Report of Independent Auditors and
Consolidated Financial Statements

Santa Barbara Foundation

December 31, 2025

(with Summarized Comparative Information for the year ended
December 31, 2024)

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Report of Independent Auditors

The Audit Committee
Santa Barbara Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Santa Barbara Foundation, which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Santa Barbara Foundation as of December 31, 2025, and the changes in their net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Santa Barbara Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

We have previously audited the Santa Barbara Foundation's December 31, 2024 consolidated financial statements, and our report dated September 4, 2025, expressed an unmodified audit opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Santa Barbara Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Santa Barbara Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Santa Barbara Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Baker Tilly US, LLP

Los Angeles, California
September 3, 2026

Consolidated Financial Statements

Santa Barbara Foundation
Consolidated Statements of Financial Position
December 31, 2025 with Summarized Comparative Totals for 2024

ASSETS

	Without Donor Restrictions	With Donor Restrictions	2025 Total	Summarized 2024 Total
ASSETS				
Cash and cash equivalents	$ 108,883,867	$ 67,558	$ 108,951,425	$ 93,517,306
Investments	818,792,049	80,692,932	899,484,981	753,293,572
Contributions receivable, net	2,750,170	3,072,051	5,822,221	2,480,621
Notes receivable, net	500,000	-	500,000	2,415,355
Beneficial interest in trusts	-	85,959,220	85,959,220	82,762,534
Property and equipment, net	11,637,103	-	11,637,103	11,933,985
Other assets	344,511	-	344,511	299,983
Total assets	$ 942,907,700	$ 169,791,761	$ 1,112,699,461	$ 946,703,356

LIABILITIES AND NET ASSETS

	Without Donor Restrictions	With Donor Restrictions	2025 Total	Summarized 2024 Total
LIABILITIES				
Accounts payable and accrued expenses	$ 450,711	$ -	$ 450,711	$ 652,416
Grants payable, net	15,250	-	15,250	1,100
Note payable	2,561,236	-	2,561,236	2,653,072
Liabilities under split-interest agreements	-	1,345,765	1,345,765	999,769
Funds held on behalf of others	31,935,368	-	31,935,368	28,937,990
Total liabilities	34,962,565	1,345,765	36,308,330	33,244,347
NET ASSETS	907,945,135	168,445,996	1,076,391,131	913,459,009
Total liabilities and net assets	$ 942,907,700	$ 169,791,761	$ 1,112,699,461	$ 946,703,356

See accompanying notes.

Santa Barbara Foundation
Consolidated Statements of Activities and Changes in Net Assets
Year Ended December 31, 2025 with Summarized Comparative Totals for 2024

	Without Donor Restrictions	With Donor Restrictions	2025 Total	Summarized 2024 Total
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions	$ 90,285,200	$ 4,824,855	$ 95,110,055	$ 118,606,625
Less contributions raised on behalf of others	(605,725)	-	(605,725)	(2,951,920)
Total contributions and bequests	89,679,475	4,824,855	94,504,330	115,654,705
Investment return, net	141,016,156	9,393,360	150,409,516	86,871,083
Less investment return on behalf of others, net	(4,191,586)	-	(4,191,586)	(2,409,290)
Total investment return, net	136,824,570	9,393,360	146,217,930	84,461,793
Change in value of split-interest agreements	-	3,534,780	3,534,780	2,024,480
Other income	517,983	-	517,983	497,568
Net assets released from restrictions				
Available for distribution per spending policy	2,932,700	(2,932,700)	-	-
Reclassifications and other releases from restrictions	1,245,306	(1,245,306)	-	-
Total revenue, gains, and other support	231,200,034	13,574,989	244,775,023	202,638,546
EXPENSES				
Program services				
Grants, net of rescissions	72,242,747	-	72,242,747	51,912,685
Less grants made on behalf of others	(1,495,043)	-	(1,495,043)	(9,300,414)
Total grants, net of rescissions	70,747,704	-	70,747,704	42,612,271
Grant making and direct program	4,967,582	-	4,967,582	5,102,867
Total program services	75,715,286	-	75,715,286	47,715,138
Support services				
Administrative and fund management	3,550,184	-	3,550,184	3,580,296
Fundraising and development	2,577,431	-	2,577,431	2,470,107
Total support services	6,127,615	-	6,127,615	6,050,403
Total expenses	81,842,901	-	81,842,901	53,765,541
CHANGE IN NET ASSETS	149,357,133	13,574,989	162,932,122	148,873,005
NET ASSETS, beginning of year	758,588,002	154,871,007	913,459,009	764,586,004
NET ASSETS, end of year	$ 907,945,135	$ 168,445,996	$ 1,076,391,131	$ 913,459,009

See accompanying notes.

