

FUND FOR SANTA BARBARA, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2009

FUND FOR SANTA BARBARA, INC.

December 31, 2009

TABLE OF CONTENTS

	<u>Page</u>
Accountants' Compilation Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 16



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

509 E. Montecito Street, 2nd Floor, Santa Barbara, CA 93103, 805.962.9175, fax 805.962.8925, www.mcgowan.com

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

September 27, 2010

FUND FOR SANTA BARBARA, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2009

(With Comparative Totals for December 31, 2008)

	ASSETS				(Memo)
	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 64,853	\$ 29,237	\$ -	\$ 94,090	\$ 147,428
Accounts and pledges receivable	4,954	72,630	-	77,584	40,464
Total Current Assets	<u>69,807</u>	<u>101,867</u>	<u>-</u>	<u>171,674</u>	<u>187,892</u>
INVESTMENTS	-	393,469	1,339,749	1,733,218	1,646,743
PROPERTY AND EQUIPMENT					
Property and equipment	19,731	-	-	19,731	19,101
Less: accumulated depreciation	<u>(13,225)</u>	<u>-</u>	<u>-</u>	<u>(13,225)</u>	<u>(11,203)</u>
Net Property and equipment	<u>6,506</u>	<u>-</u>	<u>-</u>	<u>6,506</u>	<u>7,898</u>
OTHER ASSETS					
Deposits	1,428	-	-	1,428	3,500
Pledges receivable	-	240,000	-	240,000	1,500
Charitable remainder trust assets	<u>-</u>	<u>135,069</u>	<u>-</u>	<u>135,069</u>	<u>124,245</u>
Total Other Assets	<u>1,428</u>	<u>375,069</u>	<u>-</u>	<u>376,497</u>	<u>129,245</u>
TOTAL ASSETS	<u>\$ 77,741</u>	<u>\$ 870,405</u>	<u>\$ 1,339,749</u>	<u>\$ 2,287,895</u>	<u>\$ 1,971,778</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Grants payable and accrued expenses	\$ 48,695	\$ -	\$ -	\$ 48,695	\$ 26,979
LONG-TERM LIABILITIES					
Grants payable, noncurrent	10,000	-	-	10,000	11,000
Charitable remainder trust liability	<u>-</u>	<u>11,325</u>	<u>-</u>	<u>11,325</u>	<u>11,617</u>
Total Long-term Liabilities	<u>10,000</u>	<u>11,325</u>	<u>-</u>	<u>21,325</u>	<u>22,617</u>
TOTAL LIABILITIES	<u>58,695</u>	<u>11,325</u>	<u>-</u>	<u>70,020</u>	<u>49,596</u>
NET ASSETS					
Unrestricted	19,046	-	-	19,046	83,736
Temporarily restricted	-	859,080	-	859,080	498,697
Permanently restricted	<u>-</u>	<u>-</u>	<u>1,339,749</u>	<u>1,339,749</u>	<u>1,339,749</u>
Total Net Assets	<u>19,046</u>	<u>859,080</u>	<u>1,339,749</u>	<u>2,217,875</u>	<u>1,922,182</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 77,741</u>	<u>\$ 870,405</u>	<u>\$ 1,339,749</u>	<u>\$ 2,287,895</u>	<u>\$ 1,971,778</u>

See accountants' compilation report and footnotes.

