

FUND FOR SANTA BARBARA, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010

FUND FOR SANTA BARBARA, INC.

December 31, 2010

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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, 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements, and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United State of America. Information for the year ended December 31, 2009, is presented for comparative purposes only and was extracted from the compiled financial statements for that year, with a report date of September 27, 2010, stating we did not express an opinion or any other form of assurance on those 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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

McGowan Guntermann

November 7, 2011

FUND FOR SANTA BARBARA, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2010

(With Comparative Totals for December 31, 2009)

	ASSETS			2010	(Memo)
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2009 Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 57,531	\$ 15,119	\$ -	\$ 72,650	\$ 94,090
Accounts and pledges receivable	5,515	153,636	-	159,151	77,584
Total Current Assets	<u>63,046</u>	<u>168,755</u>	<u>-</u>	<u>231,801</u>	<u>171,674</u>
INVESTMENTS	-	507,282	1,350,238	1,857,520	1,733,218
PROPERTY AND EQUIPMENT					
Property and equipment	20,556	-	-	20,556	19,731
Less: accumulated depreciation	<u>(15,349)</u>	<u>-</u>	<u>-</u>	<u>(15,349)</u>	<u>(13,225)</u>
Net Property and equipment	<u>5,207</u>	<u>-</u>	<u>-</u>	<u>5,207</u>	<u>6,506</u>
OTHER ASSETS					
Deposits	1,428	-	-	1,428	1,428
Pledges receivable	-	95,000	-	95,000	240,000
Charitable remainder trust assets	<u>-</u>	<u>147,598</u>	<u>-</u>	<u>147,598</u>	<u>135,069</u>
Total Other Assets	<u>1,428</u>	<u>242,598</u>	<u>-</u>	<u>244,026</u>	<u>376,497</u>
TOTAL ASSETS	<u>\$ 69,681</u>	<u>\$ 918,635</u>	<u>\$ 1,350,238</u>	<u>\$ 2,338,554</u>	<u>\$ 2,287,895</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Grants payable and accrued expenses	\$ 45,276	\$ -	\$ -	\$ 45,276	\$ 48,695
LONG-TERM LIABILITIES					
Grants payable, noncurrent	10,000	-	-	10,000	10,000
Charitable remainder trust liability	<u>-</u>	<u>10,994</u>	<u>-</u>	<u>10,994</u>	<u>11,325</u>
Total Long-term Liabilities	<u>10,000</u>	<u>10,994</u>	<u>-</u>	<u>20,994</u>	<u>21,325</u>
TOTAL LIABILITIES	<u>55,276</u>	<u>10,994</u>	<u>-</u>	<u>66,270</u>	<u>70,020</u>
NET ASSETS					
Unrestricted	14,405	-	-	14,405	19,046
Temporarily restricted	-	907,641	-	907,641	859,080
Permanently restricted	<u>-</u>	<u>-</u>	<u>1,350,238</u>	<u>1,350,238</u>	<u>1,339,749</u>
Total Net Assets	<u>14,405</u>	<u>907,641</u>	<u>1,350,238</u>	<u>2,272,284</u>	<u>2,217,875</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 69,681</u>	<u>\$ 918,635</u>	<u>\$ 1,350,238</u>	<u>\$ 2,338,554</u>	<u>\$ 2,287,895</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, 2010

