



FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021



SANTA BARBARA HISTORICAL MUSEUM
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Santa Barbara Historical Museum

Opinion

I have audited the accompanying financial statements of Santa Barbara Historical Museum (a non-profit organization)(the Organization) which comprise the statement of financial position as of June 30, 2021, the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santa Barbara Historical Museum as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Report on Summarized Comparative Information

I have previously audited the financial statements of the Santa Barbara Historical Museum as of June 30, 2020, and expressed an unmodified audit opinion on those audited financial in my report dated September 17, 2020. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited 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 these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and for 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.

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

Auditor's Responsibilities for the Audit of Financial Statements

My objectives are to obtain reasonable assurance about whether the 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 my 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detected a material misstatement resulting from fraud is higher than for on 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the 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 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 Historical Museum'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 financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Santa Barbara Historical Museum's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.



Santa Barbara, California
October 21, 2021

SANTA BARBARA HISTORICAL MUSEUM
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
ASSETS				
Cash and cash equivalents	\$ 536,569	\$ 133,442	\$ 670,011	\$ 462,327
Other receivables	2,246	-	2,246	7,970
Bequest receivable	-	200,000	200,000	0
Prepaid expenses and deposits	93,611	-	93,611	44,546
Inventory	21,915	-	21,915	42,456
Unemployment reserve account	27,299	-	27,299	28,364
Investments (Note 3)	2,457,443	485,233	2,942,676	2,351,491
Interest in charitable trusts (Note 4)	-	829,247	829,247	674,990
Interest in perpetual trusts (Note 5)	-	2,417,946	2,417,946	2,068,930
Property and equipment - net (Note 6)	2,724,079	-	2,724,079	3,085,052
Historic land and buildings (Note 7)	119,197	-	119,197	119,197
Collections acquired since 1990	-	1,998,720	1,998,720	1,798,720
Total Assets	\$ 5,982,359	\$ 6,064,588	\$ 12,046,947	\$ 10,684,043
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 18,789	\$ -	\$ 18,789	\$ 136,056
Accrued liabilities	56,507	-	56,507	48,379
Long-term Loan - PPP (Note 15)	78,700	-	78,700	84,550
Total Liabilities	153,996	-	153,996	268,985
Net Assets				
Without donor restrictions:				
Unrestricted	4,124,137	-	4,124,137	3,523,294
Board designated (Note 8)	1,704,226	-	1,704,226	1,704,226
With donor restrictions:				
Temporarily restricted (Note 8)	-	1,259,337	1,259,337	931,303
Permanently restricted (Note 8)	-	4,805,251	4,805,251	4,256,235
Total Net Assets	5,828,363	6,064,588	11,892,951	10,415,058
Total Liabilities and Net Assets	\$ 5,982,359	\$ 6,064,588	\$ 12,046,947	\$ 10,684,043