FUND FOR SANTA BARBARA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>(Memo) 2008 Total</u>
REVENUE, GAINS, AND OTHER SUPPORT					
Donations	\$ 209,135	\$ 27,987	\$ -	\$ 237,122	\$ 194,963
Bequests	21,000	296,000	-	317,000	-
Grants	104,650	-	-	104,650	50,000
Special events (net of expenses of \$170,893 and \$162,071)	126,582	-	-	126,582	90,010
Interest and dividends	343	53,363	-	53,706	60,561
Gain (loss) on investments (net of expenses of \$14,433 and \$17,057)	-	136,269	-	136,269	(446,690)
Change in value of charitable remainder trust	-	11,117	-	11,117	(35,918)
Released from restrictions	164,353	(164,353)	-	-	-
Total Revenue, Gains, and Other Support	<u>626,063</u>	<u>360,383</u>	<u>-</u>	<u>986,446</u>	<u>(87,074)</u>
EXPENSES					
Program	566,041	-	-	566,041	523,718
Management and general	74,381	-	-	74,381	73,046
Fundraising	50,331	-	-	50,331	40,654
Total Expenses	<u>690,753</u>	<u>-</u>	<u>-</u>	<u>690,753</u>	<u>637,418</u>
CHANGE IN NET ASSETS	<u>(64,690)</u>	<u>360,383</u>	<u>-</u>	<u>295,693</u>	<u>(724,492)</u>
NET ASSETS, BEGINNING OF YEAR	83,736	191,703	1,646,743	1,922,182	2,646,674
RECLASSIFICATION OF NET ASSETS DUE TO CHANGE IN LAW	<u>-</u>	<u>306,994</u>	<u>(306,994)</u>	<u>-</u>	<u>-</u>
NET ASSETS, BEGINNING OF YEAR, AS RECLASSIFIED	<u>83,736</u>	<u>498,697</u>	<u>1,339,749</u>	<u>1,922,182</u>	<u>2,646,674</u>
NET ASSETS, END OF YEAR	<u>\$ 19,046</u>	<u>\$ 859,080</u>	<u>\$ 1,339,749</u>	<u>\$ 2,217,875</u>	<u>\$ 1,922,182</u>

See accountants' compilation report and footnotes.

FUND FOR SANTA BARBARA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2009

(With Comparative Totals for the Year Ended December 31, 2008)

					(Memo)
	Program	Management and General	Fundraising	2009 Total	2008 Total
Grants (less rescindments of \$17,791 and \$12,584)	\$ 298,761	\$ -	\$ -	\$ 298,761	\$ 266,069
Salaries	134,862	29,969	36,504	201,335	206,926
Rent, storage and utilities	29,345	16,508	-	45,853	42,036
Employee benefits	12,548	2,138	2,714	17,400	22,869
Community program expenses	43,816	-	-	43,816	19,098
Payroll taxes	10,920	2,364	2,905	16,189	16,994
Professional services	-	9,480	-	9,480	10,530
Dues and subscriptions	2,313	-	-	2,313	1,932
Supplies	6,689	1,648	-	8,337	6,811
Travel and conferences	5,740	2,136	-	7,876	8,550
Printing and postage	2,805	477	2,328	5,610	6,373
Insurance	4,913	2,764	-	7,677	5,409
Telephone	3,155	1,775	-	4,930	4,787
Repairs and maintenance	2,714	1,527	-	4,241	3,667
Public relations	5,880	-	5,880	11,760	11,426
Miscellaneous	1,580	1,573	-	3,153	2,250
Depreciation	-	2,022	-	2,022	1,691
Total Expenses	\$ 566,041	\$ 74,381	\$ 50,331	\$ 690,753	\$ 637,418
	82%	11%	7%	100%	

See accountants' compilation report and footnotes.

FUND FOR SANTA BARBARA, INC.

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2009 (With Comparative Totals for the Year Ended December 31, 2008)

	<u>2009</u>	(Memo) <u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 295,693	\$ (724,492)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	2,022	1,691
In-kind donation of stock	(10,513)	(4,554)
Loss (gain) on investments	(136,269)	446,690
Decrease (increase) in:		
Accounts and pledges receivable	(275,620)	87,112
Charitable remainder trust assets	(10,824)	43,414
Deposits	2,072	2,200
Increase (decrease) in:		
Grants payable and accrued expenses	20,716	17,386
Charitable remainder trust liability	(292)	(7,496)
NET CASH USED BY OPERATING ACTIVITIES	<u>(113,015)</u>	<u>(138,049)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(630)	(2,216)
Proceeds from sale of marketable securities	489,862	877,958
Purchase of marketable securities	<u>(429,555)</u>	<u>(830,895)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>59,677</u>	<u>44,847</u>
 NET DECREASE IN CASH	(53,338)	(93,202)
 CASH AT BEGINNING OF YEAR	<u>147,428</u>	<u>240,630</u>
 CASH AT END OF YEAR	<u>\$ 94,090</u>	<u>\$ 147,428</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash transactions consisted of the following:		
In-kind donation of goods for special events	\$ 139,585	\$ 130,265

