

FUND FOR SANTA BARBARA, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2014

FUND FOR SANTA BARBARA, INC.

DECEMBER 31, 2014

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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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, 2014, 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, 2013, is presented for comparative purposes only and was extracted from the compiled financial statements for that year, with a report date of December 18, 2014, 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

August 10, 2015

FUND FOR SANTA BARBARA, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2014

(With Comparative Totals for December 31, 2013)

	ASSETS			2014	(Memo) 2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 47,134	\$ 14,042	\$ -	\$ 61,176	\$ 96,573
Accounts and pledges receivable	<u>5,177</u>	<u>58,982</u>	<u>-</u>	<u>64,159</u>	<u>59,112</u>
Total Current Assets	<u>52,311</u>	<u>73,024</u>	<u>-</u>	<u>125,335</u>	<u>155,685</u>
INVESTMENTS	214,938	732,746	1,350,238	2,297,922	2,452,509
PROPERTY AND EQUIPMENT					
Property and equipment	29,457	-	-	29,457	29,457
Less: accumulated depreciation	<u>(24,178)</u>	<u>-</u>	<u>-</u>	<u>(24,178)</u>	<u>(22,221)</u>
Net Property and equipment	<u>5,279</u>	<u>-</u>	<u>-</u>	<u>5,279</u>	<u>7,236</u>
OTHER ASSETS					
Deposits	1,123	-	-	1,123	1,123
Charitable remainder trust assets	<u>-</u>	<u>175,986</u>	<u>-</u>	<u>175,986</u>	<u>174,039</u>
Total Other Assets	<u>1,123</u>	<u>175,986</u>	<u>-</u>	<u>177,109</u>	<u>175,162</u>
TOTAL ASSETS	<u>\$ 273,651</u>	<u>\$ 981,756</u>	<u>\$ 1,350,238</u>	<u>\$ 2,605,645</u>	<u>\$ 2,790,592</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 14,410	\$ -	\$ -	\$ 14,410	\$ 13,089
Grants payable	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>52,500</u>
Total Current Liabilities	<u>64,410</u>	<u>-</u>	<u>-</u>	<u>64,410</u>	<u>65,589</u>
LONG-TERM LIABILITIES					
Grants payable, noncurrent	25,000	-	-	25,000	25,000
Charitable remainder trust liability	<u>-</u>	<u>7,162</u>	<u>-</u>	<u>7,162</u>	<u>8,442</u>
Total Long-term Liabilities	<u>25,000</u>	<u>7,162</u>	<u>-</u>	<u>32,162</u>	<u>33,442</u>
TOTAL LIABILITIES	<u>89,410</u>	<u>7,162</u>	<u>-</u>	<u>96,572</u>	<u>99,031</u>
NET ASSETS					
Unrestricted					
Operating deficit	(50,653)	-	-	(50,653)	(28,564)
Donor-advised funds	<u>234,894</u>	<u>-</u>	<u>-</u>	<u>234,894</u>	<u>484,856</u>
Total unrestricted	184,241	-	-	184,241	456,292
Temporarily restricted	-	974,594	-	974,594	885,031
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>184,241</u>	<u>974,594</u>	<u>1,350,238</u>	<u>2,509,073</u>	<u>2,691,561</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 273,651</u>	<u>\$ 981,756</u>	<u>\$ 1,350,238</u>	<u>\$ 2,605,645</u>	<u>\$ 2,790,592</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, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	(Memo) 2013 Total
REVENUE, GAINS, AND OTHER SUPPORT					
Donations	\$ 359,608	\$ 10,982	\$ -	\$ 370,590	\$ 255,138
Grants	313,833	48,000	-	361,833	326,439
Special events (net of expenses of \$110,681 and \$130,528)	174,135	-	-	174,135	180,099
Investment income (net of expenses of \$16,262 and \$15,964)	36,150	143,506	-	179,656	305,434
Change in value of charitable remainder trust	-	3,227	-	3,227	25,405
Program management fees	10,550	-	-	10,550	10,403
Released from restrictions	116,152	(116,152)	-	-	-
Total Revenue, Gains, and Other Support	<u>1,010,428</u>	<u>89,563</u>	<u>-</u>	<u>1,099,991</u>	<u>1,102,918</u>
EXPENSES					
Program	1,069,407	-	-	1,069,407	978,298
Management and general	158,551	-	-	158,551	153,480
Fundraising	54,521	-	-	54,521	61,624
Total Expenses	<u>1,282,479</u>	<u>-</u>	<u>-</u>	<u>1,282,479</u>	<u>1,193,402</u>
CHANGE IN NET ASSETS	(272,051)	89,563	-	(182,488)	(90,484)
NET ASSETS, BEGINNING OF YEAR	<u>456,292</u>	<u>885,031</u>	<u>1,350,238</u>	<u>2,691,561</u>	<u>2,782,045</u>
NET ASSETS, END OF YEAR	<u>\$ 184,241</u>	<u>\$ 974,594</u>	<u>\$ 1,350,238</u>	<u>\$ 2,509,073</u>	<u>\$ 2,691,561</u>

See accountants' compilation report and footnotes.

