

FUND FOR SANTA BARBARA, INC.

FINANCIAL STATEMENTS

December 31, 2008

FUND FOR SANTA BARBARA, INC.

December 31, 2008

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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, 2008, 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, 2007, is presented for comparative purposes only and was extracted from the compiled financial statements for that year, with a report date of November 5, 2008, 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 13, 2009

FUND FOR SANTA BARBARA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 For the Year Ended December 31, 2008
 (With Comparative Totals for the Year Ended December 31, 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	(Memo) 2007 Total
REVENUE AND SUPPORT					
Donations	\$ 186,163	\$ 8,800	\$ -	\$ 194,963	\$ 281,519
Grants	45,000	5,000	-	50,000	188,752
Special events (net of expenses of \$162,071 and \$115,541)	90,010	-	-	90,010	68,339
Interest and dividends	1,619	-	58,942	60,561	64,279
Gain (loss) on investments (net of expenses of \$17,057 and \$17,648)	-	-	(446,690)	(446,690)	136,217
Investment income draw	101,450	-	(101,450)	-	-
Change in value of charitable remainder trust	-	(35,918)	-	(35,918)	4,515
Released from restrictions	156,850	(156,850)	-	-	-
Total Revenue and Support	<u>581,092</u>	<u>(178,968)</u>	<u>(489,198)</u>	<u>(87,074)</u>	<u>743,621</u>
EXPENSES					
Program	523,718	-	-	523,718	520,243
Management and general	73,046	-	-	73,046	54,774
Fundraising	40,654	-	-	40,654	30,261
Total Expenses	<u>637,418</u>	<u>-</u>	<u>-</u>	<u>637,418</u>	<u>605,278</u>
Change in net assets	(56,326)	(178,968)	(489,198)	(724,492)	138,343
Net assets, beginning 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>
Net assets, end of year	<u>\$ 83,736</u>	<u>\$ 191,703</u>	<u>\$ 1,646,743</u>	<u>\$ 1,922,182</u>	<u>\$ 2,646,674</u>

See accountants' compilation report and footnotes.

FUND FOR SANTA BARBARA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2008

(With Comparative Totals for the Year Ended December 31, 2007)

	Program	Management and General	Fundraising	2008 Total	(Memo) 2007 Total
Grants (less rescindments of \$12,584 and \$3,202)	\$ 266,069	\$ -	\$ -	\$ 266,069	\$ 303,058
Salaries	146,435	30,216	30,275	206,926	167,847
Rent, storage and utilities	26,903	15,133	-	42,036	30,662
Employee benefits	18,595	2,850	1,424	22,869	20,577
Community program expenses	19,098	-	-	19,098	7,937
Payroll taxes	12,271	2,553	2,170	16,994	13,910
Professional services	-	10,530	-	10,530	10,285
Dues and subscriptions	1,932	-	-	1,932	9,775
Supplies	5,560	1,251	-	6,811	4,575
Travel	4,251	2,391	-	6,642	5,665
Printing and postage	3,187	154	3,032	6,373	6,812
Insurance	3,462	1,947	-	5,409	5,149
Telephone	3,063	1,724	-	4,787	4,598
Repairs and maintenance	2,347	1,320	-	3,667	2,719
Public relations	7,713	-	3,713	11,426	4,806
Miscellaneous	1,011	1,239	-	2,250	2,463
Conferences	1,821	47	40	1,908	2,913
Depreciation	-	1,691	-	1,691	1,527
Total Expenses	<u>\$ 523,718</u>	<u>\$ 73,046</u>	<u>\$ 40,654</u>	<u>\$ 637,418</u>	<u>\$ 605,278</u>
	83%	11%	6%	100%	

See accountants' compilation report and footnotes.

FUND FOR SANTA BARBARA, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2008

(With Comparative Totals for the Year Ended December 31, 2007)

	(Memo)	
	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (724,492)	\$ 138,343
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,691	1,527
In-kind donation of stock	(4,554)	(19,025)
Loss (gain) on investments	446,690	(136,217)
Decrease (increase) in:		
Accounts and pledges receivable	87,112	8,424
Charitable remainder trust assets	43,414	(5,183)
Deposits	2,200	659
Increase in:		
Grants payable and accrued expenses	17,386	6,169
Charitable remainder trust liability	<u>(7,496)</u>	<u>667</u>
 NET CASH USED BY OPERATING ACTIVITIES	 <u>(138,049)</u>	 <u>(4,636)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,216)	-
Proceeds from sale of marketable securities	877,958	982,365
Purchase of marketable securities	<u>(830,895)</u>	<u>(932,291)</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>44,847</u>	 <u>50,074</u>
 NET INCREASE (DECREASE) IN CASH	 (93,202)	 45,438
 CASH AT BEGINNING OF YEAR	 <u>240,630</u>	 <u>195,192</u>
 CASH AT END OF YEAR	 <u>\$ 147,428</u>	 <u>\$ 240,630</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash transactions consisted of the following:		
In-kind donation of goods for special events	\$ 130,265	\$ 76,229

See accountants' compilation report and footnotes.

