

**FUND FOR SANTA BARBARA, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

**FUND FOR SANTA BARBARA, INC.**

DECEMBER 31, 2012

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

111 E. Victoria Street, 2<sup>nd</sup> Floor, Santa Barbara, CA 93101, (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, 2012, 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, 2011, is presented for comparative purposes only and was extracted from the compiled financial statements for that year, with a report date of November 12, 2012, 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 11, 2013

**FUND FOR SANTA BARBARA, INC.**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2012

(With Comparative Totals for December 31, 2011)

ASSETS					
	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	(Memo) 2011 Total
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 6,433	\$ 23,730	\$ -	\$ 30,163	\$ 85,646
Accounts and pledges receivable	<u>5,353</u>	<u>13,375</u>	<u>-</u>	<u>18,728</u>	<u>154,555</u>
Total Current Assets	<u>11,786</u>	<u>37,105</u>	<u>-</u>	<u>48,891</u>	<u>240,201</u>
<b>INVESTMENTS</b>	789,351	527,334	1,350,238	2,666,923	2,567,812
<b>PROPERTY AND EQUIPMENT</b>					
Property and equipment	23,555	-	-	23,555	21,653
Less: accumulated depreciation	<u>(19,783)</u>	<u>-</u>	<u>-</u>	<u>(19,783)</u>	<u>(17,591)</u>
Net Property and equipment	<u>3,772</u>	<u>-</u>	<u>-</u>	<u>3,772</u>	<u>4,062</u>
<b>OTHER ASSETS</b>					
Deposits	1,123	-	-	1,123	1,428
Charitable remainder trust assets	<u>-</u>	<u>148,630</u>	<u>-</u>	<u>148,630</u>	<u>142,908</u>
Total Other Assets	<u>1,123</u>	<u>148,630</u>	<u>-</u>	<u>149,753</u>	<u>144,336</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 806,032</u></b>	<b><u>\$ 713,069</u></b>	<b><u>\$ 1,350,238</u></b>	<b><u>\$ 2,869,339</u></b>	<b><u>\$ 2,956,411</u></b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Grants payable and accrued expenses	\$ 51,356	\$ -	\$ -	\$ 51,356	\$ 45,128
<b>LONG-TERM LIABILITIES</b>					
Grants payable, noncurrent	27,500	-	-	27,500	10,000
Charitable remainder trust liability	<u>-</u>	<u>8,438</u>	<u>-</u>	<u>8,438</u>	<u>9,353</u>
Total Long-term Liabilities	<u>27,500</u>	<u>8,438</u>	<u>-</u>	<u>35,938</u>	<u>19,353</u>
<b>TOTAL LIABILITIES</b>	<u>78,856</u>	<u>8,438</u>	<u>-</u>	<u>87,294</u>	<u>64,481</u>
<b>NET ASSETS</b>					
Unrestricted					
Operating funds (deficit)	(67,075)	-	-	(67,075)	1,054
Donor-advised funds	<u>794,251</u>	<u>-</u>	<u>-</u>	<u>794,251</u>	<u>776,642</u>
Total unrestricted	<u>727,176</u>	<u>-</u>	<u>-</u>	<u>727,176</u>	<u>777,696</u>
Temporarily restricted	-	704,631	-	704,631	763,996
Permanently restricted	<u>-</u>	<u>-</u>	<u>1,350,238</u>	<u>1,350,238</u>	<u>1,350,238</u>
Total Net Assets	<u>727,176</u>	<u>704,631</u>	<u>1,350,238</u>	<u>2,782,045</u>	<u>2,891,930</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 806,032</u></b>	<b><u>\$ 713,069</u></b>	<b><u>\$ 1,350,238</u></b>	<b><u>\$ 2,869,339</u></b>	<b><u>\$ 2,956,411</u></b>