Santa Barbara Foundation
Consolidated Statements of Functional Expenses
Year Ended December 31, 2025 with Summarized Comparative Totals for 2024

	Program Services	Administrative and Fund Management	Fundraising and Development	2025 Total	Summarized 2024 Total
EXPENSES					
Grants, net of rescissions	$ 70,747,704	$ -	$ -	$ 70,747,704	$ 42,612,271
Salaries	1,658,847	1,958,203	1,216,771	4,833,821	4,566,736
Consultants and professional services	1,013,802	313,891	43,824	1,371,517	1,206,029
Employee benefits	336,597	418,195	265,197	1,019,989	1,119,473
Project	848,055	-	-	848,055	1,183,746
Community relations	148,690	3,740	454,332	606,762	649,423
Depreciation and amortization	155,089	186,689	122,520	464,298	480,794
Payroll taxes	104,815	130,225	82,581	317,621	318,383
Meetings and conferences	178,853	79,910	45,663	304,426	272,691
Technology	93,956	115,855	66,620	276,431	379,247
Occupancy	78,216	75,686	68,534	222,436	221,559
Rent	88,000	35,495	20,283	143,778	126,608
Advertising	52,761	-	61,495	114,256	126,994
Dues, subscriptions, licenses, and permits	57,416	35,766	20,437	113,619	100,030
Publications	24,863	8,288	49,725	82,876	108,406
Unrelated business income tax	-	81,000	-	81,000	-
Interest	27,013	33,368	19,068	79,449	82,433
Office	47,026	21,245	9,904	78,175	109,783
Telephone	24,599	29,558	16,890	71,047	52,506
Insurance	28,984	23,070	13,587	65,641	48,429
Total expenses, 2025	$ 75,715,286	$ 3,550,184	$ 2,577,431	$ 81,842,901	
Percentage of total expenses, 2025	93%	4%	3%	100%	
Total expenses, 2024	$ 47,715,138	$ 3,580,296	$ 2,470,107		$ 53,765,541
Percentage of total expenses, 2024	89%	7%	5%		100%

See accompanying notes.

Santa Barbara Foundation
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received from donors, net of amounts restricted for endowments	$ 68,128,057	$ 110,460,328
Cash received into (spent from) funds held on behalf of others, net of distributions and fees	2,997,378	(4,227,264)
Cash received from state, county, and city contracts and grants	711,012	1,295,349
Interest and dividends received	13,351,331	11,055,336
Other income	213,093	497,569
Interest paid	(79,449)	(82,433)
Unrelated business income tax paid	(81,000)	-
Grants and awards paid	(72,228,597)	(41,679,921)
Cash paid to employees and suppliers for program services	(4,940,569)	(5,061,838)
Cash paid to employees and suppliers for support services	(5,776,115)	(5,510,786)
Net cash provided by operating activities	2,295,141	66,746,340
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(167,416)	-
Purchases of investments	(129,466,314)	(219,107,041)
Proceeds from sales of investments	133,601,041	159,683,099
Notes receivable disbursements	(100,000)	(2,099,000)
Proceeds from notes receivable	2,124,000	25,000
Return on capital shareholder distribution	5,104,606	4,523,685
Net cash provided by (used in) investing activities	11,095,917	(56,974,257)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions received from charitable remainder trusts	410,327	427,128
Contributions restricted for endowments	1,724,570	1,065,604
Payments on note payable	(91,836)	(88,852)
Net cash provided by financing activities	2,043,061	1,403,880
CHANGE IN CASH AND CASH EQUIVALENTS	15,434,119	11,175,963
CASH AND CASH EQUIVALENTS, beginning of year	93,517,306	82,341,343
CASH AND CASH EQUIVALENTS, end of year	$ 108,951,425	$ 93,517,306

See accompanying notes.

Note 1 – Organization and Summary of Significant Accounting Policies

Organization – The Santa Barbara Foundation (SBF) is a community foundation incorporated in 1928 under the laws of the State of California as a nonprofit corporation to enrich the lives of the people of Santa Barbara County through philanthropy. It is the mission of SBF to mobilize collective wisdom and philanthropic capital to build empathetic, inclusive, and resilient communities. SBF continues to serve as one of the largest private funding sources for area nonprofits, agencies, and college-bound students.