See accompanying notes

SANTA BARBARA HISTORICAL MUSEUM
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Support:				
Grants	\$ 189,137	\$ 52,000	\$ 241,137	\$ 253,950
Contributions	101,336	12,656	113,992	133,235
Bequests	127,121	200,000	327,121	-
Special events, net of expenses of \$0 and \$52,871, respectively	-	-	-	32,409
In-kind contributions	-	200,000	200,000	73,000
Membership	47,555	-	47,555	47,025
Investment income (Note 3)	827,530	-	827,530	133,849
Trust income (Note 5)	61,875	12,034	73,909	61,535
Rental income	260,987	-	260,987	245,116
Museum store sales	19,639	-	19,639	18,777
Public programs	848	-	848	22,643
Library fees	8,166	-	8,166	2,669
Miscellaneous income	785	-	785	49
Change in value of charitable trusts	-	157,257	157,257	21,046
Total Support	<u>1,644,979</u>	<u>633,947</u>	<u>2,278,926</u>	<u>1,045,303</u>
Net Assets Released From Restrictions:				
Released due to capital expenditure	9,727	(9,727)	-	-
Release due to other expenditure	96,186	(96,186)	-	-
Total	<u>1,750,892</u>	<u>528,034</u>	<u>2,278,926</u>	<u>1,045,303</u>
Expenses:				
Program services:				
Curatorial, library, collection management, and exhibitions	228,906	-	228,906	260,683
Facilities and Historical Structures	469,175	-	469,175	459,380
Public programs, education, and outreach	187,626	-	187,626	232,997
Supporting services:				
Management and general	190,650	-	190,650	226,437
Membership	13,211	-	13,211	19,006
Fundraising	57,160	-	57,160	88,580
Total Expenses	<u>1,146,728</u>	<u>-</u>	<u>1,146,728</u>	<u>1,287,083</u>
Excess of Support Over/(Under) Expenses before other changes in net assets	604,164	528,034	1,132,198	(241,780)
Other Changes in Net Assets:				
Disposal of fixed assets no longer in use	(53,058)	-	(53,058)	-
Abandonment of project	(7,922)	-	(7,922)	-
COVID relief funds	179,330	-	179,330	-
Change in unrealized gain on investments	(121,671)	-	(121,671)	(93,865)
Change in value of perpetual trusts	-	349,016	349,016	17,369
Change in Net Assets	<u>600,843</u>	<u>877,050</u>	<u>1,477,893</u>	<u>(318,276)</u>
Net Assets at Beginning of Year	<u>5,227,520</u>	<u>5,187,538</u>	<u>10,415,058</u>	<u>10,733,334</u>
Net Assets at End of Year	<u>\$ 5,828,363</u>	<u>\$ 6,064,588</u>	<u>\$ 11,892,951</u>	<u>\$ 10,415,058</u>

See accompanying notes

SANTA BARBARA HISTORICAL MUSEUM
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,477,893	\$ (318,276)
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	315,344	310,388
Forgiveness of first PPP loan	(84,550)	-
Realized (gain)/loss on sale of investments	(797,799)	(115,763)
Non-cash change in unrealized investment gains	121,671	93,826
Non-cash change in value of perpetual trusts	(349,016)	(17,369)
Non-cash change in charitable trusts	(154,257)	(12,302)
Non-cash change in collections	(200,000)	(73,000)
Loss on disposal of fixed assets	53,058	-
Changes in:		
Pledges receivable	5,724	28,509
Bequest receivable	(200,000)	-
Prepaid and other assets	(49,065)	(14,816)
Unemployment reserve account	1,065	607
Inventory	20,541	5,972
Accounts payable	(8,732)	(10,735)
Accrued liabilities	8,128	13,939
Net Cash Provided/(Used)by Operating Activities	<u>160,005</u>	<u>(109,020)</u>
Cash Flows from Investing Activities:		
Purchase of investments	(2,795,083)	(1,664,696)
Proceeds from sale of securities	2,896,098	1,638,573
Change in money market funds held for investment	(16,072)	55,715
Purchase of property and equipment	<u>(115,964)</u>	<u>(89,114)</u>
Net Cash Used by Investing Activities	<u>(31,021)</u>	<u>(59,522)</u>
Cash Flows from Financing Activities		
Proceeds from borrowing - Payroll Protection Program	<u>78,700</u>	<u>84,550</u>
Net Cash Provided by Financing Activities	<u>78,700</u>	<u>84,550</u>
Net Increase/(Decrease) in Cash	207,684	(83,992)
Cash and Cash Equivalents at Beginning of Year	<u>462,327</u>	<u>546,319</u>
Cash and Cash Equivalents at End of Year	<u>\$ 670,011</u>	<u>\$ 462,327</u>

Supplemental Disclosure of Cash Flow Information

Excluded from the cash used for the purchase of property is the balance due to the vendor of \$108,535 in the prior year ended 2020; this amount is also excluded from the change in accounts payable. This amount is included in these accounts in the current fiscal year.

