

FUND FOR SANTA BARBARA, INC.

FINANCIAL STATEMENTS

December 31, 2007

FUND FOR SANTA BARBARA, INC.

December 31, 2007

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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, 2007, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Information for the year ended December 31, 2006, is presented for comparative purposes only and was extracted from the compiled financial statements for that year, with a report date of November 9, 2007, that stated we did not express an opinion or any other form of assurance on those statements.

A compilation is limited to presenting, in the form of financial statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

McGowan Guntermann

November 5, 2008

FUND FOR SANTA BARBARA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 For the Year Ended December 31, 2007
 (With Comparative Totals for the Year Ended December 31, 2006)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total</u>	<u>(Memo) 2006 Total</u>
REVENUE AND SUPPORT					
Donations	\$ 198,074	\$ 83,001	\$ 444	\$ 281,519	\$ 323,502
Grants	76,091	112,661	-	188,752	171,135
Special events (net of expenses of \$115,541 and \$129,863)	68,339	-	-	68,339	65,805
Interest and dividends	3,452	-	60,827	64,279	54,043
Gain on investments (net of expenses of \$17,648 and \$17,007)	-	-	136,217	136,217	79,609
Grant management fees	-	-	-	-	2,500
Investment income draw	92,320	-	(92,320)	-	-
Change in value of charitable remainder trust	-	4,515	-	4,515	1,127
Released from restrictions	216,761	(216,761)	-	-	-
Total Revenue and Support	<u>655,037</u>	<u>(16,584)</u>	<u>105,168</u>	<u>743,621</u>	<u>697,721</u>
EXPENSES					
Program	520,243	-	-	520,243	369,535
Management and general	54,774	-	-	54,774	53,764
Fundraising	30,261	-	-	30,261	26,009
Total Expenses	<u>605,278</u>	<u>-</u>	<u>-</u>	<u>605,278</u>	<u>449,308</u>
Change in net assets	49,759	(16,584)	105,168	138,343	248,413
Net assets, beginning of year	<u>90,303</u>	<u>387,255</u>	<u>2,030,773</u>	<u>2,508,331</u>	<u>2,259,918</u>
Net assets, end of year	<u>\$ 140,062</u>	<u>\$ 370,671</u>	<u>\$ 2,135,941</u>	<u>\$ 2,646,674</u>	<u>\$ 2,508,331</u>

See accountants' compilation report and footnotes.

FUND FOR SANTA BARBARA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2007

(With Comparative Totals for the Year Ended December 31, 2006)

		Management and General	Fundraising	2007 Total	(Memo) 2006 Total
	Program				
Grants (less rescindments of \$3,202 and \$4,470)	\$ 303,058	\$ -	\$ -	\$ 303,058	\$ 182,874
Salaries	121,147	25,278	21,422	167,847	150,130
Rent, storage and utilities	19,624	11,038	-	30,662	31,232
Employee benefits	16,663	2,151	1,763	20,577	18,828
Payroll taxes	10,044	2,089	1,777	13,910	12,581
Professional services	6,274	4,011	-	10,285	7,585
Dues and subscriptions	9,775	-	-	9,775	10,003
Community program expenses	7,937	-	-	7,937	-
Printing and postage	3,406	510	2,896	6,812	7,221
Travel	3,626	2,039	-	5,665	5,732
Insurance	3,295	1,854	-	5,149	1,873
Public relations	2,403	-	2,403	4,806	1,555
Telephone	2,943	1,655	-	4,598	4,395
Supplies	4,027	548	-	4,575	6,408
Conferences	2,913	-	-	2,913	3,133
Repairs and maintenance	1,740	979	-	2,719	2,552
Miscellaneous	1,368	1,095	-	2,463	2,083
Depreciation	-	1,527	-	1,527	1,123
Total Expenses	<u>\$ 520,243</u>	<u>\$ 54,774</u>	<u>\$ 30,261</u>	<u>\$ 605,278</u>	<u>\$ 449,308</u>
	86%	9%	5%	100%	

See accountants' compilation report and footnotes.

FUND FOR SANTA BARBARA, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2007

(With Comparative Totals for the Year Ended December 31, 2006)

		(Memo)
CASH FLOWS FROM OPERATING ACTIVITIES	2007	2006
Change in net assets	\$ 138,343	\$ 248,413
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,527	1,123
In-kind donation of stock	(19,025)	(38,725)
In-kind donation of equipment	-	(7,000)
Gain on investments	(136,217)	(79,609)
Decrease (increase) in:		
Accounts and pledges receivable	8,424	(113,403)
Charitable remainder trust assets	(5,183)	(1,272)
Deposits	659	1,504
Increase in:		
Grants payable and accrued expenses	6,169	3,752
Charitable remainder trust liability	<u>667</u>	<u>145</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>(4,636)</u>	 <u>14,928</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(2,122)
Proceeds from sale of marketable securities	982,365	682,630
Purchase of marketable securities	<u>(932,291)</u>	<u>(617,422)</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>50,074</u>	 <u>63,086</u>
 NET INCREASE IN CASH	 45,438	 78,014
 CASH AT BEGINNING OF YEAR	 <u>195,192</u>	 <u>117,178</u>
 CASH AT END OF YEAR	 <u>\$ 240,630</u>	 <u>\$ 195,192</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash transactions consisted of the following:		
In-kind donation of goods for special events	\$ 76,229	\$ 90,284

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 & political change in Santa Barbara County. This includes grassroots organizing against discrimination of all kinds, supporting the rights & 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 \$3 million to over 700 projects.