Supporting organizations – SBF works with entities organized as supporting organizations to SBF for the specific and primary purpose of benefiting, performing functions of, and engaging in activities consistent with SBF's charitable purposes. SBF appoints a majority of the members of the governing boards of the supporting organizations. Each governing board may create its own investment policy and grant guidelines. In 2025 and 2024, the following supporting organizations were effectively under SBF's control and were consolidated for financial statement purposes:

- Highland Santa Barbara Foundation, Inc. (HSBF) – organized in November 2011;
- The Eric and Kelly Schwartz Charitable Trust (EKSCT) – organized in August 2015; and
- Wyatt Family Foundation (WFF) – organized in April 2023.

Affiliates – In 2025 and 2024, the following affiliates were effectively under SBF's control and were consolidated for financial statement purposes:

- 1111 Chapala Street, LLC, whose primary operating asset is a commercial building located in Santa Barbara, California;
- 300 East Islay Street, LLC, whose primary operating asset is a residential building located in Santa Barbara, California; and
- SBF Properties, LLC, whose purpose is to receive gifts of real property.

Principles of consolidation – The accompanying consolidated financial statements as of December 31, 2025 and 2024, include the financial statements of SBF and its supporting organizations and affiliates, listed above. All material inter-organizational transactions and balances have been eliminated in the consolidation.

Basis of accounting – The accompanying consolidated financial statements of SBF have been prepared on the accrual basis of accounting under generally accepted accounting principles (GAAP).

Reclassifications – Certain amounts from the December 31, 2024, financial statements have been reclassified to conform to the December 31, 2025, financial statement presentation.

Description of net assets – SBF reports information regarding its financial position and activities in two classes of net assets—with donor restrictions and without donor restrictions—based on the existence or absence of donor-imposed restrictions.

SBF's governing documents provide the Board of Trustees with the variance power to modify any restriction or condition placed on gifts to SBF if, in its sole judgment, the Board of Trustees determines that the restriction is or has become in effect unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served.

- *Net assets without donor restrictions* represent net assets that are not subject to donor-imposed time restrictions. Net assets without donor restrictions include Board-designated funds that have been purposed for designing an Impact Investing program that will promote philanthropic donations, further community impact, and enhance opportunity for financial return.

- *Net assets with donor restrictions* represent net assets that are subject to donor-imposed time restrictions. Net assets with donor restrictions generally include contributions and bequests receivable and planned gifts. Earnings on net assets with donor restrictions are reported as an increase in net assets with donor restrictions. Earnings on donor-restricted endowment funds that have not yet been appropriated are also classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as "net assets released from restrictions." Net assets with donor restrictions include perpetual income trusts for which the related income is reported as contributions without donor restrictions when received on the consolidated statements of activities and changes in net assets. The change in value of the underlying assets is recorded as an unrealized gain or loss in net assets with donor restrictions on the consolidated statements of activities and changes in net assets. Net assets with donor restrictions also consist of those donor-restricted endowments held by SBF as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Functional expense allocation – Salaries, employee benefits, and payroll taxes are allocated based on time spent in each functional area by specific employee as estimated by management. Indirect costs included in meetings and conferences, depreciation and amortization, technology, occupancy, office, and rent expense are allocated based on number of employees by functional area based on time spent by specific employee as estimated by management. Advertising costs are expensed as incurred. Certain advertising costs are allocated based on the percentage of the publication devoted to each functional area. All other costs are charged directly to the appropriate functional category.

Comparative amounts – The amounts shown for 2024 in the accompanying consolidated financial statements are included to provide a basis for comparison with 2025 and are not intended to present all information necessary for a fair presentation of the 2024 consolidated financial statements in conformity with GAAP. Accordingly, such information should be read in conjunction with SBF's consolidated financial statements for the year ended December 31, 2024, from which the summarized information was derived.

Cash and cash equivalents – SBF considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Use of estimates – The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets and 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 consolidated financial statements include:

- Allocation of certain expenses by function;
- Discount factors used in determining contributions receivable, notes receivable, grants payable, annuities payable by charitable trust, and income interest in charitable trusts;
- Allowance for uncollectible contributions;
- Fair value of assets held by charitable trusts;
- Fair value of certain investments; and
- Depreciable lives of property and equipment.

Contributions – Unconditional contributions received are recorded at their fair value on the date of donation. Contributions have been evaluated and determined to be nonreciprocal and unconditional for the year ended December 31, 2025. Unconditional contributions, including promises to give, are recognized as revenue when received. Unconditional promises to give must be accompanied by written documentation prior to being recognized as revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Settled bequests are recorded at their estimated fair value when all the events required for the transfer of the assets from the estate of the donor to SBF have occurred and/or the court has issued an order to transfer the assets.