See accompanying notes

SANTA BARBARA HISTORICAL MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	Program Services						2021	2020
	Curatorial, Library, Collection Management & Exhibitions	Facilities & Historical Structures	Public Programs, Education & Outreach	Management & General	Membership	Fundraising	Total	Total
Salaries	\$ 166,793	\$ 52,481	\$ 63,110	\$ 23,322	\$ 4,955	\$ 25,979	\$ 336,640	\$ 385,944
Personnel - benefits and taxes	24,710	10,049	10,144	6,634	437	6,868	58,842	75,646
Advertising and public relations	-	-	-	10,637	691	108	11,436	16,426
Computer support and software	1,253	1,063	6,160	6,092	1,881	1,881	18,330	19,527
Depreciation expense	-	268,042	-	39,418	-	7,884	315,344	310,388
Development costs	-	-	-	-	-	3,554	3,554	12,636
Museum store cost of sales	-	-	21,727	-	-	-	21,727	17,590
Insurance	6,696	24,530	-	11,136	352	352	43,066	41,235
Occupancy costs	16,346	30,291	8,264	9,833	2,401	2,401	69,536	65,659
Outside consultants	-	-	60	-	-	5,639	5,699	25,424
Legal and professional fees	-	-	4,075	58,426	-	-	62,501	108,582
Public programs	11,314	-	65,538	-	2,494	2,494	81,840	86,232
Repairs and maintenance	-	81,945	8,429	5,044	-	-	95,418	89,562
Special event costs	-	-	-	-	-	-	-	52,871
Supplies	1,794	-	119	19,309	-	-	21,222	27,305
Travel and mileage	-	774	-	799	-	-	1,573	4,927
Total Expenses by Function	228,906	469,175	187,626	190,650	13,211	57,160	1,146,728	1,339,954
Less expenses included with revenues on the Statement of Activities								
Cost of direct benefit to donors	-	-	-	-	-	-	-	(52,871)
Total Expenses Reported in Expenses on the Statement of Activities - 2021	\$ 228,906	\$ 469,175	\$ 187,626	\$ 190,650	\$ 13,211	\$ 57,160	\$ 1,146,728	
Total Expenses Reported in Expenses on the Statement of Activities - 2020	\$ 260,683	\$ 459,380	\$ 232,997	\$ 226,437	\$ 19,006	\$ 88,580		\$ 1,287,083

See accompanying notes

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATIONAL INFORMATION

Founded in 1932 and incorporated in 1943, the Santa Barbara Historical Museum (the Museum) is a California non-profit organization dedicated to promoting an appreciation and understanding of Santa Barbara regional history. Contributions and grants from residents and foundations located in Santa Barbara County are a key source of income to the Museum. The Museum operates an event venue which generates additional operating revenue.

The Santa Barbara Historical Museum has a long legacy in our community, and an enduring commitment to its mission. The Museum remains dedicated to collecting, preserving, interpreting, and exhibiting the material culture of the region in all its diversity; to educating through lectures, tours, and in the classroom; and to encouraging research, scholarship, and publication. We know that history can guide and inspire our actions, a tool with which we can build a better tomorrow. It is that belief which guides the Museum's mission, "to inspire meaningful connections to Santa Barbara history."

Visitors to the Museum from all over the world and every age enjoy our permanent exhibitions: *The Story of Santa Barbara*, tracing the history of the area from the Chumash to the modern era and the *Edward Borein Gallery*, devoted to the life and legacy of one of the most highly regarded artists of the American West.

In addition to the Museum's signature exhibitions, the organization hosted three major educational exhibitions: *Queen on the Hill: The Santa Barbara Mission*; *Project Fiesta: The History of Old Spanish Days*; and *Henry Chapman Ford: The Museum Collection*.

On March 13, 2020, the Museum closed to the public due to the Covid-19 pandemic. During the year the galleries opened and closed several times as restrictions were imposed and lifted, though gatherings were not allowed until April 2021, when the Museum reopened for in-person programming and rental events. Because of the uncertainty of having gatherings, the Museum was unable to host its annual fundraiser both in July 2020 and in July 2021.

During the pandemic, staff continued to meet the public's educational needs by reimagining programming and improving overall access to the collection online. The Museum mounted a virtual exhibition, created online student activities, filmed exhibition tours, and began utilizing Zoom for student programs.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATIONAL INFORMATION (Continued)

Public programming included thirty-two educational events – with public interest topics including life in early California, conservation, architecture, art, agriculture, and other local history topics. More than 6,000 individuals participated in our virtual lecture series – exceeding former in-person attendance. In May 2021, the Museum began hybrid programming, a combination of online and in-person events.

