

**INDEPENDENT ACCOUNTANTS' REVIEW REPORT  
AND FINANCIAL STATEMENTS**

**THE FUND  
FOR SANTA  
BARBARA**

DECEMBER 31, 2017

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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To the Board of Directors of  
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We have reviewed the accompanying financial statements of The Fund For Santa Barbara, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility for the Financial Statements

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### Accountant's Responsibility

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Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We previously reviewed The Fund for Santa Barbara, Inc. 2016 financial statements and in our conclusion dated October 30, 2017, stated that based on our review, we were not aware of any material modifications that should be made to the 2016 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2016, for it to be consistent with the reviewed financial statements from which it has been derived.

*MacFarlane, Faletti, & Co., LLP*

**Santa Barbara, California  
November 6, 2018**

**THE FUND FOR SANTA BARBARA, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**  
(With Comparative Totals as of December 31, 2016)

|   | Unrestricted            | Temporarily<br>Restricted  | Permanently<br>Restricted  | Total<br>2017              | Total<br>2016              |
|---|-------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>ASSETS</b>                           |                         |                            |                            |                            |                            |
| <b>CURRENT ASSETS</b>                   |                         |                            |                            |                            |                            |
| Cash and cash equivalents               | \$ 77,483               | \$ 519,039                 | \$ -                       | \$ 596,522                 | \$ 373,309                 |
| Accounts and pledges receivable         | -                       | 72,353                     | -                          | 72,353                     | 50,506                     |
| Total Current Assets                    | <u>77,483</u>           | <u>591,392</u>             | <u>-</u>                   | <u>668,875</u>             | <u>423,815</u>             |
| INVESTMENTS                             | <u>1,956</u>            | <u>651,909</u>             | <u>1,350,238</u>           | <u>2,004,103</u>           | <u>1,810,733</u>           |
| <b>PROPERTY AND EQUIPMENT</b>           |                         |                            |                            |                            |                            |
| Property and equipment                  | 46,197                  | -                          | -                          | 46,197                     | 46,197                     |
| Less: accumulated depreciation          | <u>(33,205)</u>         | <u>-</u>                   | <u>-</u>                   | <u>(33,205)</u>            | <u>(29,109)</u>            |
| Net Property and equipment              | <u>12,992</u>           | <u>-</u>                   | <u>-</u>                   | <u>12,992</u>              | <u>17,088</u>              |
| <b>OTHER ASSETS</b>                     |                         |                            |                            |                            |                            |
| Deposits                                | 1,123                   | -                          | -                          | 1,123                      | 1,123                      |
| Charitable remainder trust assets       | -                       | 186,639                    | -                          | 186,639                    | 170,028                    |
| Total Other Assets                      | <u>1,123</u>            | <u>186,639</u>             | <u>-</u>                   | <u>187,762</u>             | <u>171,151</u>             |
| <b>TOTAL ASSETS</b>                     | <b><u>\$ 93,554</u></b> | <b><u>\$ 1,429,940</u></b> | <b><u>\$ 1,350,238</u></b> | <b><u>\$ 2,873,732</u></b> | <b><u>\$ 2,422,787</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>       |                         |                            |                            |                            |                            |
| <b>CURRENT LIABILITIES</b>              |                         |                            |                            |                            |                            |
| Accounts payable and accrued expenses   | \$ 20,187               | \$ -                       | \$ -                       | \$ 20,187                  | \$ 34,052                  |
| Grants payable                          | 69,000                  | -                          | -                          | 69,000                     | 30,000                     |
| Total Current Liabilities               | <u>89,187</u>           | <u>-</u>                   | <u>-</u>                   | <u>89,187</u>              | <u>64,052</u>              |
| <b>LONG-TERM LIABILITIES</b>            |                         |                            |                            |                            |                            |
| Grants payable, noncurrent              | 30,000                  | -                          | -                          | 30,000                     | 72,100                     |
| Charitable remainder trust liability    | -                       | 3,825                      | -                          | 3,825                      | 4,529                      |
| Total Long-term Liabilities             | <u>30,000</u>           | <u>3,825</u>               | <u>-</u>                   | <u>33,825</u>              | <u>76,629</u>              |
| <b>TOTAL LIABILITIES</b>                | <b><u>119,187</u></b>   | <b><u>3,825</u></b>        | <b><u>-</u></b>            | <b><u>123,012</u></b>      | <b><u>140,681</u></b>      |
| <b>NET ASSETS</b>                       |                         |                            |                            |                            |                            |
| <b>Unrestricted</b>                     |                         |                            |                            |                            |                            |
| General operating (deficit)             | (91,183)                | -                          | -                          | (91,183)                   | 136,893                    |
| Donor-advised funds                     | 65,550                  | -                          | -                          | 65,550                     | 72,824                     |
| Total unrestricted (deficit)            | <u>(25,633)</u>         | <u>-</u>                   | <u>-</u>                   | <u>(25,633)</u>            | <u>209,717</u>             |
| Temporarily restricted                  | -                       | 1,426,115                  | -                          | 1,426,115                  | 722,151                    |
| Permanently restricted                  | -                       | -                          | 1,350,238                  | 1,350,238                  | 1,350,238                  |
| Total Net Assets                        | <u>(25,633)</u>         | <u>1,426,115</u>           | <u>1,350,238</u>           | <u>2,750,720</u>           | <u>2,282,106</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b><u>\$ 93,554</u></b> | <b><u>\$ 1,429,940</u></b> | <b><u>\$ 1,350,238</u></b> | <b><u>\$ 2,873,732</u></b> | <b><u>\$ 2,422,787</u></b> |