Donated goods and services – Donated goods and services received by SBF are recorded as contributions at fair value at the time of the donation or receipt. For the year ended December 31, 2025, numerous volunteers gave their time and expertise to SBF in a wide variety of areas including committees, administrative activities, technical and financial advice, and office and public relations activities. These contributions, despite their considerable value to the mission of SBF, are not reflected in the consolidated financial statements. Donated or contributed services are reported at fair value in the consolidated financial statements for voluntary donations of services when those services (1) create or enhance non-financial assets, or (2) require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation.

Investments – SBF records investments 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. The investments for which quoted market prices are not readily available, are determined by management in good faith with the assistance of third-party investment managers using methods they consider appropriate at net asset value (NAV). Realized and unrealized gains and losses are included in the change in net assets, net of investment expenses.

Income taxes – SBF and its supporting organizations and affiliates are tax-exempt organizations and are not subject to federal or state income taxes, except on unrelated business income, in accordance with Section 501(a) of the Internal Revenue Code. In addition, SBF and its supporting organizations and affiliates qualified for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and have been classified as organizations that are not private foundations. Unrelated business income tax, if any, is immaterial, and no tax provision has been made in the accompanying consolidated financial statements.

SBF and its supporting organizations and affiliates evaluate uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome were considered probable and reasonably estimable. As of December 31, 2025, SBF and its supporting organizations and affiliates had no uncertain tax positions requiring accrual.

Beneficial interest in trusts and split-interest agreements – SBF has a beneficial interest in various trusts and other split-interest agreements. A split-interest agreement is a contribution that results in the sharing of legal rights to certain assets by the nonprofit entity and the donor, including other specified individuals or organizations designated by the donor.

If SBF is the trustee, the fair value is included with SBF's other investments within the consolidated statements of financial position, a corresponding liability is recorded for the present value of estimated future payments as specified in the agreement, and the difference is recognized as a contribution. Approximately 33 such split-interest agreements are held in charitable remainder trusts, charitable gift annuities and pooled income funds, invested in domestic and global equities and fixed-income funds. As of December 31, 2025, the fair value totaled $2,440,337 with a corresponding liability of $1,345,765.

If SBF is not the trustee, contribution revenue and related assets are recognized at fair value, net of the present value of estimated future payments to beneficiaries, and presented as beneficial interest in trusts in the consolidated statements of financial position. Approximately 40 such split-interest agreements are held by third-party trustees in charitable remainder trusts, life insurance policies, charitable lead trusts, and perpetual interest trusts. Beneficial interests in trusts and split-interest agreements for which SBF is not trustee and does not control contribution revenue and related assets totaled $85,959,220 as of December 31, 2025.

For all beneficial interests in trusts and split-interest agreements, changes in value in subsequent years are recognized in the consolidated statements of activities and changes in net assets as change in value of split-interest agreements.

Property and equipment – Property and equipment are stated at cost, or fair value if donated. In general, SBF capitalizes assets with a cost of $5,000 or more and an expected useful life of greater than one year. Depreciation is calculated using the straight-line method over their assets' estimated useful lives as follows:

Land	Nondepreciable
Buildings	27.5–40 years
Leasehold improvements	Lesser of lease term or 10–40 years
Office equipment	3–10 years
Furniture	5–10 years

Funds held on behalf of others – SBF receives and distributes assets under certain agency and intermediary arrangements. If a not-for-profit organization (NPO) establishes a fund at SBF with its own funds and specifies itself or its affiliate as the beneficiary of that fund, then SBF accounts for this transfer of assets by such NPO as a liability. The liability is established at the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPO and is reflected under "funds held on behalf of others" on the consolidated statements of financial position.

Contributions and notes receivable – Contributions and notes receivable in more than one year are discounted to present value utilizing the applicable risk-free federal rate set by the Internal Revenue Service (IRS) at the date of the gift or loan. An additional discount factor is applied to represent market, credit, and other risks in the fair value measurements when necessary. No additional discounts were deemed necessary as of December 31, 2025. Management reviews contributions and notes receivable annually for collectability and establishes reserves for uncollectible amounts when needed. No additional discounts or allowances were deemed necessary as of December 31, 2025.

Grants – Grants are recorded as expenses when they are approved by the Board of Trustees. Grants that are expected to be paid in more than one year are recorded at the present value of future payments factored by a discount using the applicable federal rate at the date of the grant award. All grants payable as of December 31, 2025, are expected to be paid within one year and are not required to be discounted at the present value. SBF records the rescission of grants in the year the grant is cancelled.