The Fund's technical assistance program serves over 200 organizations each year by providing training and advising in areas such as organizational development, fundraising, effective use of media, organizing strategy, lobbying and advocacy.

The Fund also serves as a meeting point for grassroots organizations and has a long history of convening activists, service providers, policy-makers, and funders around critical issues.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Financial Statement Presentation

The accompanying financial statements of the Fund have been prepared in accordance with Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations (SFAS 117). SFAS 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions as follows:

Unrestricted Net Assets

The unrestricted net assets represent unrestricted resources available for current support of the Fund activities. In addition, unrestricted net assets include \$32,000 in one donor-advised fund for which the donor 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. For the year ended December 31, 2007, grants paid from donor advised funds totaled \$73,115.

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 include planned giving and gifts that may have restrictions, as requested by the donors. Earnings on temporarily restricted net assets are reported as an increase in temporarily restricted net assets. When a restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as “released from restrictions”.

Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the endowment fund assets can be used to support the Fund’s general activities and are reported in the Statement of Activities as “investment income draw”.

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 follows SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in marketable debt securities are valued at their fair values. 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, 2007, totaled \$1,527.

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. Accordingly, actual results could differ from those estimates.

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

Donated Services

During the fiscal year ended December 31, 2007, hundreds of volunteers gave their time and expertise to the Fund in a wide variety of areas including grants committees; administrative, 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.

Pledges Receivable

Unconditional promises to give are recognized as revenue in the period when received 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, 2007.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's compiled financial statements for the year ended December 31, 2006, from which the summarized information was derived.

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3 – PLEDGES RECEIVABLE AND ACCOUNTS RECEIVABLE

Accounts receivable and unconditional promises are included in the financial statements as receivables and pledges receivable and revenue of the appropriate net asset category. At December 31, 2007 these amounts are considered fully collectible and therefore no allowances for receivables or uncollectible promises to give have been recorded. Accounts receivable and unconditional promises are expected to be realized in the following periods for the years ended December 31:

2008	\$ 95,576
2009	32,000
2010	<u>1,500</u>
Total	<u>\$ 129,076</u>

Note 4 – INVESTMENTS

Investments at December 31, 2007, are recorded at market value based upon quoted market prices and are summarized as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Money market	\$ 44,600	\$ 44,600	\$ -
Government bonds	628,284	650,102	21,818
Corporate bonds	45,401	45,836	435
Asset-backed securities	52,100	52,621	521
Common stocks	<u>986,969</u>	<u>1,342,782</u>	<u>355,813</u>
Total	<u>\$ 1,757,354</u>	<u>\$ 2,135,941</u>	<u>\$ 378,587</u>

The following summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2007.

Investment and dividend income	\$ 64,279
Unrealized gain on value of securities	69,545
Realized gain on sale of securities	84,320
Less: Investment fees	<u>(17,648)</u>
Total Investment Return	<u>\$ 200,496</u>

Investment income on the above investments is included in the Statement of Activities as permanently restricted interest and dividends and gain on investments. The Fund has adopted a “total return” methodology for providing support to its operations. The calculation includes both realized and unrealized earnings. Such support is reflected in the accompanying statement of activities as “investment income draw”.

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.