FUND FOR SANTA BARBARA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

(With Comparative Totals for the Year Ended December 31, 2013)

EXPENSES	Program	Management and General	Fundraising	2014 Total	(Memo) 2013 Total
Grants (less rescindments of \$8,736 and \$15,687)	\$ 538,192	\$ -	\$ -	\$ 538,192	\$ 516,960
Salaries	208,532	85,251	41,965	335,748	337,690
Community program expenses	99,472	-	-	99,472	86,721
Professional services	79,021	12,310	-	91,331	47,174
Rent, storage, repairs, and utilities	44,482	25,021	-	69,503	56,316
Employee benefits	33,722	14,717	6,660	55,099	54,352
Payroll taxes	21,127	2,880	3,367	27,374	27,449
Supplies	17,475	3,291	2,529	23,295	27,820
Telephone, internet, and equipment	12,088	6,800	-	18,888	14,904
Travel and conferences	10,852	-	-	10,852	7,624
Insurance	4,444	2,499	-	6,943	6,248
Dues and subscriptions	-	3,825	-	3,825	7,706
Depreciation	-	1,957	-	1,957	2,438
TOTAL EXPENSES	<u>\$ 1,069,407</u>	<u>\$ 158,551</u>	<u>\$ 54,521</u>	<u>\$ 1,282,479</u>	<u>\$ 1,193,402</u>
	83%	12%	5%		

See accountants' compilation report and footnotes.

FUND FOR SANTA BARBARA, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2014

(With Comparative Totals for the Year Ended December 31, 2013)

	2014	(Memo) 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (182,488)	\$ (90,484)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,957	2,438
Realized and unrealized gain on investments	(115,037)	(222,266)
Decrease (increase) in:		
Accounts and pledges receivable	(5,047)	(40,384)
Charitable remainder trust assets	(1,947)	(25,409)
Increase (decrease) in:		
Grants payable and accrued expenses	(1,179)	11,733
Charitable remainder trust liability	(1,280)	4
NET CASH USED BY OPERATING ACTIVITIES	(305,021)	(364,368)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(5,902)
Proceeds from sale of marketable securities	752,114	572,474
Purchase of marketable securities	(482,490)	(135,794)
NET CASH PROVIDED BY INVESTING ACTIVITIES	269,624	430,778
 NET INCREASE (DECREASE) IN CASH	(35,397)	66,410
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	96,573	30,163
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 61,176	\$ 96,573
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash transactions consisted of the following:		
In-kind donation of goods, services, and facility for special events	\$ 82,195	\$ 99,425
In-kind donation of stock	\$ 124,515	\$ 11,576

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 1,000 projects.

The Fund's technical assistance program serves over 225 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 convenes 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, 2014, totaled \$1,957.

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, 2014, 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 2011 and 2010, respectively.

Donated Services

During the fiscal year ended December 31, 2014, 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, 2014.

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, 2014, from which the summarized information was derived.

Subsequent Events

The Fund has evaluated subsequent events through August 10, 2015, 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, 2014, marketable securities consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Money market	\$ 109,050	\$ 109,050	\$ -
Municipal bonds	97,873	98,743	870
Corporate bonds	465,488	353,925	(111,563)
Mutual funds	49,992	54,824	4,832
Common stocks	<u>1,004,987</u>	<u>1,681,380</u>	<u>676,393</u>
Total	<u>\$ 1,727,390</u>	<u>\$ 2,297,922</u>	<u>\$ 570,532</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	\$ 1,727,390	\$ 2,297,922	\$ 570,532
Balance at beginning of year	1,830,264	2,452,509	<u>622,245</u>
Net change in unrealized			<u>\$ (51,713)</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, 2014.

Investment and dividend income	\$ 80,881
Unrealized loss on value of securities	(51,713)
Realized gain on sale of securities	166,750
Less: Investment fees	<u>(16,262)</u>
Total Investment Return	<u>\$ 179,656</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, 2014, 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 on a month-to-month basis with monthly installments, including common area expenses, of \$3,457 as of December 31, 2014.

The Fund rents facilities in Santa Maria under a leases agreement expiring August 15, 2016 with monthly installments, including common area expenses, of \$1,163 as of December 31, 2014.