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, 2012  
(With Comparative Totals for the Year Ended December 31, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	(Memo) 2011 Total
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>					
Donations	\$ 334,570	\$ -	\$ -	\$ 334,570	\$ 1,398,781
Grants	190,500	-	-	190,500	85,000
Special events (net of expenses of \$157,759 and \$192,013)	121,676	-	-	121,676	121,262
Investment income (loss) (net of expenses of \$15,286 and \$15,152)	131,495	157,139	-	288,634	(95,990)
Change in value of charitable remainder trust	-	6,636	-	6,636	(3,049)
Program management fees	13,282	-	-	13,282	7,149
Released from restrictions	223,140	(223,140)	-	-	-
Total Revenue, Gains, and Other Support	<u>1,014,663</u>	<u>(59,365)</u>	<u>-</u>	<u>955,298</u>	<u>1,513,153</u>
<b>EXPENSES</b>					
Program	882,730	-	-	882,730	756,596
Management and general	123,866	-	-	123,866	82,041
Fundraising	58,587	-	-	58,587	54,870
Total Expenses	<u>1,065,183</u>	<u>-</u>	<u>-</u>	<u>1,065,183</u>	<u>893,507</u>
<b>CHANGE IN NET ASSETS</b>	<b>(50,520)</b>	<b>(59,365)</b>	<b>-</b>	<b>(109,885)</b>	<b>619,646</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>777,696</u>	<u>763,996</u>	<u>1,350,238</u>	<u>2,891,930</u>	<u>2,272,284</u>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 727,176</u></b>	<b><u>\$ 704,631</u></b>	<b><u>\$ 1,350,238</u></b>	<b><u>\$ 2,782,045</u></b>	<b><u>\$ 2,891,930</u></b>

See accountants' compilation report and footnotes.

**FUND FOR SANTA BARBARA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

EXPENSES	Program	Management and General	Fundraising	2012 Total	(Memo) 2011 Total
Grants (less rescindments of \$1,500 and \$6,288)	\$ 507,215	\$ -	\$ -	\$ 507,215	\$ 447,190
Salaries	165,142	68,343	42,877	276,362	243,119
Community program expenses	59,795	-	-	59,795	38,960
Professional services	42,000	11,622	-	53,622	10,855
Rent, storage, repairs, and utilities	34,694	19,515	-	54,209	49,846
Employee benefits	22,394	9,890	5,536	37,820	25,206
Payroll taxes	13,572	5,072	3,484	22,128	20,654
Travel and conferences	14,010	-	-	14,010	11,058
Supplies	4,703	1,567	1,567	7,837	13,360
Printing and postage	4,563	1,521	1,521	7,605	7,207
Dues and subscriptions	7,273	-	-	7,273	7,973
Telephone and internet	4,090	2,300	-	6,390	6,099
Insurance	3,279	1,844	-	5,123	5,432
Public relations	-	-	3,602	3,602	4,306
Depreciation	-	2,192	-	2,192	2,242
<b>TOTAL EXPENSES</b>	<b><u>\$ 882,730</u></b>	<b><u>\$ 123,866</u></b>	<b><u>\$ 58,587</u></b>	<b><u>\$ 1,065,183</u></b>	<b><u>\$ 893,507</u></b>
	82%	12%	6%		

See accountants' compilation report and footnotes.

**FUND FOR SANTA BARBARA, INC.**

**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	2012	(Memo) 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (109,885)	\$ 619,646
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	2,192	2,242
Donation of stock held for investment	-	(996,613)
Realized and unrealized (gain) loss on investments	(182,645)	186,994
Decrease (increase) in:		
Accounts and pledges receivable	135,827	99,596
Deposits	305	-
Charitable remainder trust assets	(5,722)	4,690
Increase (decrease) in:		
Grants payable and accrued expenses	23,728	(148)
Charitable remainder trust liability	(915)	(1,641)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(137,115)</b>	<b>(85,234)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(1,902)	(1,097)
Proceeds from sale of marketable securities	477,687	498,134
Purchase of marketable securities	(394,153)	(398,807)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>81,632</b>	<b>98,230</b>
 <b>NET INCREASE (DECREASE) IN CASH</b>	<b>(55,483)</b>	<b>12,996</b>
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>85,646</b>	<b>72,650</b>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 30,163</b>	<b>\$ 85,646</b>
 <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Noncash transactions consisted of the following:		
In-kind donation of stock not held for investment	\$ 13,444	\$ 15,728
In-kind donation of goods, services, and facility for special events	\$ 102,002	\$ 149,312

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 \$5 million to over 900 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. In addition, temporarily restricted net assets 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, 2012, totaled \$2,192.