**THE FUND FOR SANTA BARBARA, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(With Comparative Totals for the Year Ended December 31, 2016)

|   | Unrestricted       | Temporarily<br>Restricted | Permanently<br>Restricted | Total<br>2017       | Total<br>2016       |
|---|--------------------|---------------------------|---------------------------|---------------------|---------------------|
| <b>REVENUE, GAINS, AND OTHER SUPPORT</b>                        |                    |                           |                           |                     |                     |
| Contributions   | \$ 210,383         | \$ 19,460                 | \$ -                      | \$ 229,843          | \$ 307,821          |
| Grants  | 510,996            | 198,700                   | -                         | 709,696             | 568,803             |
| SB Gives  | -                  | 371,983                   | -                         | 371,983             | -                   |
| Change in value of charitable remainder trust                   | -                  | 17,315                    | -                         | 17,315              | 6,249               |
| Program management fees   | 8,236              | -                         | -                         | 8,236               | 7,423               |
| Special events<br>(net of expenses of \$123,263 and \$129,827)  | 131,544            | 1,250                     | -                         | 132,794             | 173,620             |
| Investment income<br>(net of expenses of \$15,105 and \$14,868) | 486                | 285,515                   | -                         | 286,001             | 156,797             |
| <b>Total Revenue, Gains, and Other Support</b>                  | <b>861,645</b>     | <b>894,223</b>            | <b>-</b>                  | <b>1,755,868</b>    | <b>1,220,713</b>    |
| <b>RECLASSIFICATIONS</b>  |                    |                           |                           |                     |                     |
| Net assets released from restrictions                           | 190,259            | (190,259)                 | -                         | -                   | -                   |
| <b>EXPENSES</b>   |                    |                           |                           |                     |                     |
| Program   | 1,036,943          | -                         | -                         | 1,036,943           | 981,296             |
| Management and general  | 171,443            | -                         | -                         | 171,443             | 164,029             |
| Fundraising   | 78,868             | -                         | -                         | 78,868              | 84,421              |
| <b>Total Expenses</b>   | <b>1,287,254</b>   | <b>-</b>                  | <b>-</b>                  | <b>1,287,254</b>    | <b>1,229,746</b>    |
| <b>CHANGE IN NET ASSETS</b>                                     | <b>(235,350)</b>   | <b>703,964</b>            | <b>-</b>                  | <b>468,614</b>      | <b>(9,033)</b>      |
| <b>NET ASSETS, BEGINNING OF YEAR</b>                            | <b>209,717</b>     | <b>722,151</b>            | <b>1,350,238</b>          | <b>2,282,106</b>    | <b>2,291,139</b>    |
| <b>NET ASSETS, END OF YEAR</b>                                  | <b>\$ (25,633)</b> | <b>\$ 1,426,115</b>       | <b>\$ 1,350,238</b>       | <b>\$ 2,750,720</b> | <b>\$ 2,282,106</b> |