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

Generally accepted accounting standards for external financial reporting by not-for-profit organizations 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 donor-advised funds for which the donors will recommend that the monies be granted to specific non-profits. The Fund has no obligation to follow the donor's recommendations, nor can the funds be returned to the donor.

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of contributions and other inflows of funds temporarily subject to donor-imposed restrictions. The restrictions are temporary in that they are expected to expire with the passage of time or be satisfied and removed by actions of the Fund that fulfill donor stipulations. Temporarily restricted net assets generally include planned gifts and contributions receivable. Earnings on temporarily restricted net assets are reported as an increase in temporarily restricted net assets. Earnings on donor-restricted endowment funds that have not yet been appropriated are also classified as temporarily restricted net assets. When a restriction expires temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as “net assets released from restrictions”.

Permanently Restricted Net Assets

Permanently restricted net assets consist of contributions and other inflows of funds subject to donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Fund. Permanently restricted net assets consist of those donor-restricted endowments held by the Fund as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Cash and Cash Equivalents

The Fund considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. Cash held by investment custodians, including money market funds, are reported as investments.

Investments

The Fund records investments in debt and equity securities with readily determinable market values at fair value. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last business day of the year. Unrealized gains and losses are included in the change in net assets. Donated securities are recorded at their estimated value at date of receipt.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair market value at the time of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. It is management's policy to capitalize certain purchases and donations with a useful life greater than one year and a value greater than \$500. Depreciation is calculated using the straight-line method over an estimated useful life of five to ten years. Depreciation expense for the year ended December 31, 2009, totaled \$2,022.

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions received are recorded at their fair value on the date of donation. Contributions receivable are recognized as revenue when committed and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. It is at least reasonably possible that the significant estimates could change in the coming year. Significant estimates used in the preparation of these financial statements include fair market value of certain investments, allocation of certain expenses by function, and discount factors used in determining annuities payable under charitable trust.

Income Taxes

The Fund is a California nonprofit public benefit corporation, which is exempt from income taxes under Internal Revenue Code Section number 501(c)(3) and State of California Revenue and Taxation Code Section 23701(d); therefore, no provision for income taxes is required. The Fund qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Fund evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2009, 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, state and local tax examinations by tax authorities for years before 2006.

Donated Services

During the fiscal year ended December 31, 2009, hundreds of volunteers gave their time and expertise to the Fund in a wide variety of areas including grant-making, administration, technical and financial advice, and office and public relations activities. This contribution, despite its considerable value to the mission of the Fund, is not reflected in the financial statements.

Grants

Grants are recorded as expenses when they are approved by the Board of Directors for payment. Multi-year commitments awarded by the Board of Directors are recorded as grants payable as of December 31, 2009.

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The Fund allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Fund's compiled financial statements for the year ended December 31, 2008, from which the summarized information was derived.