Patrons utilized the research materials of the Gledhill Library, both remotely and in-person throughout the pandemic, delving into such diverse topics as genealogy, architectural history, and major events in the community's past.

Additionally, we connected with our community on social media and through an e-newsletter for history enthusiasts by sharing images, virtual visits, history talks, stories, videos, and curated reading lists. The Museum began a personal history project entitled "Quarantine Stories," to ensure the Gledhill Library documents our community's struggles for future generations. This program is bilingual and open to all ages.

In addition to visitors both in-person and online, many others explored the Museum's satellite exhibits at the Historic Terminal of the Santa Barbara Airport and the transitional exhibition dedicated to architect Lurah Maria Riggs through the Healing Arts Program at Santa Barbara Cottage Hospital.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The accompanying financial statements of the Museum have been prepared on the accrual basis. Assets, liabilities and net assets of the Museum are reported based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Museum and changes therein are classified and reported as follows:

- Net Assets without Donor Restrictions:

Net Assets without Donor Restrictions are net assets available for use in general operations and not subject to donor restrictions. The Board of Trustees has designated certain net assets from net assets without donor restrictions for board designated endowments and various projects.

SANTA BARBARA HISTORICAL MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

- Net Assets with Donor Restrictions:

Net Assets with Donor Restrictions are subject to donor-imposed stipulations that can be temporary in nature in that the restriction can be met either by actions of the Museum or by the passage of time. In addition, the donor can stipulate that the net assets are permanently restricted in that the donor can specify the resources are to be invested in perpetuity with only the income from these investments used.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, cash in bank and cash held in money market funds. Cash held by the investment custodian for the purpose of investing is classified as an investment.

Receivables

Unconditional pledges to give are reported as assets and revenues or gains in the period in which the pledge is received. Conditional promises to give are recognized when the condition on which the promise depends is substantially met.

Pledges and bequests receivable are carried at their estimated collectible amount. Management periodically evaluates these receivables and records an allowance for any amounts estimated to be uncollectible. The evaluation is based upon a review of historical collections, current economic conditions, and an assessment of subsequent conditions. Management has determined these receivables are considered 100% collectible; therefore, no provision for uncollectible receivables is needed for the years ended June 30, 2021 and 2020.

Inventory

Inventory consists of books and other related materials available for sale to members and visitors in the Museum's store. Inventory is valued at the lower of cost on a first-in, first-out basis or net realizable value.

Investments

The Museum carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Investment income, related external investment expenses, and gains and losses on investments are classified as net assets without donor restrictions unless a donor or law temporarily or permanently restricts their use. Unrealized gains and losses are included in the change in net assets.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land, Buildings and Equipment

Land, buildings and equipment are carried at cost or, if donated, at fair market value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years.

The Museum capitalizes all expenditures on land, buildings and equipment that are greater than \$2,500 and have a useful life in excess of one year.

Historic Land and Buildings

Purchased historic buildings are carried at cost. Donated land and buildings are recorded at the fair market value on the date of donation, if the value is determinable, plus restoration costs.

Historic buildings are considered inexhaustible and, therefore, are not being depreciated due to their historical value.

Inexhaustible Collections

Purchased historic artifacts are capitalized when acquired. Donations of individual gifts valued in excess of \$5,000 are recorded at fair market value at the date of donation. Because the values of the collections existing as of December 31, 1990 are not readily determinable, the Museum has not capitalized them. For the year ended June 30, 2021 the Museum received as contributions 1,145 objects of historical significance each individually valued at less than \$5,000 from 126 donors for its library and artifact collections.

The \$1,998,720 in artifacts, which have been recorded in the financial statements, represents only a very small percentage of the estimated total value of the Museum's total artifacts.

Artifacts are considered inexhaustible and, therefore, are not being depreciated due to their historical value. The Museum's artifacts are held for exhibition to the public, for educational purposes or for research, with the intent of being protected, cared for and preserved. Any proceeds from the deaccessioning of collection items will be reinvested in the acquisition of or the protection, care, and preservation of other artifacts in accordance with a policy of the Museum's Board of Trustees.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

▪ Recognition of Donor Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or designated by the Board of Trustees. Donor-restricted support is recorded as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified as net assets without restrictions.