**THE FUND FOR SANTA BARBARA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(With Comparative Totals for the Year Ended December 31, 2016)

|                                       | Program                    | Management<br>and General | Fundraising             | Total<br>2017              | Total<br>2016              |
|---------------------------------------|----------------------------|---------------------------|-------------------------|----------------------------|----------------------------|
| <b>EXPENSES</b>                       |                            |                           |                         |                            |                            |
| Grants                                | \$ 351,776                 | \$ -                      | \$ -                    | \$ 351,776                 | \$ 361,101                 |
| Salaries                              | 301,276                    | 59,121                    | 51,476                  | 411,873                    | 420,086                    |
| Community program expenses            | 94,926                     | -                         | -                       | 94,926                     | 91,430                     |
| Professional services                 | 120,000                    | 55,306                    | -                       | 175,306                    | 124,041                    |
| Rent, storage, repairs, and utilities | 62,364                     | 33,261                    | 8,315                   | 103,940                    | 103,584                    |
| Employee benefits                     | 35,850                     | 4,271                     | 5,038                   | 45,159                     | 38,292                     |
| Payroll taxes                         | 25,560                     | 5,430                     | 4,081                   | 35,071                     | 34,602                     |
| Supplies                              | 4,699                      | 1,566                     | 1,566                   | 7,831                      | 9,500                      |
| Printing and postage                  | 14,996                     | 7,499                     | 7,499                   | 29,994                     | 22,525                     |
| Travel and conferences                | 15,448                     | -                         | -                       | 15,448                     | 6,788                      |
| Insurance                             | 2,678                      | 893                       | 893                     | 4,464                      | 8,801                      |
| Dues and subscriptions                | 7,370                      | -                         | -                       | 7,370                      | 6,060                      |
| Depreciation                          | -                          | 4,096                     | -                       | 4,096                      | 2,936                      |
| <b>TOTAL EXPENSES 2017</b>            | <b><u>\$ 1,036,943</u></b> | <b><u>\$ 171,443</u></b>  | <b><u>\$ 78,868</u></b> | <b><u>\$ 1,287,254</u></b> |                            |
| <b>TOTAL EXPENSES 2016</b>            |                            | <b><u>\$ 164,029</u></b>  | <b><u>\$ 84,421</u></b> |                            | <b><u>\$ 1,229,746</u></b> |

**THE FUND FOR SANTA BARBARA, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(With Comparative Totals for the Year Ended December 31, 2016)

|   | Total<br>2017     | Total<br>2016     |
|---|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                   |                   |
| Change in net assets  | \$ 468,614        | \$ (9,033)        |
| Adjustments to reconcile change in net assets to<br>net cash provided (used) by operating activities: |                   |                   |
| Depreciation  | 4,096             | 2,936             |
| Realized and unrealized gain on investments   | (259,368)         | (120,728)         |
| Increase in:  |                   |                   |
| Accounts and pledges receivable   | (21,847)          | (23,568)          |
| Charitable remainder trust assets   | (16,611)          | (5,277)           |
| Increase (decrease) in:   |                   |                   |
| Grants payable and accrued expenses   | (16,965)          | 11,085            |
| Charitable remainder trust liability  | (704)             | (972)             |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>   | <b>157,215</b>    | <b>(145,557)</b>  |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                   |                   |
| Purchase of property and equipment  | -                 | (13,870)          |
| Proceeds from sale of marketable securities   | 221,161           | 309,715           |
| Purchase of marketable securities   | (155,163)         | (249,672)         |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>  | <b>65,998</b>     | <b>46,173</b>     |
| <br><b>NET INCREASE (DECREASE) IN CASH</b>  | <b>223,213</b>    | <b>(99,384)</b>   |
| <br>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR  | 373,309           | 472,693           |
| <br><b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | <b>\$ 596,522</b> | <b>\$ 373,309</b> |
| <br><b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>  |                   |                   |
| Noncash transactions consisted of the following:  |                   |                   |
| In-kind donation of goods and services  | \$ 78,109         | \$ 94,967         |
| In-kind donation of stock   | \$ 7,497          | \$ 14,071         |