Subsequent events – SBF has evaluated subsequent events through September 3, 2026, the date on which the consolidated financial statements were available to be issued.

Note 2 – Contributions Receivable

Unconditional promises to give are included in the consolidated financial statements as contributions receivable, net. There was no allowance for contributions receivable recorded at December 31, 2025, contributions and bequests receivable are expected to be collected as follows:

In one year or less	$ 5,609,683
In more than one year	242,100
Total contributions receivable	5,851,783
Discount to present value	(29,562)
Contributions receivable, net	$ 5,822,221

Note 3 – Notes Receivable

SBF has one secured and one unsecured promissory note from Board-designated funds to local nonprofit charitable organizations. The notes are presented within the consolidated statements of financial position as notes receivable, net, and are receivable in less than one year from December 31, 2025.

In December 2016, SBF issued an unsecured promissory note in the amount of $500,000 bearing interest at a variable rate of the one-month Secured Overnight Financing Rate (4.29% at December 31, 2025) plus 1%, not to exceed 5%, with interest payments due semiannually and principal payments of $25,000 due annually beginning in 2022, with the remaining principal balance due in October 2026.

In October 2025, SBF issued a promissory note, secured by real property, in the amount of $100,000 bearing simple interest at a rate of 3% with interest payments due quarterly and the principal balance due in October 2026.

Note 4 – Investment Return

The following summarizes the investment return in the consolidated statements of activities and changes in net assets for the year ended December 31, 2025:

Interest and dividends	$ 13,351,331
Less interest and dividends on behalf of others	(624,010)
Total interest and dividends	12,727,321
Realized gain on investments	19,952,112
Unrealized gain on investments	118,162,304
Less net realized and unrealized gain on behalf of others	(3,627,135)
Total realized and unrealized gain on investments	134,487,281
Less investment fees	(1,056,231)
Add back investment fees on behalf of others	59,559
Total investment fees	(996,672)
Investment return, net	$ 146,217,930

Note 5 – Fair Value Measurement

Fair value is defined as the price that would be received by SBF to sell an asset or be paid by SBF to transfer a liability (exit price) in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established that prioritizes valuation inputs into three broad levels to ensure consistency and comparability. There are three levels of inputs to measure fair value. The valuation hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

The standard describes the three levels used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, discounted cash flows, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the consolidated statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market for identical assets, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then Level 2 fair values are estimated by using pricing models for quoted prices of securities with similar characteristics or discounted cash flows. 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.

Fair value of Level 3 securities is based on information provided by fund managers, external investment advisors, and other market factors to determine if the carrying value of these investments should be adjusted. Other factors may include, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar funds, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment. Because of the inherent uncertainty of valuations, however, those estimated values may differ from the values that would have been used had a ready market existed, and the differences could be material. Independent appraisals of significant real estate held for investment are conducted at frequencies as determined by the fund manager for valuation purposes.

Financial instruments are considered valued at NAV when the investments (hedge funds, private assets, commingled funds, and real assets) are valued at NAV based on capital statements provided by entities that calculate fair value using NAV per share or its equivalent. The Investment Committee, in conjunction with the external investment advisors, monitors and analyzes the valuation of the investments on a quarterly basis. The Investment Committee reports to the Board of Trustees. The valuation considers variables such as financial performance of investments, recent sale prices of investments, and other pertinent information.

The following table presents assets recognized in the consolidated statements of financial position measured at fair value on a recurring basis and the level in which the fair value measurements fall at December 31, 2025:

Description	Level 1	Level 2	Level 3	NAV or Equivalent	Total
Investments					
Global equities	$ 89,679,689	$ -	$ -	$ 40,903,394	$ 130,583,083
Domestic equities	45,867,838	-	-	-	45,867,838
International equities	18,202,388	-	-	-	18,202,388
Domestic fixed-income funds	21,457,210	-	-	-	21,457,210
Global fixed-income funds	28,972,060	-	-	27,139,363	56,111,423
Closely held stock	-	-	479,246,536	-	479,246,536
Real assets	16,684,805	-	-	18,123,939	34,808,744
Infrastructure	-	-	-	9,573,858	9,573,858
Private assets	-	-	-	55,826,233	55,826,233
Partnerships	-	-	29,130,414	-	29,130,414
Hedge funds	-	-	-	18,677,254	18,677,254
Total investments	220,863,990	-	508,376,950	170,244,041	899,484,981
Beneficial interest in trusts					
Remainder and lead	-	-	62,235,236	-	62,235,236
Perpetual income	-	-	23,723,984	-	23,723,984
Total beneficial interest in trusts	-	-	85,959,220	-	85,959,220
Total assets measured at fair value	$ 220,863,990	$ -	$ 594,336,170	$ 170,244,041	$ 985,444,201
Liabilities under split-interest agreements	$ -	$ 1,345,765	$ -	$ -	$ 1,345,765