NOTE 3 – INVESTMENTS

Investments are presented in the financial statements at fair market value, which is derived from quoted market prices at year end. None of these investments are held for trading purposes. These amounts are not necessarily indicative of the amounts the Fund could realize in a current market exchange. Realized and unrealized gains and losses on investments are reflected in the statement of activities. At December 31, 2009, marketable securities consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Money market	\$ 14,175	\$ 14,175	\$ -
Government bonds	598,284	633,895	35,611
Corporate bonds	124,618	131,106	6,488
Asset-backed securities	24,366	25,503	1,137
Common stocks	<u>790,397</u>	<u>928,539</u>	<u>138,142</u>
Total	<u>\$ 1,551,840</u>	<u>\$ 1,733,218</u>	<u>\$ 181,378</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 the year	\$ 1,551,840	\$ 1,733,218	\$ 181,378
Balance at beginning of the year	1,645,125	1,646,743	<u>1,618</u>
Net change in unrealized gain			<u>\$ 179,760</u>

The following summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2009.

Investment and dividend income	\$ 53,363
Unrealized gain on value of securities	179,760
Realized loss on sale of securities	(29,058)
Less: Investment fees	<u>(14,433)</u>
Total Investment Return	<u>\$ 189,632</u>

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PLEDGES RECEIVABLE AND ACCOUNTS RECEIVABLE

Accounts receivable and unconditional promises to give are included in the financial statements as receivables and pledges receivable and revenue of the appropriate net asset category. At December 31, 2009, these amounts are considered fully collectible and therefore no allowances for receivables or uncollectible promises to give have been recorded. Collection of accounts receivable and unconditional promises to give is expected to be as follows for the years ended December 31:

2010	\$ 77,584
2011	80,000
2012	80,000
2013	<u>80,000</u>
Total	<u>\$ 317,584</u>

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 – FAIR VALUE MEASUREMENT

Generally accepted accounting standards establish a framework for measuring fair value and expanding disclosures about fair value measurements. Accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy has been established that prioritizes valuation inputs into three broad levels to ensure consistency and comparability. The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

The standards describe three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE MEASUREMENT (continued)

Where quoted market prices are available in an active market, securities are classified with Level 1 of the valuation hierarchy. Level 1 securities include highly-liquid government bonds and exchange traded equities, including those held as charitable remainder trust assets. If quoted market prices are not available, then Level 2 fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 assets include pledges receivable. The Fund did not classify any assets or liabilities as Level 3 as of December 31, 2009.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2009:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market	\$	\$	-	\$
Government bonds	633,895	-	-	633,895
Corporate bonds	131,106	-	-	131,106
Asset-backed securities	25,503	-	-	25,503
Common stocks				
Utilities	10,393	-	-	10,393
Financials	114,346	-	-	114,346
Consumer products	125,409	-	-	125,409
Consumer discretionary	95,917	-	-	95,917
Industrial services	136,070	-	-	136,070
Industrial materials	45,362	-	-	45,362
Information technology	139,578	-	-	139,578
Healthcare	144,794	-	-	144,794
Energy	<u>116,670</u>	<u>-</u>	<u>-</u>	<u>116,670</u>
Total common stocks	<u>928,539</u>	<u>-</u>	<u>-</u>	<u>928,539</u>
Total Investments	1,733,218	-	-	1,733,218
Charitable trust assets	135,069	-	-	135,069
Pledges receivable	<u>-</u>	<u>312,630</u>	<u>-</u>	<u>312,630</u>
Total assets, net of liabilities, measured at fair value	<u>\$ 1,868,287</u>	<u>\$ 312,630</u>	<u>\$ -</u>	<u>\$ 2,180,917</u>

NOTE 7 – LEASES

The Fund rents facilities in Santa Barbara under a lease agreement expiring in August, 2013 with monthly installments, including common area expenses, of \$2,674 as of December 31, 2009. Minimum annual lease payments are as follows for the years ended December 31:

2010	\$ 32,088
2011	32,088
2012	32,088
2013	<u>21,392</u>
Total	<u>\$ 117,656</u>

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by satisfying the purposes specified by donors. For 2009, the passage of time restrictions and appropriation of endowment net assets for expenditure resulted in net assets released from restriction of \$164,353.

NOTE 9 – CONCENTRATIONS AND RISKS

Concentration

For 2009, 32% of revenue and 95% of the year-end pledge receivable balance were from one donor. In addition, a majority of donors to the Foundation are from Santa Barbara County.

