rents facilities in Santa Maria on a month-to-month basis with installments, including common area expenses, of \$1,453 as of December 31, 2021.

Total rent expense for the year ended December 31, 2021 was \$42,230.

Fund for Santa Barbara
Notes to Financial Statements
December 31, 2021

NOTE 8 GRANTS PAYABLE

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

| | | |
|------|--|-------------------|
| 2022 | | \$ 60,000 |
| 2023 | | <u>48,763</u> |
| | | <u>\$ 108,763</u> |

NOTE 9 NET ASSETS

Board Designated Net Assets

At December 31, 2021 the Fund’s Board of Directors had designated \$63,124 for donor advised funds which allow donors to recommend grant recipients, subject to the Fund’s due diligence and approval. During the year ended the Board of Directors designated \$348,806 for the general endowment fund.

Donor Restricted Net Assets

At December 31, 2021 the held the following net assets subject to donor restrictions:

Temporarily Restricted Net Assets:

| | | |
|--|--|------------------|
| Contributions receivable subject to time restrictions | | \$ 130,000 |
| Beneficial interest in split interest agreements | | 252,715 |
| Youth Making Change program | | 22,565 |
| Nonprofit Resource Network | | 20,789 |
| Flacks Housing | | 20,000 |
| Other program | | 5,000 |
| Unappropriated earnings on endowment fund – subject to the Fund’s spending policy | | <u>1,019,407</u> |
| Total temporarily donor restricted net assets | | 1,470,476 |

Permanently Restricted Net Assets – Endowment Corpus 1,365,239

Net assets subject to donor restrictions \$ 2,835,715

NOTE 10 RETIREMENT PLAN

The Fund for Santa Barbara has adopted a SIMPLE retirement plan and allows all employees the option to participate in a matching program for retirement benefits. The Fund matches up to a 3% of gross salary for all employees who choose to participate. For the year ended December 31, 2021, employer contributions to the plan totaled \$12,302.

NOTE 11 CONCENTRATIONS AND RISKS

Concentrations

For the year ended December 31, 2021, approximately five donors donated approximately 60% of contributions recognized.

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

Fund for Santa Barbara
Notes to Financial Statements
December 31, 2021

Credit Risk

The Fund maintains cash balances at banks insured by the Federal Deposit Insurance Corporation (FDIC). The Federal Deposit Insurance Corporation (FDIC) only insures the first \$250,000 of funds on deposit at any one institution. The Fund had uninsured cash of approximately \$192,520 as of December 31, 2021.

Market Risk

The Fund holds its investments in a diversified portfolio. Nevertheless, these investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

NOTE 12 LIQUIDITY AND AVAILABILITY

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2021:

| | |
|--|--------------------|
| Cash and cash equivalents | \$ 379,396 |
| Cash held in donor advised funds | 63,124 |
| Contributions receivable | 134,500 |
| Investments | <u>2,733,452</u> |
| Total | 3,310,472 |
| Less board designated funds | (411,930) |
| Less donor restrictions for purpose | <u>(2,790,754)</u> |
| Amount available for expenditure within one year | <u>\$ 107,788</u> |

NOTE 13 NOTE PAYABLE

In response to the COVID-19 pandemic the Fund applied for and was approved a \$105,172 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Fund is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

On July 29, 2021, the Fund received approval for full forgiveness of the PPP loan payable. The forgiveness of the loan has been reported as noncash contribution in the accompanying statement of activities.

NOTE 14 COVID-19 FINANCIAL IMPACT

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2021, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Fund's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Fund is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity as of the date of issuance of these financial statements.

Fund for Santa Barbara
Notes to Financial Statements
December 31, 2021

NOTE 14 SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 28, 2022, the date that the financial statements were available to be issued. Management has determined that no event requiring disclosure or significantly impacting disclosure has occurred.