**NOTE 1 ORGANIZATION**

The Fund for Santa Barbara, Inc. (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 \$6 million to over 1,200 projects.

The Fund's technical assistance program serves over 250 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*

Unrestricted net assets represent 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.

**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 funds temporarily subject to donor-imposed restrictions. The restrictions 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.

**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.

**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, 2017.

**NOTE 2**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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 \$1,000. 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, 2017, totaled \$4,096.

**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, 2017, 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 2014 and 2013, respectively.

**Donated Services**

During the fiscal year ended December 31, 2017, 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.

**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.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Comparative Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Fund's audited financial statements for the year ended December 31, 2016, from which the summarized information was derived.

**NOTE 3 ACCOUNTS AND PLEDGES RECEIVABLE**

Accounts receivable and unconditional promises to give are included in the financial statements as accounts receivables and pledges receivable and revenue of the appropriate net asset category. At December 31, 2017, these amounts are considered fully collectible within one year and therefore no present value discounts, allowances for receivables, or allowances for uncollectible promises to give have been recorded.

**NOTE 4 NET ASSETS RELEASED FROM RESTRICTIONS**

For the year ended December 31, 2017, the passage of time restrictions, satisfying the purposes specified by donors, and appropriation of endowment net assets for expenditure resulted in net assets released from restriction of \$190,259.

**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. The discount rate used in 2017 was 2%.

**NOTE 6 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, 2017, marketable securities consist of the following:

|                             | <u>Cost</u>         | <u>Market Value</u> | <u>Unrealized Gain (Loss)</u> |
|-----------------------------|---------------------|---------------------|-------------------------------|
| Money market                | \$ 81,847           | \$ 81,847           | \$ -                          |
| Government bonds            | 126,064             | 124,512             | (1,552)                       |
| Corporate bonds             | 247,408             | 230,590             | (16,818)                      |
| Municipal and foreign bonds | 74,499              | 77,617              | 3,118                         |
| Mutual funds                | 93,618              | 108,912             | 15,294                        |
| Common stocks               | <u>730,047</u>      | <u>1,380,625</u>    | <u>650,578</u>                |
| Total                       | <u>\$ 1,353,483</u> | <u>\$ 2,004,103</u> | <u>\$ 650,620</u>             |

The following summarizes the net change in unrealized gain on investments:

|                               | <u>Cost</u>  | <u>Market Value</u> | <u>Unrealized Gain (Loss)</u> |
|-------------------------------|--------------|---------------------|-------------------------------|
| Balance at end of year        | \$ 1,353,483 | \$ 2,004,103        | \$ 650,620                    |
| Balance at beginning of year  | 1,315,363    | 1,810,733           | <u>495,370</u>                |
| Net change in unrealized gain |              |                     | <u>\$ 155,250</u>             |

The following summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2017:

|  |                   |
|--|-------------------|
| Investment and dividend income         | \$ 41,738         |
| Unrealized gain on value of securities | 155,250           |
| Realized gain on sale of securities    | 104,118           |
| Less: Investment fees                  | <u>(15,105)</u>   |
| Total Investment Return                | <u>\$ 286,001</u> |

**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).

**NOTE 7 FAIR VALUE MEASUREMENT (Continued)**

The three levels of the fair value hierarchy under 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                           | Money market funds valued at the net asset value (NAV) of shares held at year end.  |
| Bonds, mutual funds, and common stocks | 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.