Minimum annual lease payments for the years ended December 31 are as follows:

2015	\$ 13,956
2016	<u>8,723</u>
Total	<u>\$ 22,679</u>

Rent expense related to leases for the year ended December 31, 2014 totaled \$61,182.

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – GRANTS PAYABLE

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

2015	\$ 50,000
2016	<u>25,000</u>
Total	<u>\$ 75,000</u>

NOTE 8 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by satisfying the purposes specified by donors. For the year ended December 31, 2014, the passage of time restrictions and appropriation of endowment net assets for expenditure resulted in net assets released from restriction of \$116,152.

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.

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – FAIR VALUE MEASUREMENT (continued)

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.

The following table sets forth by level within the fair value hierarchy the assets at fair values as of December 31, 2014:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market	\$ 109,050	\$ -	\$ -	\$ 109,050
Municipal bonds	98,743	-	-	98,743
Corporate bonds	353,925	-	-	353,925
Mutual funds	54,824	-	-	54,824
Common stocks				
Consumer products	319,057	-	-	319,057
Consumer services	199,610	-	-	199,610
Business services	210,185	-	-	210,185
Capital goods	226,756	-	-	226,756
Energy and transportation	115,394	-	-	115,394
International	170,185	-	-	170,185
Financial	269,605	-	-	269,605
Other	<u>170,587</u>	<u>-</u>	<u>-</u>	<u>170,587</u>
Total common stocks	<u>1,681,379</u>	<u>-</u>	<u>-</u>	<u>1,681,379</u>
Total Investments	2,297,921	-	-	2,297,921
Charitable trust assets, net	<u>-</u>	<u>168,824</u>	<u>-</u>	<u>168,824</u>
Total assets, net of liabilities, measured at fair value	<u>\$ 2,297,921</u>	<u>\$ 168,824</u>	<u>\$ -</u>	<u>\$ 2,466,745</u>

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – CONCENTRATIONS AND RISKS

Concentrations

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.

NOTE 11 – 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, 2014, employer contributions to the plan totaled \$9,921.

NOTE 12 – NET ASSETS

Unrestricted Net Assets

As of December 31, 2014, unrestricted net assets consist of the following:

Operating deficit	\$ (50,653)
Donor-advised funds	<u>234,894</u>
Total unrestricted net assets	<u>\$ 184,241</u>

Temporarily Restricted Net Assets

As of December 31, 2014, temporarily restricted net assets consist of the following:

Pledges receivable	\$ 58,982
Split-interest agreements, net	168,824
Donations with time restrictions	46,187
Un-appropriated earnings on endowments	<u>700,601</u>
Total temporarily restricted net assets	<u>\$ 974,594</u>

Permanently Restricted Net Assets

As of December 31, 2014, permanently restricted net assets consist of the following:

Donor-restricted endowment funds	<u>\$ 1,350,238</u>
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FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – GRANT-MAKING