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION

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

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

Since its founding in 1980, the Fund has awarded nearly \$4 million to over 800 projects.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Financial Statement Presentation

The 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 \$42,418 in two donor-advised funds for which the donors will recommend that the monies be granted to specific non-profits. The Fund has no obligation to follow the donor's recommendations, nor can the funds be returned to the donor.

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets include planned giving and gifts that may have restrictions, as requested by the donors. 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, 2008, totaled \$1,691.

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.

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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).

Pursuant to FSP Fin 48-3, management has elected to defer the application of FASB Interpretation No. 48 – Accounting for Uncertainty in Income Taxes to fiscal years beginning after December 15, 2008. The Fund evaluates uncertain tax positions in accordance with FASB statement No. 5, Accounting for Contingencies whereby the effect of the uncertainty would be recorded if the outcome was considered probably and reasonably estimable. As of December 31, 2008, the Fund had no uncertain tax positions requiring accrual.

Donated Services

During the fiscal year ended December 31, 2008, 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.

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, 2008.

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.

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

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 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, 2007, from which the summarized information was derived.

NOTE 3 – INVESTMENTS

Investments at December 31, 2008, 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 (Loss)</u>
Money market	\$ 19,060	\$ 19,060	\$ -
Government bonds	671,587	707,976	36,389
Corporate bonds	199,983	203,577	3,594
Asset-backed securities	41,939	42,796	857
Common stocks	<u>712,556</u>	<u>673,334</u>	<u>(39,222)</u>
Total	<u>\$ 1,645,125</u>	<u>\$ 1,646,743</u>	<u>\$ 1,618</u>

The following summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2008.

Investment and dividend income	\$ 58,942
Unrealized loss on value of securities	(374,603)
Realized loss on sale of securities	(55,029)
Less: Investment fees	<u>(17,057)</u>
Total Investment Return	<u>\$ (387,747)</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 4 – FAIR VALUE MEASUREMENT

Fair values of assets have been measured in accordance with SFAS No. 157 “Fair Value Measurements” (“FAS 157”). FAS 157 establishes a fair value hierarchy that prioritizes the inputs to 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 FAS 157 are as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets accessible at the measurement date;
- Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active;
- Level 3: Inputs that are unobservable.

Inputs broadly refer to the assumptions that are used to make valuation decisions, including assumptions about risk.

Where quoted market prices are available in an active market, assets are classified within Level 1 of the valuation hierarchy. Level 1 assets include highly-liquid bonds and publicly traded common stocks. Level 2 assets include pledges receivable. The Fund did not classify any assets as Level 3 as of December 31, 2008.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statement of Financial Position measured on a recurring basis and the level within the FAS 157 fair value hierarchy as of December 31, 2008:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market	\$ 19,060	\$ -	\$ -	\$ 19,060
Government bonds	707,976	-	-	707,976
Corporate bonds	203,577			203,577
Asset-backed securities	42,796			42,796
Common stocks	<u>673,334</u>	<u>-</u>	<u>-</u>	<u>673,334</u>
Total Investments	1,646,743	-	-	1,646,743
Charitable trust assets	124,245	-	-	124,245
Receivables	<u>-</u>	<u>41,964</u>	<u>-</u>	<u>41,964</u>
Total assets measured at fair value	<u>\$ 1,770,988</u>	<u>\$ 41,964</u>	<u>\$ -</u>	<u>\$ 1,812,952</u>

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – 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, 2008, 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:

2009	\$ 40,464
2010	<u>1,500</u>
Total	<u>\$ 41,964</u>

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 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 7 – LEASES

The Fund rents facilities in Santa Barbara and Santa Maria, California under lease agreements expiring in August 2013 and February 2009, respectively, and monthly installments of \$2,874 as of December 31, 2008. The Santa Maria facility lease was converted to a month-to-month rental effective March 2009. Minimum annual lease payments are as follows for the years ended December 31:

2009	\$ 31,688
2010	31,128
2011	31,128
2012	31,128
2013	<u>23,346</u>
Total	<u>\$ 148,418</u>

Lease expense for the year ended December 31, 2008 was \$29,345.

NOTE 8 – 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, 2008.