The following is a description of the general classification of investments pursuant to the valuation hierarchy:

Global equities – Includes investment in domestic and international equities of varying market capitalizations selected by the investment manager. Equities are held as separate ownership shares of a specific company or in the form of mutual funds, commingled funds, or exchange-traded funds (ETFs).

Domestic and international equities – Includes investment in either domestic or international equities of varying market capitalizations. Equities are held as separate ownership shares of a specific company or in the form of mutual funds, commingled funds, or ETFs.

Domestic fixed-income funds – Includes investment in domestic fixed-income positions as held in the investment portfolio through either individual bond holdings (treasuries, corporate, government, mortgage, etc.), commingled funds, or through fixed-income mutual funds.

Global fixed-income funds – Includes investment in domestic and international fixed-income positions held through either individual bond holdings (treasuries, corporate, government, mortgage, etc.) or through fixed-income mutual funds, commingled funds, or ETFs.

Closely held stock – Includes shares of a C corporation held by EKSCT, a supporting organization; series seed shares of a California nonpublic benefit corporation; and series seed units of a limited liability company focusing on renewable energy development.

Real assets– Includes limited partnerships that invest in a diverse group of private real estate investment funds or similar entities that focus on the acquisition, redevelopment, operation, and management of real estate properties or natural resources: timber, precious metals, commodities, mining, energy, etc.; and a local residential rental property held in SBF Properties, LLC.

Infrastructure – Includes core infrastructure funds that have exposure in transportation, communication, food-related water and electricity, power, and energy services.

Private assets – Includes private equity partnerships with varying allocations to buyouts, distressed opportunities, venture capital, special situations, and secondary funds. Holdings are invested in diversified portfolios of investment partnerships, each of which has a defined term, typically 10 to 15 years, with no right to withdraw prior to termination of the investment partnership. Funds are called as needed by managers, and distributions are received through the liquidation of the underlying assets of the funds.

Partnerships – Includes limited partnership interests that are illiquid and receive varying income distributions controlled by the general partner with investments in local commercial real estate.

Hedge funds – Includes actively managed private investments of varying strategies.

The following table provides a reconciliation of assets measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2025:

Description	January 1, 2025	Net (Losses) Gains	Purchases and Issuances	Transfers In (Out)	December 31, 2025
Fixed income (illiquid)	$ 44,285,479	$ (44,285,479)	$ -	$ -	$ -
Partnerships	26,539,620	2,590,794	-	-	29,130,414
Beneficial interest in trusts	82,762,534	3,480,894	100,000	(384,208)	85,959,220
Closely held stock	330,995,888	135,438,588	17,916,666	(5,104,606)	479,246,536
Total assets measured at fair value – Level 3	$ 484,583,521	$ 97,224,797	$ 18,016,666	$ (5,488,814)	$ 594,336,170

The following table represents the Level 3 financial instruments as of December 31, 2025, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs.

Investment	Total Fair Value	Valuation Technique	Unobservable Inputs	Range
Partnerships	$ 29,130,414	Market comparable	Listing prices and general partner estimates, lack of control discount, and lack of marketability discount	5%–40%
Beneficial interest in trusts	85,959,220	Present value of annuity or remainder interest	Discounted rate, life expectancies, and remaining payments	1.4%–10%, 2 to 65 years
Closely held stock	479,246,536	Discounted cash flow method	Control premium, lack of marketability discount	5%–35%
Total assets measured at fair value – Level 3	$ 594,336,170			

The following table provides redemption data and unfunded commitments for investments held at NAV or equivalent:

Investment	Total Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equities	$ 40,903,394	$ -	Monthly	2 to 14 days
Global fixed-income	27,139,363	-	Monthly	2 to 10 days
Real assets	18,123,939	5,740,051	Nonredeemable	-
Infrastructure	9,573,858	1,250,005	Nonredeemable	-
Private assets	55,826,233	12,343,727	Nonredeemable	-
Hedge funds	18,677,254	-	Monthly to Semiannually	30 to 180 days
Total	$ 170,244,041	$ 19,333,783		

Note 6 – Property and Equipment

Property and equipment at December 31, 2025, consisted of the following:

Building and leasehold improvements	$ 14,236,686
Land	3,265,379
Office equipment	385,971
Furniture	378,551
Total property and equipment	18,266,587
Less accumulated depreciation and amortization	(6,629,484)
Property and equipment, net	$ 11,637,103

Note 7 – Note Payable

Mortgage note payable – SBF has a mortgage note payable on the 1111 Chapala Street building with Montecito Bank & Trust, which is secured by the property, at an interest rate of 3%. Principal and interest payments of $14,274 are due monthly, with a final balloon payment due on January 20, 2031. The outstanding principal balance on the mortgage as of December 31, 2025, is $2,561,236.