Market Risk

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

NOTE 10 – RECLASSIFICATION

Certain amounts from the December 31, 2008 financial statements have been reclassified to conform with the December 31, 2009 financial statement presentation.

NOTE 11 – AFFILIATIONS

The Fund is a member of The Funding Exchange, and paid dues of \$8,000 in the year ended December 31, 2009. The Fund is not considered part of an affiliated group for tax reporting purposes.

NOTE 12 – EMPLOYEE BENEFITS

The Fund provides comprehensive health insurance to all employees. The Fund pays the full premium for those employees working half-time or more, and a prorated amount for employees working less than half-time.

The Fund for Santa Barbara has adopted a SIMPLE retirement plan beginning January 1, 2009. The plan 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, 2009, employer contributions to the plan totaled \$2,529.

NOTE 13 – GRANTS PAYABLE

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

2010	\$ 34,000
2011	<u>10,000</u>
Total	<u>\$ 44,000</u>

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – GRANT-MAKING

2009 African Heritage Film Series / Little Rock High - 50 Years Later	\$ 1,500
Alliance with Mexican Immigrant Labor / Mexican Immigrant Association of Farmers	7,200
American Indian Movement (AIM) Santa Barbara / Public Transit Ad Campaign	3,000
American Indian Movement Santa Barbara / AIM TV	3,050
Bici Centro & Santa Barbara Bicycle Coalition / Cyclist Outreach, Education and Empowerment	10,000
Black Women For Community Empowerment / 1st Annual Santa Barbara Black Family Reunion	2,560
Black Women for Community Empowerment / Black Unity Summit	3,000
Boys and Girls Club of Santa Barbara / UP-2-US	5,000
Carpinteria Valley Foundation / Opposition to Venoco's Pardon Project	10,000
Carpinteria Youth Leadership Council's "Dare to be Different" Program	1,040
Casa Esperanza Homeless Center / 10-Year Plan to End Chronic Homelessness	8,000
Casa Esperanza Homeless Center / Bringing Our Community Home - Transportation from Jail to Center	5,000
Center for Successful Aging / General Support	10,000
Children's Creative Project / Michael Katz Storyteller Residencies	5,000
Citizens Against Walmart Expansion (CAWE) / Stop Walmart Expansion 2010	3,000
Consumer Advocacy Coalition / No On Measure 1D & 1E Campaigns	3,000
Consumer Advocacy Coalition / Raising Community "Mental Health" Awareness	8,450
El Congreso de UCSB / "El Plan de Santa Barbara" 40th Anniversary Conference	3,000
Environmental Defense Center / Expert Witness in Goleta Beach Protection Hearing	1,500
Esperanza, La Voz de Nuestra / Building Community Connections	8,000
Families ACT! / Collaborative Community Organization and Education Campaign	10,000
Families ACT! / General Support	1,500
Family Therapy Institute / Academy of Healing Arts (AHA!) General Support	5,000
Future Leaders of America Master Achievers / Finding the Leader Within You	2,500
Guadalupe Cultural Arts & Education Center / Women's Conference	6,050
Just Communities Central Coast / Emergency Response Funding	3,000
Just Communities Central Coast / Institute for Equity in Education	6,000
Just Communities Central Coast / Youth Violence Service Providers Retreat	20,000
Lompoc Housing and Development Corporation / Lompoc Community Gardens	5,500
Naples Coalition / Public Access Project	5,000
NoozHawk / GreenHawk Sustainable Living On-Line Media Project	5,000
Notes for Notes / MusicBox Concert Series	1,500
Pacific Pride Foundation / Safe Schools Initiative	30,000
Pacific Pride Foundation / Strategic Alliance for Marriage Equality (SAME)	5,000
PUEBLO / General Support	10,000
Rental Housing Roundtable / Justice for Renters!	6,250
Santa Barbara Birth Center / Start-Up Funding	10,000
Santa Barbara County Action Network / General Operations	5,000
Santa Barbara County Action Network / University Mobile Home Park Organizing	10,500
Santa Barbara International Film Festival /10th Annual Social Justice Award for Documentary	10,000
Santa Barbara Rape Crisis Center / 2009 Sexual Assault Awareness Month Programming	3,000
Santa Ynez Valley Alliance / Outreach Project	10,000
Santa Ynez Valley People Helping People / Mujeres Unidas	7,092
Sarah House / General Support	5,000
SBPAL Youth Leadership Council / Junior High Basketball and Soccer Tournament	2,950
Studio 8 / Prop 8 Film Project	9,500
The People's Institute at Casa Esperanza Homeless Shelter / Winter 2008-2009 Program	1,600
Toastmasters International / Youth Leadership at Los Prietos Boys Camp & Academy	5,000
Torch Club & Keystone Club Leadership Groups / Teen Center @ "The Club"	2,000
True Nature Society / Quail Springs Learning Oasis & Permaculture Farm General Operations	2,500
Wilderness Youth Project / La Cuesta Program & Youth Leadership Council	5,750
Women of Color Revolutionary Dialogues (WORD)	3,060
TOTAL	<u>\$ 316,552*</u>