▪ Exchange Transactions

Revenue from an exchange transaction is recognized when earned. Program service fees from public programs or the proceeds from the sale of event tickets received in advance, if any, are recorded as deferred revenue and recognized in the applicable period in which the related services are performed.

▪ Contributed Services and Materials

A significant number of volunteers have contributed their services to the Museum. In accordance with accounting standards only those services provided by professionals have been valued and recorded in these financial statements. During the year ended June 30, 2021, board and committee members contributed approximately 1,850 hours and docents and general volunteers contributed approximately 1,430 hours. The Financial statements do not reflect the value of these contributed services because they do not meet the prescribed recognition criteria.

The Museum records, at fair market value, contributions of materials and professional services on the date of donation in accordance with accounting standards. The Museum did not receive any significant contributions of such goods and services during the years ended June 30, 2021 and 2020.

Draw - Operating Fund

Annually, the Board budgets an amount of investment income for operating activities. This amount is based upon the average balance of the previous 12 calendar quarters ending March 31 in the fiscal year of the market value of invested assets managed by the Museum as stated in its Spending Policy (See Note 12).

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The costs of providing program services and supporting services are presented on a functional basis. Accordingly, the Museum has allocated certain costs among the programs and services, generally based on direct expenditures incurred. Any expenditures not directly chargeable, such as administration salaries, information technology, and depreciation, are allocated on the basis of their estimated benefit to the Museum. These natural expenses attributable to more than one function are allocated using a variety of cost allocation techniques. Allocations of general expenditures relating to the buildings are generally allocated based upon square footage; allocations of general expenditures related to staffing are allocated based upon payroll.

Financial Instruments and Credit Risk

The Museum manages deposit concentration risk by placing cash and money market accounts with financial institutions that Management believes to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Museum has not experienced any losses in any of these accounts. Credit risk associated with promises to give and bequest receivables is considered by Management to be limited due to high historical collection rates and because they are from donors supportive of the Museum. Investments are made by a variety of investment managers whose performance is monitored by the Museum's finance committee as well as the by the Board of Trustees. Although the fair value of investments is subject to fluctuation on a year-to-year basis, Management and the finance committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Tax Exempt Status

The Museum has been granted tax-exempt status by the Internal Revenue Service and the Franchise Tax Board under code sections 501(c) (3) and 23701d, respectively. Therefore, the Museum is only subject to income tax on unrelated business income. The Museum is not considered a private foundation. The Museum is not aware of any uncertain tax positions at June 30, 2021, or for any year for which the statute of limitations remains open which is generally for three years by the Internal Revenue Service and for four years by the California Franchise Tax Board.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

Management uses estimates and assumptions in preparing financial statements. 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.

Significant estimates used in preparing these financial statements include:

- Net present value of income interests in trusts as determined by using the fair market value of the investments held in the trusts
- Allocation of expenses by function
- Fair market value of donated collections
- The present value of the estimated future value of assets held by charitable remainder trusts

Other estimates used in preparing these financial statements include:

- Collectability of receivables
- Lives and method of depreciating fixed assets
- Allocation of expenses by function

It is at least reasonably possible that the significant estimates used will change within the next year.

Newly Adopted Accounting Pronouncement

During the year ended June 30, 2021, the Museum adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended with retrospective application to the prior periods presented. Analysis of the various provisions in the standard resulted in no significant changes in the way the Museum recognizes revenue. The Museum does not believe the application of the provisions has a material effect on the amounts presented or disclosed.

During the year ended June 30, 2020, the Museum adopted Financial Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and the availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Museum has applied this ASU retrospectively to all periods with no material reclassifications between net assets without donor restrictions and net assets with donor restrictions.

SANTA BARBARA HISTORICAL MUSEUM
NOTES TO FINANCIAL STATEMENTS

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 U.S. GAAP.

Reclassifications

Certain reclassifications have been made to the June 30, 2020, balances as reported in the prior year financial statements to make them comparable to the balances reported for the year ended June 30, 2021.