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5 – GRANT MAKING

Alliance for Justice (via: Nonprofit Support Center) / Worry Free Advocacy Training & Scholarships - DAF	\$1,765
Alliance for Pharmaceutical Access (APA) / Outreach & Staff	\$9,000
Art From Scrap / Guadalupe Community Connections	\$8,150
Arts Mentorship Program (AMP) [Umbrella: Community School, Inc.] / Teen Street Art Junior Organizers	\$5,000
Bici Centro of Santa Barbara (Umbrella: La Casa de La Raza) / Start Up	\$5,660
Bringing King to China Film Project - DAF	\$10,000
Carpinteria Valley Foundation (CVF) / Opposition to Venoco’s Paredon Project - DAF	\$5,000
Casa Esperanza Homeless Shelter / 10-Year Plan to End Chronic Homelessness - DAF	\$10,000
Central Coast Alliance for a Sustainable Economy (CAUSE) / SBC Grassroots & Women’s Regional Power Building (Atterbury Foundation Grant)	\$4,250
Centro Binacional para el Desarrollo Indígena Oaxaqueña / General Operations	\$6,550
Cesar Chavez School (Umbrella: TBD) / Padres Adelantes	\$5,950
Citizens’ Planning Foundation / Outreach & Development Program	\$3,650
Citizens’ Planning Foundation / Public Process & Community Involvement Workshops	\$5,000
Coalition for Sustainable Transportation (COAST) / Coalition for a Fair Measure D (CCFMD)	\$5,000
Coalition for Sustainable Transportation (COAST) / Measure D 2008	\$6,000
Community Action Commission of Santa Barbara County (CAC) / Las Comadres Program	\$8,500
Community Action Commission of Santa Barbara County (CAC) / Los Compadres Program	\$8,000
Community Health Centers of the Central Coast (CHCCC) / Hispanic Leadership Program	\$7,600
Conflict Solutions Center – Community Mediation / Restorative Justice Community Organizing & Development	\$10,000
Families ACT (Families Advocating for Compassionate Treatment) / Start Up	\$8,100
Harding Elementary School (Umbrella: Santa Barbara School District)/School Cafeteria Project Parent Education Component	\$5,900
IDEAS (Improving Dreams, Equality, Access & Success) / Central Coast AB-540 Network	\$5,250
Independent Living Resource Center (ILRC) / Feel the Power of the Disability Vote	\$8,110
International Documentary Association / “The Naked Option” Film Project - DAF	\$1,000
Isla Vista Teen Center (Umbrella: Channel Islands YMCA) / Grant Writer	\$10,000
Just Communities (formerly: National Conference for Community & Justice [NCCJ] / Umbrella: Public Health Foundation Enterprises) / Building Just & Inclusive Communities Initiative	\$10,000
Just Communities / “Golden States of Grace” Exhibit - DAF	\$6,850
Just Communities / General Operations - DAF	\$2,500
La Casa de La Raza / AB540 Fund in Memory of Rita Solinas - DAF	\$1,000
La Casa de La Raza / Youth Leadership Development (Atterbury Foundation Grant)	\$8,000
LightBlueLine Project (Umbrella: New Media Studio) / Start Up - DAF	\$5,000
North County Rape & Child Protection Center / Bilingual Self Defense Project	\$5,100
Pacific Pride Foundation (PPF) / LGBT Countywide Community Council	\$9,955
Prop. 63 for Me (Umbrella: Independent Living Resource Center [ILRC]) / General Operations	\$6,000
PUEBLO / North County Organizer	\$10,000
PUEBLO Education Fund / General Operations - DAF	\$15,000
Santa Barbara Association of UNESCO & PAX 2100 (Umbrella: Santa Barbara UNA-USA) / “Many Voices, Once Song” Event	\$1,150
Santa Barbara Contemporary Arts Forum / Platicas en Español	\$4,550
Santa Barbara County Action Network (SB CAN) / General Operations - DAF	\$10,000
Santa Barbara Don Riders (Umbrella: SBHS ASB) / Start Up	\$2,170
Santa Barbara Neighborhood Clinics / Promotores de Salud	\$5,000
Santa Barbara Women’s Political Committee / Diversity & Inclusion Project - DAF	\$5,000
Sexual Assault Response Team (SART) [Umbrella: Santa Barbara Rape Crisis Center / Accessibility Equipment & Training	\$10,000
Shape of Voice / NAMAC Youth Media Conference	\$2,000
Yes for Democracy Yes on Measure A Committee / Yes on Measure A Campaign	\$3,000
Youth Media Project (Umbrella: Community School, Inc.) / Shape of Voice Youth Newspaper	<u>\$10,000</u>
*TOTAL GRANT-MAKING FOR 2007	<u>\$306,260</u>

* Minus \$3,202 in returned grants (\$3,183 from Santa Barbara Friends Meeting / Conscientious Objectors and \$19 from UCSB) for a net of \$303,058 (including \$73,115 in Donor Advised Grants designated by “**DAF**” and \$10,550 in future multi-year commitments)

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6 – 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 increases or decreases in the value of charitable trust agreement. The present value calculations are based upon the value of the trust in 2003, when the trust was established, and the applicable federal rate at December 31, 2007.

Note 7 – LEASES

The Fund rents facilities in Santa Barbara and Santa Maria, California under lease agreements expiring in August 2008 and February 2009, respectively, and monthly installments of \$2,157 as of December 31, 2007, with increases scheduled annually. Minimum annual lease payments are as follows for the years ended December 31:

2008	\$ 18,501
2009	<u>620</u>
Total	<u>\$ 19,121</u>

Lease expense for the year ended December 31, 2007 was \$25,484.

Note 8 – CONCENTRATIONS OF REVENUE AND CREDIT RISK

The Fund maintains its cash in bank accounts located in Santa Barbara, California. The accounts are covered by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2007, the Fund had cash balances in excess of FDIC coverage in the amount of \$146,301.

The Fund's donors are primarily from Santa Barbara County.

Note 9 – 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 has adopted a 403(b) employee retirement plan. All employees are eligible to participate in the 403(b) plan which allows employees to contribute a portion of their salary, tax-deferred. No employer contributions were made to the 403(b) plan for the year ended December 31, 2007.

Note 10 – AFFILIATIONS

The Fund is a member of The Funding Exchange, and paid dues of \$8,000 in the year ended December 31, 2007. The Fund is not considered part of an affiliated group for tax reporting purposes.