(With Comparative Totals for the Year Ended December 31, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	(Memo) 2009 Total
REVENUE, GAINS, AND OTHER SUPPORT					
Donations	\$ 331,897	\$ 7,887	\$ 10,489	\$ 350,273	\$ 237,122
Bequests	25,000	-	-	25,000	317,000
Grants	144,860	-	-	144,860	104,650
Special events (net of expenses of \$163,473 and \$170,893)	132,844	-	-	132,844	126,582
Investment income (net of expenses of \$14,985 and \$14,433)	-	209,300	-	209,300	189,975
Change in value of charitable remainder trust	-	12,860	-	12,860	11,117
Released from restrictions	<u>181,486</u>	<u>(181,486)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains, and Other Support	<u>816,087</u>	<u>48,561</u>	<u>10,489</u>	<u>875,137</u>	<u>986,446</u>
EXPENSES					
Program	661,934	-	-	661,934	566,041
Management and general	91,111	-	-	91,111	74,381
Fundraising	<u>67,683</u>	<u>-</u>	<u>-</u>	<u>67,683</u>	<u>50,331</u>
Total Expenses	<u>820,728</u>	<u>-</u>	<u>-</u>	<u>820,728</u>	<u>690,753</u>
CHANGE IN NET ASSETS	(4,641)	48,561	10,489	54,409	295,693
NET ASSETS, BEGINNING 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>
NET ASSETS, END OF YEAR	<u>\$ 14,405</u>	<u>\$ 907,641</u>	<u>\$ 1,350,238</u>	<u>\$ 2,272,284</u>	<u>\$ 2,217,875</u>

See accountants' compilation report and footnotes.

FUND FOR SANTA BARBARA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2010

(With Comparative Totals for the Year Ended December 31, 2009)

		Management and General	Fundraising	2010 Total	(Memo) 2009 Total
	Program				
Grants (less rescindments of \$27 and \$17,791)	\$ 385,013	\$ -	\$ -	\$ 385,013	\$ 298,761
Salaries	132,364	40,434	52,762	225,560	201,335
Community program expenses	59,450	-	-	59,450	43,816
Rent, storage and utilities	29,240	16,448	-	45,688	45,853
Employee benefits	14,317	4,373	5,707	24,397	17,400
Payroll taxes	11,170	3,412	4,453	19,035	16,189
Professional services	-	10,445	-	10,445	9,480
Travel and conferences	5,706	3,210	-	8,916	7,876
Supplies	5,609	3,155	-	8,764	8,337
Printing and postage	2,754	1,639	2,164	6,557	5,610
Public relations	2,597	-	2,597	5,194	11,760
Insurance	3,000	1,688	-	4,688	7,677
Telephone	2,970	1,670	-	4,640	4,930
Repairs and maintenance	2,653	1,493	-	4,146	4,241
Dues and subscriptions	3,278	-	-	3,278	2,313
Miscellaneous	1,813	1,020	-	2,833	3,153
Depreciation	-	2,124	-	2,124	2,022
Total Expenses	\$ 661,934	\$ 91,111	\$ 67,683	\$ 820,728	\$ 690,753
	81%	11%	8%		

See accountants' compilation report and footnotes.

FUND FOR SANTA BARBARA, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2010

(With Comparative Totals for the Year Ended December 31, 2009)

	<u>2010</u>	<u>(Memo)</u> <u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 54,409	\$ 295,693
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	2,124	2,022
In-kind donation of stock	(11,135)	(10,513)
Contributions restricted for long-term investment	(10,489)	-
Gain on investments	(173,379)	(136,269)
Decrease (increase) in:		
Accounts and pledges receivable	63,433	(275,620)
Charitable remainder trust assets	(12,529)	(10,824)
Deposits	-	2,072
Increase (decrease) in:		
Grants payable and accrued expenses	(3,419)	20,716
Charitable remainder trust liability	(331)	(292)
NET CASH USED BY OPERATING ACTIVITIES	<u>(91,316)</u>	<u>(113,015)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(825)	(630)
Proceeds from sale of marketable securities	794,501	489,862
Purchase of marketable securities	<u>(734,289)</u>	<u>(429,555)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>59,387</u>	<u>59,677</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	<u>10,489</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>10,489</u>	<u>-</u>
 NET DECREASE IN CASH	(21,440)	(53,338)
 CASH AT BEGINNING OF YEAR	<u>94,090</u>	<u>147,428</u>
 CASH AT END OF YEAR	<u>\$ 72,650</u>	<u>\$ 94,090</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash transactions consisted of the following:		
In-kind donation of goods, services, and facility for special events	\$ 122,347	\$ 139,585

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 more than \$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 Fund reports information regarding its financial position and activities in three classes of net assets - unrestricted, temporarily restricted, and permanently restricted - based on the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets

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, 2010, totaled \$2,124.