NOTE 3: INVESTMENTS

Investments are stated at market value, based primarily on quoted market prices for those or similar instruments. The Trustees have engaged two investment advisory firms to manage the investments in accordance with the Museum's investment policy until April 2021 at which time the Museum engaged one. The cost and market value of investments at June 30 are as follows:

<u>2021</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation</u>
Money Market	\$ 94,510	\$ 94,510	\$ -
Mutual funds	113,189	115,218	2,029
Exchange Traded Funds			
Equities	333,868	366,260	32,392
Fixed income	373,639	375,118	1,479
International Equity			
Funds	569,390	642,920	73,530
International Mutual			
Funds	227,059	232,383	5,324
REIT	21,326	23,232	1,906
Liquid Real Assets	140,802	136,681	(4,121)
Common stocks	<u>913,460</u>	<u>956,025</u>	<u>42,565</u>
Total	<u>\$ 2,787,243</u>	<u>\$ 2,942,347</u>	<u>\$ 155,104</u>
Decrease in unrealized appreciation over prior year		<u>\$ (121,671)</u>	

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 3: INVESTMENTS (Continued)

<u>2020</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation</u>
Money Market	\$ 78,438	\$ 78,438	\$ -
Mutual funds	317,420	315,631	(1,789)
Exchange Traded Funds			
Equities	624,437	705,885	81,448
Fixed income	100,011	105,720	5,790
Government securities	238,387	247,458	9,071
Corporate bonds	63,491	66,771	3,280
Common stocks	<u>652,532</u>	<u>831,588</u>	<u>179,056</u>
Total	<u>\$ 2,074,716</u>	<u>\$ 2,351,491</u>	<u>\$ 276,775</u>
Decrease in unrealized appreciation over prior year		<u>\$ (93,865)</u>	

Investment income in the statement of activities includes at June 30:

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 57,205	\$ 44,634
Realized gain/(loss), net, for the year	797,799	115,763
Less investment advisor fees	<u>(27,474)</u>	<u>(26,548)</u>
Total investment income	<u>\$ 827,530</u>	<u>\$ 133,849</u>

NOTE 4: INTEREST IN CHARITABLE TRUSTS

Charitable trust agreements naming the Museum as an irrevocable beneficiary are recorded on the books of the Museum. Since the Museum is not the trustee for any of the charitable trusts in which it is named as the remainderman, the trusts are recorded as a contribution and an asset equivalent to the present value of the trust assets and estimated future income net of the present value of estimated future payouts to the income beneficiaries. Charitable trust agreements are classified as temporarily restricted net assets unless the donor has permanently restricted the Museum's use of its interest in the asset.

Charitable Remainder Trusts

Any change in subsequent years in the present value of the estimated future benefits to be received when the charitable remainder trust assets will be distributed is recorded in the statement of activities as a change in the value of charitable remainder trusts.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 4: INTEREST IN CHARITABLE TRUSTS (Continued)

The assets are recorded at approximate fair market value based upon the most recent tax return filed by the trust which is available to the Museum or current values provided by the settlor to the Museum. The present value of the estimated future value of assets to be received by the Museum is calculated using the IRS annuity tables and a discount rate based on the Museum's historic rate of return currently estimated at 5%. The estimated value of the charitable remainder trust at June 30, 2021 and 2020, is \$669,061 and \$537,766, respectively.

Charitable Lead Trust

In the fiscal year ended 2017, the Museum received notice it is a beneficiary of a charitable lead trust. The Museum will receive a fixed amount initially for 12 years; in addition, the Museum will receive a share of the residual amount. The present value of the estimated value of the assets to be received by the Museum is based upon the Museum's historic rate of return estimated at 5% and the number of years remaining of the trust. The estimated value of the charitable lead trust at June 30, 2021 and 2020, is \$160,186 and \$137,224, respectively

Additionally, the Museum has been named as a charitable beneficiary in wills and other charitable trusts; however, the donors have retained the right to change charitable beneficiaries. These intentions have not been recorded as assets in these financial statements.