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9 – GRANT-MAKING

Ag Innovations Network / Buy Fresh, Buy Local Food Guide	\$ 2,500
Buellton Is Our Town / Buellton Urban Growth Boundary Initiative Campaign	10,000
Centro de Unidad Popular Benito Juárez, Inc. / Empowering the Indigenous Community	9,934
Citizens Planning Foundation / 501c3-501c4 Merger	5,890
City@Peace / Gang Truce Follow Up & Mediation Training	9,600
Community Action Commission of Santa Barbara County / Los Compadres Program \$10,000 (Year 1) \$8,000 (Year 2) \$6,000 (Year 3)	24,000
Conflict Solutions Center – Community Mediation Program / Restorative Justice Partnership Initiative \$8,320 (Year 1) \$5,000 (Year 2 & 3)	18,320
Doctors Without Walls / Medical Malpractice Insurance	5,700
Dr. Martin Luther King Jr. Day Steering Committee (fiscal sponsor: First United Methodist Church) / Event and Essay Contest	2,094
Esperanza / Organizational Supplies	1,100
Families ACT! (fiscal sponsor: ILRC) / Dual Diagnosis Task Force	3,000
Family Resource Educational Service Help (FRESH Start) / Civic Education Classes	7,270
FUQIT (Friendly Undergrad Queers in It Together) / No On Prop 4-No On Prop 8 Rally	900
Future Leaders of America, Inc. / Future Leaders of America Master Achievers	7,500
Growing Solutions Restoration Education Institute/ Healthy Habitat Program at Los Prietos Boys Camp	5,000
Independent Living Resource Center, Inc. / Consumer Advocacy Coalition	3,000
Isla Vista Teen Center (fiscal sponsor: Channel Islands YMCA) / Parent School Improvement Program	7,840
Just Communities Central Coast / Change Agent Network for Dismantling Oppression (CLI CAN DO)	7,800
Just Communities Central Coast / Golden States of Grace	5,000
La Casa de La Raza / Mariposa Personal Empowerment for Young Latina Women	9,750
Los Padres ForestWatch / General Operations	6,000
National Alliance on Mental Health (NAMI) – Lompoc / Family to Family Education Class	3,950
Nuclear Age Peace Foundation / Peace Leaders	7,000
Orcutt Area Seniors in Service, Inc. / Celebrate Our World	6,000
OUTRageous Film Festival (fiscal sponsor: Pacific Pride Foundation) / Screening of “Pursuit of Equality”	3,000
PUEBLO / Neighborhood Committee Campaign	10,000
PUEBLO Education Fund / North County Organizer	10,000
Restorative Justice Resource Center / SB Restorative Justice Neighborhood Initiative	7,818
Santa Barbara Channels / Making Media Reform Real at the Local Level	8,000
Santa Barbara County Action Network (SB CAN) / General Operations	5,000
Santa Barbara County Action Network / Sustainable Housing, Open Space and Transportation (HOT) Advocacy Program	7,737
Santa Barbara Docs (fiscal spon: Santa Barbara Channels) / “Citizen McCaw” Feature Length Film	10,000
Santa Barbara International Film Festival / Social Justice Award for Documentary Film	10,000
Santa Barbara Neighborhood Clinics / Promotores de Salud Program	5,000
Shape of Voice (fiscal sponsor: Community Schools, Inc) / General Operations	5,000
Casa Esperanza Homeless Shelter / The People’s Institute	1,500
Unified Carpenterians / Native American Mascot-Imagery Project	4,950
Unified Carpenterians / Native American Mascot-Imagery Project Start-Up	3,000
Unity Shoppe, Inc. / Backyard Harvest	5,500
WillBridge of Santa Barbara / Homeless Foot Washing Event	3,000
ySTRIVE for Youth / 4REAL (Real Employment Achievement Learning) Project	10,000
TOTAL GRANT-MAKING FOR 2008	<u>\$ 278,653*</u>

**Minus \$12,584 in returned grants (Independent Living Resource Center (ILRC) / SB County Network of Mental Health Clients Start-Up \$4,500; UCSB Resource Center for Sexual & Gender Diversity / Youth Advocacy & Leadership Institute (YALI) \$1,722; Families ACT \$2,550; Minara \$32; UC Regents \$39; Transitions Mental Health \$3,541) for a net of \$266,069 (including \$24,000 in future multi-year commitments)*

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by satisfying the restricted purposes specified by donors. For 2008, the passage of time restrictions resulted in net assets released from restriction of \$156,850.

NOTE 11 – CONCENTRATIONS OF REVENUE

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

NOTE 12 – RECLASSIFICATION

Certain amounts from the December 31, 2007 financial statements have been reclassified to conform with the December 31, 2008 financial statement presentation.

NOTE 13 – AFFILIATIONS

The Fund is a member of The Funding Exchange, and paid dues of \$8,000 in the year ended December 31, 2008. The Fund is not considered part of an affiliated group for tax reporting purposes.