Future maturities of principal obligations for years ending December 31 are as follows:

Years Ending December 31,	
2026	$ 94,724
2027	97,645
2028	100,457
2029	103,756
2030	106,956
Thereafter	2,057,698
Total	$ 2,561,236

Note 8 – Grants

Grants payable of $15,250 were due within one year as of December 31, 2025.

Grant expense was comprised of the following for the years ended December 31, 2025 and 2024:

	2025	2024
Donor-advised	$ 61,018,940	$ 30,377,130
Competitive	4,278,657	3,811,314
Field of interest	3,074,017	3,125,345
Donor-designated	2,218,578	2,181,475
Supporting organizations	100,000	1,500,000
Fiscal sponsorships	57,512	1,617,007
Total grants, net of rescissions	$ 70,747,704	$ 42,612,271

Note 9 – Concentrations and Risks

Credit risk – SBF maintains cash balances at several banks insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC only insures the first $250,000 of funds on deposit at any one institution. SBF had uninsured cash of approximately $19,665,736 deposited with two different banks. In addition, SBF maintains significant cash balances in money market funds. Such balances are not fully insured. Certain investments held with financial institutions are insured up to a specific limit by the Securities Investors Protection Corporation (SIPC). At December 31, 2025, SBF had amounts that were in excess of the SIPC insurance limits.

Market risk – SBF holds its investments in a diversified portfolio. Nevertheless, these investments are exposed to various risks and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Concentrated investments – As of the year ended December 31, 2025, approximately 62% of the fair value of investments and a significant portion of the unrealized gains and losses were attributable to two supporting organizations, EKSCT and WFF. The fair value of EKSCT's closely held stock position was based upon an annual independent third-party valuations using the same techniques and variables as in prior years.

Concentrated beneficial interest in trusts – As of December 31, 2025, approximately 58% of the fair value of beneficial interest in trusts was held in one third-party trust.

Supporting organization assets – As of December 31, 2025, approximately 51% of total assets was in two supporting organizations, EKSCT, and WFF.

Major donors – For the year ended December 31, 2025, approximately 51% of contributions revenue was from three donors.

Note 10 – Endowment Funds

Interpretation of relevant law – The Board of Trustees of SBF, in concurrence with the advice of legal counsel, has interpreted the California-adopted 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, SBF has classified with the explicit prohibition by the donor as net assets with donor restrictions: (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by SBF in a manner consistent with the standard for prudence prescribed by UPMIFA. In accordance with the California UPMIFA, the organization considers the following factors in determining whether to appropriate or invest donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of SBF 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 and depreciation of investments.
6. Other resources of SBF.
7. The investment policies of SBF.

Endowment investment and spending policies – SBF 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 purposes. 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.

SBF’s long-term endowment is invested in a diversified portfolio of domestic equities, international equities, fixed income, and a broad array of alternative investments. The portfolio employs both passive index funds and actively managed funds. The portfolio’s objective is to achieve a total return equivalent to or greater than SBF’s financial requirements over the long-term time horizon. Long-term investment strategies are used to manage risk with the goal to grow charitable dollars over time. SBF also provides four other investment options for donors that have a shorter time horizon and more immediate spending needs, including a socially responsible investment option.

SBF 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 SBF's various discretionary funds and other endowed funds for grant making and administrative support. The approved spending policy for the year ended December 31, 2025, for discretionary funds was 4.5%, while other endowed funds were 4%. These percentages are calculated based on a rolling average of the market value for the previous three years.

The spending policy is reviewed annually in light of changing market assumptions, investment returns, and the rate of inflation. Accordingly, over the long term, SBF expects current spending policy to allow its endowment assets to grow.