*Less \$17,791 in rescinded grants for a net of \$298,761 in grant expense for the year ended December 31, 2009.

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 15 – ENDOWMENT FUNDS

Interpretation of Relevant Law

The Board of Directors, in concurrence with the advise of legal counsel, has interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the fair value of the original gift, as of the gift date. As a result of this interpretation, the Fund has classified with the explicit prohibition by the donor as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Fund in a manner consistent with the standard for prudence prescribed by UPMIFA. In accordance with California UPMIFA, the organization considers the following factors in making a determination to appropriate or invest donor restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Fund and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Fund.
- (7) The investment policies of the Fund.

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.

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 15 – ENDOWMENT FUNDS (continued)

Endowment Investment and Spending Policies (continued)

The Fund uses a total investment return methodology for determining its spending policy each year. The portfolio's total returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The spending policy calculates the amount of money annually distributed from the Fund's endowed funds for grant making and administrative support. The current spending policy in 2009 was 5% based on a rolling average of the market value for the previous twelve quarters.

Changes in endowment net assets for the year ended December 31, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 1,646,743	\$ 1,646,743
Net asset reclassification based on change in law	-	<u>306,994</u>	<u>(306,994)</u>	-
Endowment net assets, after reclassification	-	306,994	1,339,749	1,646,743
Net investment return (investment income, realized and unrealized gains and losses)	-	189,632	-	189,632
Appropriation of endowment assets for expenditure	-	<u>(103,157)</u>	-	<u>(103,157)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 393,469</u>	<u>\$ 1,339,749</u>	<u>\$ 1,733,218</u>

The Fund did not have any board-restricted endowment funds as of December 31, 2009.

NOTE 16 – NET ASSETS

Unrestricted Restricted Net Assets

As of December 31, 2009, unrestricted net assets consist of the following:

Operating fund deficit	\$ (19,383)
Donor-advised funds	<u>38,429</u>
Total unrestricted net assets	<u>\$ 19,046</u>

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 16 – NET ASSETS (continued)

Temporarily Restricted Net Assets

As of December 31, 2009, temporarily restricted net assets consist of the following:

Pledges receivable	\$ 312,630
Split-interest agreements	123,744
Donations with time restrictions	29,237
Un-appropriated earnings on endowments	<u>393,469</u>
Total temporarily restricted net assets	<u>\$ 859,080</u>

Permanently Restricted Net Assets

As of December 31, 2009, permanently restricted net assets consist of the following:

Donor-restricted endowment funds	<u>\$ 1,339,749</u>
----------------------------------	---------------------

NOTE 17 – SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through September 27, 2010, the date which the financial statements were available to be issued.