# 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, 2012, 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 2009 and 2008, respectively.

#### Donated Services

During the fiscal year ended December 31, 2012, 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, 2012.

# 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, 2011, from which the summarized information was derived.

#### Subsequent Events

The Fund has evaluated subsequent events through November 11, 2013, 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, 2012, marketable securities consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Money market	\$ 145,576	\$ 145,576	\$ -
Domestic bonds	185,239	209,646	24,407
International bonds	8,698	8,487	(211)
Corporate bonds	986,833	883,271	(103,562)
Mutual funds	125,000	151,738	26,738
Common stocks	<u>919,417</u>	<u>1,268,205</u>	<u>348,788</u>
Total	<u>\$ 2,370,763</u>	<u>\$ 2,666,923</u>	<u>\$ 296,160</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 year	\$ 2,370,763	\$ 2,666,923	\$ 296,160
Balance at beginning of year	2,447,186	2,567,812	<u>120,626</u>
Net change in unrealized			<u>\$ 175,534</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, 2012.

Investment and dividend income	\$ 121,275
Unrealized gain on value of securities	175,534
Realized gain on sale of securities	7,111
Less: Investment fees	<u>(15,286)</u>
Total Investment Return	<u>\$ 288,634</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, 2012, these amounts are considered fully collectible within one year and therefore no allowances for receivables or uncollectible promises to give have been recorded.

**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 \$3,622 as of December 31, 2012. Minimum annual lease payments are as follows for the year ended December 31, 2013 totaled \$28,976.

**NOTE 7 – GRANTS PAYABLE**

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

2013	\$ 37,500
2014	<u>27,500</u>
Total	<u>\$ 65,000</u>

**NOTE 8 – NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by satisfying the purposes specified by donors. For 2012, the passage of time restrictions and appropriation of endowment net assets for expenditure resulted in net assets released from restriction of \$223,140.

# FUND FOR SANTA BARBARA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 9 – 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 9 – 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, 2012:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market	\$ 145,576	\$ -	\$ -	\$ 145,576
Domestic bonds	209,646	-	-	209,646
International bonds	8,487	-	-	8,487
Corporate bonds	883,271	-	-	883,271
Mutual funds	151,738	-	-	151,738
Common stocks				
Consumer products	200,081	-	-	200,081
Consumer services	117,581	-	-	117,581
Business services	182,366	-	-	182,366
Capital goods	298,282	-	-	298,282
Energy	98,727	-	-	98,727
Transportation	92,968	-	-	92,968
Financial	142,665	-	-	142,665
International	<u>135,535</u>	<u>-</u>	<u>-</u>	<u>135,535</u>
Total common stocks	<u>1,268,205</u>	<u>-</u>	<u>-</u>	<u>1,268,205</u>
Total Investments	2,666,923	-	-	2,666,923
Charitable trust assets	<u>-</u>	<u>140,192</u>	<u>-</u>	<u>140,192</u>
Total assets, net of liabilities, measured at fair value	<u>\$ 2,666,923</u>	<u>\$ 140,192</u>	<u>\$ -</u>	<u>\$ 2,807,115</u>

NOTE 10 – CONCENTRATIONS AND RISKS

Concentrations

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

For the year ended December 31, 2011, 70% of the total revenue, gains, and other support were derived from a single contribution to a donor advised fund.

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 11 – RECLASSIFICATION

Certain amounts from the December 31, 2011 financial statements have been reclassified to conform with the December 31, 2012 financial statement presentation.

# FUND FOR SANTA BARBARA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 12 – 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 13 – 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 and allows all employees the option to participate in a matching program for retirement benefits. The Fund matches up to a 3% of gross salary for all employees who choose to participate. For the year ended December 31, 2012, employer contributions to the plan totaled \$7,070.