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, 2010, 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 2007.

Donated Services

During the fiscal year ended December 31, 2010, 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, 2010.

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, 2009, from which the summarized information was derived.

Subsequent Events

The Fund has evaluated subsequent events through November 7, 2011, the date which the financial statements were available to be issued.

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, 2010, marketable securities consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Money market	\$ 37,796	\$ 37,796	\$ -
Government bonds	353,244	357,552	4,308
Corporate bonds	74,234	79,043	4,809
Asset-backed securities	2,369	2,668	299
Mutual funds	100,000	122,751	22,751
Common stocks	<u>971,230</u>	<u>1,257,710</u>	<u>286,480</u>
Total	<u>\$ 1,538,873</u>	<u>\$ 1,857,520</u>	<u>\$ 318,647</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	\$ 1,538,873	\$ 1,857,520	\$ 318,647
Balance at beginning of the	1,551,840	1,733,218	<u>181,378</u>
Net change in unrealized			<u>\$ 137,269</u>

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – INVESTMENTS (continued)

The following summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2010.

Investment and dividend income	\$ 50,888
Unrealized gain on value of securities	137,269
Realized gain on sale of securities	36,128
Less: Investment fees	<u>(14,985)</u>
Total Investment Return	<u>\$ 209,300</u>

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, 2010, 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:

2011	\$ 159,151
2012	47,500
2013	<u>47,500</u>
Total	<u>\$ 254,151</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 – LEASES

The Fund rents facilities in Santa Barbara and Santa Maria under a leases agreement expiring through August, 2013 with monthly installments, including common area expenses, of \$3,186 as of December 31, 2010. Minimum annual lease payments are as follows for the years ended December 31:

2011	\$ 38,232
2012	38,232
2013	<u>22,568</u>
Total	<u>\$ 99,032</u>

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – FAIR VALUE MEASUREMENT

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurement and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets.

- Level 2 Inputs to the valuation methodology may include: quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for asset measured at fair value:

Money Market Funds	Money market funds valued at the net asset value (NAV) of shares held at year end.
Common Stocks, Fixed Income, and Mutual Funds	Exchange traded securities, mutual funds, and highly-liquid government bonds valued at quoted market prices or NAV of shares held as of year-end.
Charitable trust assets	Valued at estimated net present value of beneficial interest in trust.

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

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – FAIR VALUE MEASUREMENT (continued)

The following table sets forth by level within the fair value hierarchy the assets at fair values as of December 31, 2010:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market	\$	\$	-	\$ 37,796
Government bonds	357,552	-	-	357,552
Corporate bonds	79,043	-	-	79,043
Asset-backed securities	2,668	-	-	2,668
Mutual funds	122,751	-	-	122,751
Common stocks				
Utilities	5,223	-	-	5,223
Financials	152,515	-	-	152,515
Consumer products	176,571	-	-	176,571
Consumer discretionary	141,550	-	-	141,550
Industrial services	192,022	-	-	192,022
Industrial materials	60,526	-	-	60,526
Information technology	225,865	-	-	225,865
Healthcare	166,568	-	-	166,568
Energy	<u>136,870</u>	<u>-</u>	<u>-</u>	<u>136,870</u>
Total common stocks	<u>1,257,710</u>	<u>-</u>	<u>-</u>	<u>1,257,710</u>
Total Investments	1,857,520	-	-	1,857,520
Charitable trust assets	<u>-</u>	<u>136,604</u>	<u>-</u>	<u>136,604</u>
Total assets, net of liabilities, measured at fair value	<u>\$ 1,857,520</u>	<u>\$ 136,604</u>	<u>\$ -</u>	<u>\$ 1,994,124</u>

NOTE 8 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by satisfying the purposes specified by donors. For 2010, the passage of time restrictions and appropriation of endowment net assets for expenditure resulted in net assets released from restriction of \$181,486.