**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, 2017:

|   | <u>Level 1</u>      | <u>Level 2</u>    | <u>Level 3</u> | <u>Total</u>        |
|---|---------------------|-------------------|----------------|---------------------|
| Investments                             |                     |                   |                |                     |
| Money market                            | \$ 81,847           | \$ -              | \$ -           | \$ 81,847           |
| Government bonds                        | 124,512             | -                 | -              | 124,512             |
| Corporate bonds                         | 230,590             | -                 | -              | 230,590             |
| Municipal bonds                         | 77,617              | -                 | -              | 77,617              |
| Mutual funds                            | 108,912             |                   |                | 108,912             |
| Common stocks                           |                     |                   |                |                     |
| Consumer products                       | 153,015             | -                 | -              | 153,015             |
| Consumer services                       | 124,517             | -                 | -              | 124,517             |
| Financial                               | 227,841             | -                 | -              | 227,841             |
| Healthcare                              | 194,123             | -                 | -              | 194,123             |
| Industrials                             | 225,574             | -                 | -              | 225,574             |
| Information technology                  | 288,267             | -                 | -              | 288,267             |
| International                           | 87,641              | -                 | -              | 87,641              |
| Other                                   | <u>79,647</u>       | <u>-</u>          | <u>-</u>       | <u>79,647</u>       |
| Total common stocks                     | <u>1,380,625</u>    | <u>-</u>          | <u>-</u>       | <u>1,380,625</u>    |
| Total Investments                       | 2,004,103           | -                 | -              | 2,004,103           |
| Charitable trust assets                 | <u>-</u>            | <u>186,639</u>    | <u>-</u>       | <u>186,639</u>      |
| Total assets,<br>measured at fair value | <u>\$ 2,004,103</u> | <u>\$ 186,639</u> | <u>\$ -</u>    | <u>\$ 2,190,742</u> |

**NOTE 8 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.

**NOTE 8**      **ENDOWMENT FUNDS** (Continued)

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 funds
- (2) The purposes of the Fund and the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return 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.

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 spending policy for the year ended December 31, 2017, was 5% of the endowment fund investment balance based on a rolling average of the market value for the previous three years. The Fund did not have any board-restricted endowment funds as of December 31, 2017.

**NOTE 8      ENDOWMENT FUNDS (Continued)**

Changes in endowment net assets for the year ended December 31, 2017, are as follows:

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|--------------|
| Endowment net assets, beginning of year   | \$ -                | \$ 458,490                        | \$ 1,350,238                      | \$ 1,808,728 |
| Net investment return (investment income, realized and unrealized gains and losses, net of investment fees) | -                   | 285,515                           | -                                 | 285,515      |
| Contributions   | -                   | -                                 | -                                 | -            |
| Appropriation of endowment assets for expenditure   | -                   | (92,096)                          | -                                 | (92,096)     |
| Endowment net assets, end of year   | \$ -                | \$ 651,909                        | \$ 1,350,238                      | \$ 2,002,147 |

**NOTE 9      LEASES**

The Fund rents office facilities in Santa Barbara, California under a non-cancellable lease agreement expiring April 30, 2021, with monthly installments, including common area expenses, of \$4,051 as of December 31, 2017.

The Fund rents facilities in Santa Maria on a month-to-month basis with installments, including common area expenses, of \$1,572 as of December 31, 2017.

The Fund also leases office equipment under a non-cancellable operating lease, with monthly installments of \$173 through January 2019.

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

|       |                   |
|-------|-------------------|
| 2018  | \$ 50,688         |
| 2019  | 48,785            |
| 2020  | 48,612            |
| 2021  | <u>16,204</u>     |
| Total | <u>\$ 164,289</u> |

Rent expense related to leases for the year ended December 31, 2017 totaled \$74,330.

**NOTE 10 GRANTS PAYABLE**

Gants payable are as follows for the years ended December 31:

|       |                  |
|-------|------------------|
| 2018  | \$ 69,000        |
| 2019  | <u>30,000</u>    |
| Total | <u>\$ 99,000</u> |

**NOTE 11 RETIREMENT PLAN**

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, 2017, employer contributions to the plan totaled \$8,982.