<u>ORGANIZATION</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
Attitude, Harmony, Achievement (AHA!)	General Support	\$ 1,000
Adsum Education Foundation	General Support	25,000
Advocates for Indigenous California Language Survival CAUSE	Breath of Life Workshop	2,500
Children's Creative Project	Santa Maria City Council District Elections Signature Gathering	10,000
Committee for Social Justice	Michael Katz Storyteller Residency Program	1,500
Committee for Social Justice	The Jail Ride Program	2,000
Empowered Voices Films	The Jail Ride Program	2,000
Freedom4Youth	The Odyssey Project Film	10,160
Gaviota Coast Conservancy	Advocate Program	12,000
IMPORTA	Gaviota Coast Film Project	5,000
Legal Aid Foundation	General Support	40,000
La Casa de la Raza	General Support	40,000
Media4Good/Youth Interactive	General Support	5,000
Radio Bilingue, Inc.	Youth Interactive	7,500
Sama Group	Santa Maria Translator	30,000
Santa Barbara Birth Center	General Support for the Sustainable Living Research Initiative	5,100
Santa Barbara Foundation	General Support	1,000
Santa Barbara Response Network	Mission & State	4,454
Santa Barbara Street Medicine	General Support for Isla Vista Response	10,000
Santa Barbara Teen Legal Clinic	General Support	500
Sarah House	Gang Injunction Depositions	10,000
True Nature Society	General Support	2,000
UC Regents, Sociology Department	True Nature Society / Quail Springs General Support	2,000
Ventura County Superior Courts	Climate Justice Conference	2,000
Youth CineMedia	Instructional Videos in Mixteco Bajo	3,000
ySTRIVE For Youth, Inc.	2015 SBIFF Submissions	5,800
ySTRIVE For Youth, Inc.	Emergency Office Infrastructure Replacement	2,100
PODER Santa Barbara	Emergency Office Infrastructure Replacement	3,000
Santa Barbara County Action Network (SB CAN)	Fighting the Proposed Gang Injunction	3,000
Santa Barbara County Water Guardians	Mobile Homeowners Project - Condo Conversions 2.0	3,000
The People's Climate March	Ban Fracking in Santa Barbara County	3,000
Active Alumni Academia	UCSB Associated Students	1,600
Alternatives to Violence Project CAUSE	Creating a Culture Going to College	5,800
Central Coast Future Leaders	All Valuable People Workshop Program	5,900
Community Action Commission	Building Leadership and Organizing for Immigrant Rights	10,000
Conflict Solutions Center of Santa Barbara County	CCFL Family and Youth Leadership Development	10,000
Ermet Righetti Visual Art Students	Guadalupe Senior Mobilization- Voices	5,000
IDEAS Club	Restorative Justice Partnership Initiative	10,000
Independent Living Resource Center	Visual Peace- An Anti-Bullying Campaign	2,000
La Hermandad Hank Lacayo Youth and Family Center	IDEAS Youth Conference	5,000
Legal Aid Foundation	Disability Capitol Action Day	1,400
Lideres Campesinas, Inc.	Engaging the Mixteco Immigrant Community in Santa Maria	10,000
Lompoc Valley Beekeepers Association	Tenant Empowerment Project	9,400
Santa Barbara County Action Network (SB CAN)	in their Workplace	10,000
Association of Mexican American Educators	Save the Bees	4,000
Just Communities Central Coast	Isla Vista Self Government Initiative	10,000
Santa Barbara County Action Network (Fiscal Sponsor)	Plaza Comunitaria Educational Center United Nations (ECUN)	27,000
Santa Barbara International Film Festival	Language Justice Initiative	24,300
CAUSE Action Fund	The Mobile Home Owners Project	23,700
CAUSE Action Fund	Social Justice Award	15,000
City at Peace -- Santa Barbara	General Support (for 2014 GOTV Efforts)	5,000
Cuyama Valley Family Resource Center	CAUSE Action Fund Voter Engagement	7,500
Foundation for Santa Barbara City College	Restorative Justice Initiative and Clinic	5,000
Freedom4Youth	Cuyama Planning for the Future	10,000
Future Leaders of America	Transitions Program	7,000
Guadalupe Union School District	Freedom4Youth Leadership Program	9,014
LUSD Dual Immersion Program	Latino Youth Civic Engagement and Policy Advocacy	6,700
Right to Write Santa Barbara County	Guadalupe Reading Festival / Parent Leadership Development	10,000
Santa Barbara County Action Network (SB CAN)	Dual Immersion Guided Reading Project	5,000
AVID	End the Mail Ban	3,000
CEE'NI (Colectivo Educativo Estudiantil de Naciones Indigenas)	General Operating Support	7,500
Central Coast Future Leaders	Sharing and Caring Garden	1,015
Las Comadres	Indigenous Youth Empowerment	3,000
Latinos Unidos of Righetti High School	Spring Forward Leadership Training	1,400
Orcutt Academy Interact Club	Giving Back to the Community and School	2,500
Youth in Action	Cultural Enrichment & College Promotion Conference	2,300
DPHS Writing Center Tutors	School Supplies for Local Students	1,700
Kids Helping Kids	A Family Meal	585
PeerBuddies	DPHS Writing Center	1,420
Quasars to Sea Stars	Low-Income Youth AP test scholarships	2,000
San Marcos Speak Against Hate Club	Peer Buddy Volunteers	3,500
Santa Barbara Youth Council	Free Teen Friday	2,225
Westside Narrative	Diversity Week	200
ySTRIVE for Youth, Inc.	Teen Leadership Confererence	925
	Revolving Murals - Youth in Dialogue	2,600
	Unity in our Community Youth Retreat	2,130
	Less: rescinded grants	(8,736)
	Total Grantmaking	<u>\$ 538,192</u>

FUND FOR SANTA BARBARA, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 14 – 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 14 – 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 2014 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, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 646,280	\$ 1,350,238	\$ 1,996,518
Net investment return (investment income, realized and unrealized gains and losses)	-	143,506	-	143,506
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(89,185)</u>	<u>-</u>	<u>(89,185)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 700,601</u>	<u>\$ 1,350,238</u>	<u>\$ 2,050,839</u>

The Fund did not have any board-restricted endowment funds as of December 31, 2014.

NOTE 15 – RECLASSIFICATION

Certain amounts from the December 31, 2013 financial statements have been reclassified to conform with the December 31, 2014 financial statement presentation.