NOTE 9 – CONCENTRATIONS AND RISKS

Concentration

As of December 31, 2010, 94% of the year-end pledge receivable balance was from one donor. In addition, a majority of donors to the Fund 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.

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – RECLASSIFICATION

Certain amounts from the December 31, 2009 financial statements have been reclassified to conform with the December 31, 2010 financial statement presentation.

NOTE 11 – AFFILIATIONS

The Fund is a member of The Funding Exchange – a national network of publicly supported, community-based foundations who share a commitment to social change philanthropy. 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, 2010, employer contributions to the plan totaled \$4,815.

NOTE 13 – GRANTS PAYABLE

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

2011	\$ 40,000
2012	<u>10,000</u>
Total	<u>\$ 50,000</u>

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – GRANT-MAKING

"Stand In The Sand" / A Gathering for the Gulf	\$	3,300
AB 540 Coalition of Santa Barbara / Making Higher Education Accessible to Undocumented Students		5,000
American Indian Movement Santa Barbara / AIM TV		2,000
American Indian Movement SB Chapter / Legal Fees		1,000
Carpinteria Valley Foundation / Ongoing organizing of opposition to Venoco's Paredon Project		7,000
Centro Binacional / General Support		500
Cesar Chavez Dual Language Immersion Schools, Inc. / Adelante Charter School Translation Project		3,000
Children's Creative Project / Michael Katz Storyteller Residencies		2,500
Citizens Against Wal-Mart Expansion / Stop Wal-Mart Expansion 2010		3,000
Citizens Committee Against Paredon / General Support		2,000
Committee For A Safer Santa Barbara County / Yes On Measure S Anti-Recidivism Messaging		3,000
Committee For A Safer Santa Barbara County / Yes On Measure S Anti-Recidivism Messaging		5,000
Community Action Commission of Santa Barbara County / Young Artists Unlimited / Youth Intervention Project		3,000
Conflict Solutions Center / Restorative Justice Partnership Initiative		8,200
Environmental Defense Center / Mission Creek: Rediscovering Connections in Nature and Community		6,000
Environmental Education for the Next Generation, (EENG) / 1st and 2nd Grade Teaching Program		2,320
Environmental Education Group / A Dialogue For Peace		3,000
Everybody Dance Now! / Hip Hop Dance Classes		1,000
Families ACT! / 2010 Election Cycle Community Mobilization		3,000
Families ACT! / The Santa Barbara Homeless Blog		5,000
Family Therapy Institute / Academy of Healing Arts (AHA!)		2,500
Future Leaders of America / Take the Lead		750
GRACE (Gay Rights Advocates for Change and Equality) / Start-up		3,000
Guadalupe Cultural Arts & Education Center / CE'ENI (Colectivo Educativo Estudiantil de Naciones Indigenas)		6,200
Gulf Coast Fund for Community Renewal & Ecological Health / "Stand In The Sand"		8,360
Just Communities Central Coast / General Support		39,650
Just Communities Central Coast / Youth and Family Organizing for Education Justice		20,000
League of Women Voters of Sant Maria Valley / "Know Your Town"		2,810
No On T, 2010		3,000
Nonprofit Support Center of Santa Barbara County / Future Search Conference		3,000
Organic Soup Kitchen / OSK Culinary Crown Program		2,500
Pacific Pride Foundation / 2010 County-Wide LGBT Summit		3,000
Pacific Pride Foundation / LGBT Elders, Santa Barbara		5,000
Pacific Pride Foundation / Strategic Alliance for Marriage Equality (S.A.M.E.)		20,000
Palabra / Community-Based, Socio-Culturally Sound Program for At-Risk Youth		10,000
Palabra / General Support		29,700
PARC Foundation / Manauia / Youth Legal Awareness Project		2,900
PARC Foundation / Santa Barbara Youth Council / Teens: Know Your Rights Project		950
Pioneer Valley High School / Link Crew		800
Project Excel / Youth Tutoring Center		2,200
Project Gutpile / Educating hunters and ranchers on alternatives to lead ammunition		2,400
PUEBLO / "Insecurity of S-Comm Campaign": A Movement Effort to Undo Racial Profiling		3,000
PUEBLO / Shared Prosperity Forum		2,000
PUEBLO Action Fund / Identifying, empowering and inspiring new leadership in Santa Maria		30,000
San Luis Obispo Mothers for Peace / Mothers in Defense of Downwind Communities		7,000
Santa Barbara County Action Network / General Operations		5,000
Santa Barbara County Action Network / Lompoc Livable Communities & Civic Engagement Program		8,000
Santa Barbara International Film Festival / 10th Annual Social Justice Award for Documentary Film		10,000
Santa Barbara Street Medicine / Doctors Without Walls / Wrap-Around Care & Women's Free Homeless Clinic		7,800
Santa Barbara Teen Legal Clinic (SBTLC) / Street Law Program		3,000
Santa Maria Joint Union High School District / Rayo de Esperanza / Guadalupe Youth Soccer League		2,250
Sarah House / General Support		2,500
SBCAN / University Park Mobile Homeowners Association / The Mobile Homeowners Alliance (SBCAN)		7,200
SBCAN / University Park Mobile Homeowners Association / The Mobile Homeowners Alliance (SBCAN)		2,660
SBCEO Health Linkages Program / Promotores de Salud Parent Education Project		7,500
Seigel-Boettner Productions / "With My Own Two Wheels" Film		6,000
Seventh Generation Fund / Barbareño Chumash Council / Declaration on the Rights of Indigenous People (DRIP)		5,000
Transitional Youth Services / CHANGE (Committed 2 Helping A New Generation Excel)/Teen Mentorship Project		2,000
Transitions-Mental Health Associations / Santa Barbara Community Grown Agriculture (SB-CGA)		5,460
True Nature Society / Quail Springs Permaculture & Learning Institute / General Support		5,000
UCSB Housing & Residential Services / RHA & NRHH / I want to be Barbie - I want to be Ken		630
Veterans for Peace, Chapter 54 / SBCC Teen Memorial: Peace is Inevitable		7,500
Vineyard Valley Theatre Company / General Support		5,000
Wilderness Youth Project / Adventure Leadership Program		5,000
William James Association / Poetic Justice Project		5,000
ySTRIVE / Sponsorship of "An American Tract" Performance at the Marjorie Luke		3,000
Less rescinded grants: unused UCSB Housing & Residential Services		(27)
TOTAL		<u>\$ 385,013</u>