**NOTE 12 CONCENTRATIONS AND RISKS**

**Concentrations**

For the year ended December 31, 2017, approximately 60% of the grant revenue was derived from two donors.

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

**Credit Risk**

The Fund maintains cash balances at banks insured by the Federal Deposit Insurance Corporation (FDIC). The Federal Deposit Insurance Corporation (FDIC) only insures the first \$250,000 of funds on deposit at any one institution. The Foundation had uninsured cash of approximately \$457,000 as of December 31, 2017.

**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 13 RECLASSIFICATION**

Certain amounts from the December 31, 2016, financial statements have been reclassified to conform with the December 31, 2017, financial statement presentation.

**NOTE 14      NET ASSETS**

**Unrestricted Net Assets**

As of December 31, 2017, unrestricted net assets consist of:

|                               |                    |
|-------------------------------|--------------------|
| General operating deficit     | \$ (91,183)        |
| Donor-advised funds           | <u>65,550</u>      |
| Total unrestricted net assets | <u>\$ (25,633)</u> |

**Temporarily Restricted Net Assets**

As of December 31, 2017, temporarily restricted net assets consist of:

|   |                     |
|---|---------------------|
| Pledges receivable                          | \$ 72,353           |
| Charitable remainder trust agreement, net   | 182,814             |
| SB Gives regrating                          | 371,983             |
| Grants and donations with time restrictions | 147,056             |
| Un-appropriated earnings on endowments      | <u>651,909</u>      |
| Total temporarily restricted net assets     | <u>\$ 1,426,115</u> |

**Permanently Restricted Net Assets**

As of December 31, 2017, permanently restricted net assets consist of:

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

**NOTE 15      SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 6, 2018, which is the date the financial statements were available to be issued. Management has determined there are no subsequent events that require recognition or disclosure in the financial statements as of and for the year ended December 31, 2017, with the exception of the following:

Subsequent to year-end, the Board of Directors approved and disbursed a total of \$371,983 in grants to participating community organizations as part of the SB Gives campaign.

**NOTE 16 GRANT-MAKING**

Grant expense for the year ended December 31, 2017, consisted of the following amounts:

|   |   |                         |
|---|---|-------------------------|
| Alliance for Pharmaceutical Access, Inc.          | Health Advocacy for Pharmaceutical Justice                    | \$ 7,000                |
| Art Without Limits                                | Expression Sessions   | 1,800                   |
| CAUSE   | Santa Maria Valley Youth Town Hall                            | 2,821                   |
| Clergy and Laity United for Economic Justice      | Interfaith Sanctuary Alliance                                 | 3,000                   |
| College Club- Tommie Kunst Jr High School         | Tommie Kunst Jr. High College Conference Field Trip           | 2,000                   |
| Committee for Social Justice                      | Legal Opposition to RV Ban in the City of SB                  | 3,000                   |
| Conflict Solutions Center                         | Restorative Justice & Restorative Practices in Schools        | 10,000                  |
| Cuyama Valley Family Resource Center              | Empowerment for All in the Cuyama Valley                      | 10,000                  |
| El Centro   | Youth Activist Mural Project                                  | 10,000                  |
| El Centro   | Escuelita   | 3,000                   |
| Environmental Defense Center                      | Emergency Preparedness: Lessons from the Refugio Oil Spill    | 7,300                   |
| Equity for SB                                     | Community Rising: A Conversation on Police Use of Force       | 5,050                   |
| Ethnic Studies Now! Santa Barbara                 | Ethnic Studies Now  | 7,590                   |
| Friends of the Carpinteria Library                | Artesania para la Familia / 1st Saturday Family Arts & Crafts | 8,000                   |
| Future Leaders of America                         | I'm a student, too!   | 3,000                   |
| Future Leaders of America                         | Padres Para La Justicia Educativa                             | 30,000                  |
| Future Leaders of America, Inc. (FLA)             | Youth Leadership and Advocacy Project                         | 10,000                  |
| Get Out, Stay Out                                 | Get Out, Stay Out Outdoor Excursions                          | 2,350                   |
| Guadalupe Future Leaders                          | Spring Forward Conference                                     | 2,800                   |
| Guadalupe Keystone                                | Celebrating Teens   | 1,950                   |
| Guadalupe-Nipomo Dunes Center                     | Community Museum Project                                      | 10,000                  |
| House of Pride and Equality (HOPE)                | Community Visibility and Awareness                            | 10,000                  |
| Casa de Orgullo e Igualdad                        | ESPERANZA   | 3,300                   |
| Housing Authority of the City of Santa Barbara    | Teen Tutoring Program SAT Readiness                           | 1,400                   |
| Immigrant Hope Santa Barbara                      | Community Enrichment Project                                  | 10,000                  |
| Immigrant Hope Santa Barbara                      | DACA Scholarship Fund   | 3,000                   |
| Immigrant Hope SB                                 | Emergency Family Preparedness Plans                           | 3,000                   |
| International Cesarean Awareness Network          | ICAN-SB   | 5,000                   |
| Just Communities                                  | Mixteco and Latinx Organizing for Equity Project              | 30,000                  |
| La Casa de la Raza                                | KZAA-LP Community Radio Project                               | 10,000                  |
| Latinos Unidos                                    | "Giving Hope" Latinos Unidos 2017 Conference                  | 2,400                   |
| Legal Aid Foundation Santa Barbara County         | Family Preparedness and Civil Rights Training for Families    | 3,000                   |
| Lompoc Cooperative Development Project            | World Meeting of Popular Movements                            | 1,000                   |
| M.U.J.E.R.  | Mujercitas Conference 22nd Annual                             | 3,000                   |
| Martin Luther King Jr. Day Celebration            | A Community Multicultural Celebration of Dr. King's Vision    | 3,500                   |
| Mental Wellness Center                            | Training a Youth Mental Health First Aid Advisor              | 5,000                   |
| Pacific Pride Foundation                          | LGBTQ+ Youth Advocate Leadership Program                      | 10,000                  |
| PeerBuddies                                       | PeerBuddies Volunteers  | 3,000                   |
| Santa Barbara Channelkeeper                       | Industrial Pollution Hotspots                                 | 4,000                   |
| Santa Barbara County Action Network               | Youth Arts Alive  | 4,000                   |
| Santa Barbara County Action Network               | General Operating Support                                     | 30,000                  |
| Santa Barbara Friends Meeting                     | Truth In Recruitment  | 7,000                   |
| Santa Barbara Office of Arts and Culture          | Santa Maria Cultural Arts Center                              | 6,150                   |
| Santa Barbara Progressive Coalition               | Community Action Meetings                                     | 3,000                   |
| Santa Barbara Unified School District             | Latino Fatherhood Forum                                       | 4,800                   |
| Santa Barbara Youth Council & Just Communities    | ALMA (Adolescents Leaders Modeling Acceptance)                | 1,800                   |
| Santa Ynez Valley Community Action Alliance       | Seed Funding  | 5,010                   |
| SB PAL's Youth Leadership Council                 | 7th Annual Big and Little Pal Spring Break Camp               | 2,800                   |
| SB Young Black Professionals                      | IV CSD Community Room   | 3,000                   |
| SB Young Black Professionals                      | Start Up Funds  | 4,000                   |
| Spanish Honor Society                             | Cultural Carnival   | 2,500                   |
| Teddy Bear Club                                   | Teddy Bears   | 1,000                   |
| The Abundant Table                                | Organizing to Reduce the Pesticide Threat in Santa Barbara    | 5,000                   |
| The Interfaith Initiative of Santa Barbara County | Showers of Blessing   | 9,000                   |
| The Little House by the Park                      | The Community Changer Project                                 | 5,000                   |
| The Mobilehome Owners Project                     | General Support   | 5,300                   |
| Therapeutic Journeys - Dolphins, Horses & Arts    | Connecting Through Sign Language                              | 3,000                   |
|   | Less: returned grants   | <u>(1,845)</u>          |
|   |   | <b><u>\$351,776</u></b> |