Endowment funds with deficiencies – From time to time, the fair value of the assets associated with individual donor-restricted funds may fall below the level that current law requires SBF to retain for a fund of perpetual duration. In accordance with GAAP, these deficiencies are reported as a reduction in net assets with donor restrictions. Such deficiencies may result from unfavorable market fluctuations, particularly if the funds were invested in the endowment pool shortly prior to significant market declines. SBF has adopted a policy to spend from underwater endowments with certain limitations. As of December 31, 2025, SBF held four endowment funds where the principal had fallen below the original corpus due to market conditions. The total fair values, original gift amounts, and deficiencies related to these funds as of December 31, 2025, were as follows:

Fair value of underwater endowments	$ 8,600,986
Original endowment gift amount	8,648,012
Deficiencies of underwater endowment funds	$ (47,026)

Endowment net assets with donor restrictions totaled $78,252,595, consisting of total original gift endowment contributions of $61,797,492 and accumulated earnings of $16,455,103 as of December 31, 2025. Changes in the endowment net assets with donor restrictions for the year ended December 31, 2025, were as follows:

	With Donor Restrictions
Endowment net assets, beginning of year	$ 70,950,833
Net investment return	9,393,360
Contributions	1,724,570
Appropriation of endowment net assets for expenditure	(2,932,700)
Reclassifications and other releases from restrictions	(883,468)
Endowment net assets, end of year	$ 78,252,595

There were no endowment net assets without donor restrictions or assets classified as Board-restricted endowment funds as of December 31, 2025.

Note 11 – Related-Party Transactions

A majority of trustees and committee members of SBF also serve as trustees of entities receiving grants and support from SBF. Each trustee and committee member completes a conflict of interest declaration form annually. Trustees and committee members who have conflicts abstain from voting.

Note 12 – Commitments

SBF leases office equipment and office space under noncancelable operating leases through March 2029. Rent expense under operating leases for the year ended December 31, 2025, was approximately $90,000.

Note 13 – Retirement Plans

SBF employees who work at least 1,000 hours per year are eligible to participate in a deferred salary savings plan under Section 401(k) of the Internal Revenue Code after one full calendar month of service. The plan provides for a safe harbor match of up to 4% of the eligible salary upon participation. For eligible employees with more than one year of service, SBF, at its discretion, contributes an additional 6% of the participant's eligible salary for a total of 10%. SBF employer contributions for the year ended December 31, 2025, totaled $433,450.

In addition, SBF has a nonqualified deferred compensation plan. SBF employer contributions for the year ended December 31, 2025, totaled $23,500.

Note 14 – Liquidity

SBF structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. SBF invests cash in excess of daily requirements in short-term investments and money market funds.

Financial assets available to meet cash needs for general expenditure for the following year are comprised of current assets and investments, adjusted for amounts unavailable due to illiquidity; endowments; and other funds with spending policy appropriations beyond one year, and current liabilities consist of amounts payable to vendors, financial institutions, and nonprofit organizations.

Financial assets available to meet cash needs for general expenditures within one year were as follows as of December 31, 2025:

Cash and cash equivalents	$ 108,951,425
Contributions and bequests receivable, current portion	5,609,683
Less noncash bequests receivable of illiquid assets	
Notes receivable, current portion	500,000
Other assets	344,511
Current assets	115,405,619
Investments	899,484,981
Less investments not available for general expenditures within one year	
Illiquid, not convertible to cash beyond one year	(508,376,950)
Endowments and other funds subject to spending policy appropriations beyond one year	
Without donor restrictions	(136,903,315)
With donor restrictions	(78,252,595)
Funds held on behalf of others	(31,935,368)
Investments available for general expenditures within one year	144,016,753
Financial assets available to meet cash needs for general expenditures within one year	$ 259,422,372

Note 15 – Net Assets

Net assets consisted of the following for the years ended December 31, 2025 and 2024:

Net assets without donor restrictions

	2025	2024
Supporting organizations	$ 563,915,271	$ 443,132,559
Donor-advised funds	153,968,621	142,955,177
Undesignated funds	107,594,856	100,056,069
Field of interest funds	61,128,913	54,940,928
Donor-designated funds	14,088,483	12,872,781
Board-designated funds	4,201,448	3,150,918
Fiscal sponsorship	3,047,543	1,479,570
Total net assets without donor restrictions	$ 907,945,135	$ 758,588,002

Net assets with donor restrictions

	2025	2024
Donor-restricted endowment funds	$ 78,252,595	$ 70,950,833
Beneficial interest in remainder and lead trusts	62,235,236	61,594,436
Beneficial income interest in perpetual trusts	23,723,984	21,168,098
Split-interest agreements	1,162,130	945,102
Contributions receivable	3,072,051	212,538
Total net assets with donor restrictions	$ 168,445,996	$ 154,871,007