### NOTE 14 – NET ASSETS

#### Unrestricted Net Assets

As of December 31, 2012, unrestricted net assets consist of the following:

Operating deficit	\$ (67,075)
Donor-advised funds	<u>794,251</u>
Total unrestricted net assets	<u>\$ 727,176</u>

#### Temporarily Restricted Net Assets

As of December 31, 2012, temporarily restricted net assets consist of the following:

Pledges receivable	\$ 13,375
Split-interest agreements	140,192
Donations with time restrictions	23,730
Un-appropriated earnings on endowments	<u>527,334</u>
Total temporarily restricted net assets	<u>\$ 704,631</u>

#### Permanently Restricted Net Assets

As of December 31, 2012, permanently restricted net assets consist of the following:

Donor-restricted endowment funds	<u>\$ 1,350,238</u>
----------------------------------	---------------------

### NOTE 15 – SUBSEQUENT EVENTS

In August 2013, the Fund signed a lease agreement for facilities in Santa Maria expiring in August of 2016 with monthly installments and common area expenses, of \$1,218 and the lease agreement for facilities in Santa Barbara converted to a month-to-month basis.

# FUND FOR SANTA BARBARA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 16 – GRANT-MAKING

<u>ORGANIZATION</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
Santa Barbara International Film Festival	Social Justice Award for Documentary Film	\$ 10,000
Academy of Healing Arts (AHA!)	General Support	2,500
Cambridge Documentary Films	Women's Health & Sexuality Film Series	1,100
Children's Creative Project	Michael Katz Storytelling in the Schools	2,500
Christian Associates International	Common Ground & Bringing Our Community Home Collaboration	2,500
Committee for Social Justice	The People's Institute at Casa Esperanza	1,000
Committee for Social Justice	Night Time Jail Ride Program	4,000
Freedom Warming Centers	General Support	15,000
Planned Parenthood of SB, Ventura and SLO Counties	The Truth Told Project	2,000
PUEBLO	General Operations	2,500
Santa Barbara County Action Network	General Operations	5,000
Santa Barbara Education Foundation	Luis Rodriguez Programming in Santa Barbara	2,900
Santa Barbara Friends Meeting	Alternatives to Violence Project Workshops	990
Santa Barbara Friends Meeting	Alternatives to Violence Project Workshops	4,000
Santa Barbara NewSource	Developing a Comprehensive NewSource Prospectus	30,000
Santa Barbara Rape Crisis Center	Jeans For Justice Campaign	3,000
Sarah House	General Operations	2,500
True Nature Society	Quail Springs Learning Oasis & Permaculture Farm Operations	1,500
Adsum Education Foundation	General Operations	25,000
Legal Aid Foundation of Santa Barbara County	U Visa Project	25,000
Primo Boxing - Say Yes to Kids	General Operations	5,000
Westside Boys & Girls Club	General Support	20,000
Youth Cinemedia	SBC Probation / ICE Video Project	5,000
Allan Hancock College ASB	Voter Registration & Prop 1522 Campaign	2,000
American GI Forum Education Foundation of Santa Maria	Latin@ Youth Conference 2012	3,000
Label Genetically Engineered Foods 2012	Santa Barbara County "Yes on Prop 37" Campaign	3,000
Committee to Preserve Veronica Meadows	No On Y 2012 Save Our Parkland	3,000
Fielding Graduate University	Advocating for a Veteran's Treatment Court in SBCounty	2,000
Guadalupe Family Service Center	Deferred Action for Childhood Arrivals Implementation & Training	1,760
Independent Living Resource Center	Coalition in Opposition of SB County Human Service Budget Cuts	2,600
Legal Aid Foundation of Santa Barbara County	Homeless Education & Legal Project for Homeless Coalition Work	2,635
Not For Sale Santa Barbara	"Yes on Prop 35" Walk & Rally on October 6th	945
Santa Barbara County Education Foundation	"Yes on Measures A & B" Campaign	3,000
UCLA Program in Global Health for UC Haiti Initiative	Lawyer's Earthquake Response Network Delegation to El Salvador	1,500
Central Coast Alliance United for a Sustainable Economy	PUEBLO Regional Immigrant Rights and Integration Organizing	10,000
Central Coast Future Leaders	Family Leadership Camp & Guadalupe Expansion	10,000
Central Coast Green Team	General Support	9,000
Conflict Solutions Center of Santa Barbara County	Restorative Justice Partnership Initiative	6,000
UC Regents	Eucalyntus / Intervening as an Ally	8,000
Freedom4Youth	Freedom4Youth Leadership Program	4,000
Guadalupe Union School District	Second Annual Guadalupe Reading Festival	6,185
Mesa Harmony Garden	Achieving Self-Sustainability	3,500
Palabra	Santa Barbara Response Network North County Expansion	7,200
Santa Barbara Beekeepers Association	Sweet Start	2,500
Santa Barbara County Action Network	North County Oil Coalition	8,000
Santa Barbara County Action Network	The Mobile Home Owners Project	7,500
Santa Maria - Lompoc NAACP	Town Hall on Diversity, Tolerance, and the Affordable Care Act	8,000
William James Association	Poetic Justice Project	10,000
American GI Forum Education Foundation of Santa Maria	Steps to University	6,000
Association of Mexican American Educators	Plaza Comunitaria - Centro Educacional Naciones Unidas	5,000
Black Women for Community Empowerment	Unity Summit & African American Festival	5,000
California Center for Cooperative Development	Lompoc Worker Cooperative Development Project	10,000
City at Peace Santa Barbara	Restorative Justice Education and Practice Initiative	10,000
Cuyama Valley Family Resource Center	Cuyama Youth4Change	8,000
Foundation for Santa Barbara City College	The Transitions Program	10,000
Gay Rights Advocates for Change and Equality (GRACE)	General Support	3,000
Goodland Coalition	Goleta Heritage Farmlands Initiative	10,000
North County Rape Crisis and Child Protection Center	SAVE Club - Green Dot Project	7,500
PUEBLO	Neighborhood-based Organizing and Leadership Development	5,000
Santa Maria Que Padre Parent Group	Que Padre	10,000
Santa Ynez Valley Fruit and Vegetable Rescue	Veggie Rescue	5,400
Teachers for the Study of Educational Institutions	New Multiculturalism: A Sustainable Future for All Californians	5,000
Ventura County Superior Courts	Legal Training for Indigenous Language Interpreters	2,500
Wilderness Youth Project	Disabilities Inclusion Planning Grant	3,000
Coalition for Sustainable Transportation (COAST)	Pedestrian and Transit Organizing	15,000
Just Communities Central Coast	Language Justice Project	10,000
Pacific Pride Foundation	Safe Schools Project	30,000
Santa Barbara County Education Office	Promotores de Salud Community Education & Involvement	30,000