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 2010 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, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 393,469	\$ 1,339,749	\$ 1,733,218
Net investment return (investment income, realized and unrealized gains and losses)	-	209,300	-	209,300
Contributions	-	-	10,489	10,489
Appropriation of endowment assets for expenditure	-	(95,487)	-	(95,487)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 507,282</u>	<u>\$ 1,350,238</u>	<u>\$ 1,857,520</u>

The Fund did not have any board-restricted endowment funds as of December 31, 2010.

NOTE 16 – NET ASSETS

Unrestricted Restricted Net Assets

As of December 31, 2010, unrestricted net assets consist of the following:

Operating funds	\$ 976
Donor-advised funds	<u>13,429</u>
Total unrestricted net assets	<u>\$ 14,405</u>

Temporarily Restricted Net Assets

As of December 31, 2010, temporarily restricted net assets consist of the following:

Pledges receivable	\$ 248,636
Split-interest agreements	136,604
Donations with time restrictions	15,119
Un-appropriated earnings on endowments	<u>507,282</u>
Total temporarily restricted net assets	<u>\$ 907,641</u>

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 16 – NET ASSETS (continued)

Permanently Restricted Net Assets

As of December 31, 2010, permanently restricted net assets consist of the following:

Donor-restricted endowment funds	<u>\$ 1,350,238</u>
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NOTE 17 – SUBSEQUENT EVENTS

In June 2011, the Fund received a donor advised contribution of \$1,012,000 from a single anonymous donor.