# FUND FOR SANTA BARBARA, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 16 – GRANT-MAKING (continued)

<u>ORGANIZATION</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
CE/ENI Santa Maria High School	Youth and Community Empowerment through Education Project	1,250
Fighting Back Santa Maria Valley	Youth Involvement Group - Respecting You, Respecting Me	1,850
Future Leaders of America	Take the Lead	1,200
Lompoc Youth Commission	Teen Dive-In Theater Pool Parties	1,800
Pioneer Valley High School Link Crew	General Support	1,350
PROUD People Respecting Others United by Diversity	The Impact of Our Words	1,050
PUEBLO at Santa Maria High School	Santa Maria High School Campus to Community Leadership	1,500
Palabra	Sports Day	929
Peer Buddy Volunteers	Peer Buddies	1,680
San Marcos High School	Sergio's Guitar Club	1,877
Santa Barbara City College IDEAS	Alternative and Effective Pathways to Higher Education	614
Santa Barbara High School Ready2Move Club	2nd Annual Week of Wellness & Nourishing Nights of Food & Film	1,500
UCSB Global Awareness Club	Global Awareness Program	1,000
ySTRIVE for Youth, Inc.	Unity in Our Community	2,400
	Less: rescinded grants	<u>(1,500)</u>
	<b>TOTAL GRANTMAKING</b>	<b><u>\$ 507,215</u></b>

### NOTE 17 – 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.

**FUND FOR SANTA BARBARA, INC.**

NOTES TO FINANCIAL STATEMENTS

NOTE 17 – ENDOWMENT FUNDS (continued)

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.

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 2012 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, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 455,932	\$ 1,350,238	\$ 1,806,170
Net investment return (investment income, realized and unrealized gains and losses)	-	157,139	-	157,139
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(85,737)</u>	<u>-</u>	<u>(85,737)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 527,334</u>	<u>\$ 1,350,238</u>	<u>\$ 1,877,572</u>

The Fund did not have any board-restricted endowment funds as of December 31, 2012.