NOTE 5: INTEREST IN PERPETUAL TRUSTS

The Museum is the permanent income beneficiary of the Georgiana Spalding Memorial Trust. The Museum does not have possession or control of the trust, which is held and administered by an outside agent. The market value of the underlying investments held in the trust has been used to estimate the value of the trust. The fair market value of the trust at June 30, 2021, was \$963,064 and at June 30, 2020, was \$801,856. The income received from the trust was \$35,000 and \$33,000 for the years ended June 30, 2021 and 2020, respectively.

The Museum also is the permanent income beneficiary of the "Private Trust" (Santa Barbara Historical Trust Irrev TUA under Agreement). All income from the trust is paid monthly to the Museum, but no payments from the principal are allowed. Wells Fargo Bank is the trustee. The market value of the underlying investments held in the trust has been used to estimate the value of the trust. The fair market value of the trust at June 30, 2021, was \$1,109,610 and at June 30, 2020, was \$967,688. The income received from the trust was \$26,862 and \$16,599 for the years ended June 30, 2021 and 2020, respectively.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 5: INTEREST IN PERPETUAL TRUSTS (Continued)

In 2009, the Museum became the permanent income beneficiary of the Yvonne Dibblee Donohoe Fund ("Fund"). The Santa Barbara Foundation is the trustee. The trustee shall remit annually to the Museum 4% of the value of the Fund based upon a rolling average of the market value of the Fund for the previous twelve quarters. The donor restricted expenditures for acquiring objects for the Museum's permanent collection, with preference given to objects from the de la Guerra family. The fair market value of the trust at June 30, 2021, was \$345,272 and at June 30, 2020 was \$299,386. The income received from the trust was \$12,034 and \$11,936 for the years ended June 30, 2021 and 2020, respectively.

NOTE 6: PROPERTY AND EQUIPMENT

Depreciation expense for the years ended June 30, 2021 and 2020, was \$310,388 and \$309,676, respectively. The Museum is progressing with the planned upgrades to its facilities to utilize modern means to preserve its collections (Note 11). The current year projects consisted of an upgrade to the subterranean environment and add storage. An HVAC system was designed to promote airflow and climate control, particularly aimed to improve issues of extreme temperatures and humidity in the Decorative Arts and Textile Vault areas. Additionally, the Museum completed a significant compact storage system to house safely and to document collections.

Property and equipment, as of June 30 their value is as follows:

	<u>2021</u>	<u>2020</u>
Land – 118 East de la Guerra	\$ 28,500	\$ 28,500
Buildings and improvement	2,980,225	3,027,944
HVAC System	2,957,457	2,957,457
Gallery fixtures	275,357	343,295
Gallery equipment	33,077	46,624
Office equipment	86,819	95,010
Vehicles	11,628	11,628
Furniture and fixtures	40,583	48,993
Software	17,392	27,974
Vault	1,426,491	1,426,491
Security system	71,760	71,760
Costume mannequins	<u>14,770</u>	<u>14,770</u>
	7,944,059	8,100,446
Less accumulated depreciation	<u>(5,219,980)</u>	<u>(5,015,394)</u>
Property and Equipment - Net	<u>\$ 2,724,079</u>	<u>\$ 3,085,052</u>

NOTE 7: HISTORIC LAND AND BUILDINGS

Historic land and buildings at June 30, 2021 and 2020, are \$119,197.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 8: NET ASSETS WITHOUT DONOR RESTRICTIONS AND WITH DONOR RESTRICTIONS

Included in the net assets without donor restrictions are net assets designated by the board at June 30 for:

	<u>2021</u>	<u>2020</u>
Library fund	\$ 665	\$ 665
Capital projects	38,964	66,988
General - income is designated for General operations	<u>1,522,323</u>	<u>1,636,573</u>
Total net assets without donor restrictions designated by the Board	<u>\$ 1,561,992</u>	<u>\$ 1,704,226</u>

Net assets with donor restrictions:

Those with temporary restrictions are those available for the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
Library fund	\$ 2,080	\$ 2,040
Curatorial funds	44,045	34,345
Textile conservation and education	16,668	14,428
Borein Publication	61,515	116,637
Directories and digital scanner	4,420	1,808
Landscape	-	1,596
Exhibits and upgrades	40,208	35,471
Capital projects	40,000	-
Educational programs	21,154	49,988
Bequest restricted to archiving	200,000	-
Charitable remainder and lead trusts	<u>829,247</u>	<u>674,990</u>
Total temporarily restricted net assets	<u>\$ 1,259,337</u>	<u>\$ 931,303</u>

Those with donor restrictions requiring the funds be invested in perpetuity with the income to be used for the following at June 30:

	<u>2021</u>	<u>2020</u>
Education and outreach	\$ 128,033	\$ 128,034
Collections - capitalized	1,998,720	1,798,720
Endowment for library	25,000	25,000
General operations	235,552	235,552
General operations - held in trust	<u>2,417,946</u>	<u>2,068,930</u>
Total permanently restricted net assets	<u>\$ 4,805,251</u>	<u>\$ 4,256,235</u>

SANTA BARBARA HISTORICAL MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 9: OPERATING LEASES

The museum building is located on land leased from the County of Santa Barbara for one dollar per year until 2061, at which time a new lease can be negotiated. Under the agreement, the Museum assumes all management and control of the premises and all related costs.

NOTE 10: CONCENTRATION OF RISK

Investment Risk

The Museum derives a portion of its earnings from its investments. These investments are subject to the inherent risks of inflation, market fluctuation, volatility, bond credit risk and liquidity.

Geographical

The Museum's membership and donor base are largely drawn from Santa Barbara County. Visitors are both local and tourists.

Credit Risk

The Museum on occasion has more than \$250,000 on deposit with financial institutions. The Federal Deposit Insurance Corporation (FDIC) only insures the first \$250,000 of funds on deposit at any one institution. At June 30, 2021, the Museum had uninsured funds of approximately \$420,000.

Certain of the Museum's investments and cash and cash equivalents are held at a broker-dealer and are subject to Securities Investor Protection Corporation (SIPC). Under SIPC, cash and cash equivalents are insured up to \$250,000 per broker-dealer. On occasion, the Museum's cash balances exceed the insured threshold temporarily.

NOTE 11: COMMITMENTS

The Museum had entered into a contract initially for \$250,000 for additional storage capacity as a part of the Vault Upgrade, Phase III. The Museum had redetermined its needs and the updated contract is \$190,806 and had undertaken a fundraising campaign to continue into the fiscal year ending 2020 to pay for these costs. During the year ended June 30, 2020, the Museum completed this project as described in Note 6. As of June 30, 2020, the balance due on this contract of approximately \$108,000 and was recorded in accounts payable.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 12: ENDOWMENTS

The Museum-maintained funds in endowments consist of several individual funds established for a variety of purposes. Its endowments include both with donor restrictions and without donor restrictions which have been designated by the Board of Trustees to function as endowments. Donor-restricted funds include perpetual trusts in which the Museum is named a beneficiary. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Museum has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies 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 fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Museum, and (7) the Museum's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Museum has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding for expansion and for programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 12: ENDOWMENTS (Continued)

Investment Return Objectives, Risk Parameters and Strategies (Continued)

Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the funds if possible. Therefore, the Museum expects its endowment assets, over time, to produce an average rate of return of the draw plus inflation annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

Except for planned capital expenditures, the Museum has a policy of appropriating for distribution each year 5% of its endowment fund's fair value as per its policy described in Note 2. In establishing this policy, the Museum considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation.

On an annual basis, the Board determines an appropriate amount to be transferred from board designated funds to support operations. In determining the appropriate transfer, the board considers any deficit incurred by the Museum to run its various programs. The Board approves any draw exceeding the 5% budgeted amount. Should unrestricted donations exceed budget, the Museum will not utilize its budgeted draw in order to further the growth of the endowment fund.

The Museum expects the current spending policy to allow its endowment funds to grow at a rate equal to or exceeding estimated inflation annually. This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

The Board Designated Endowment consists of funds not available for operations or withdrawal except by board approval. The endowments include funds not managed by the Museum.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 12: ENDOWMENTS (Continued)

Endowment net asset composition within the investments by type of fund, trusts restricted to endowment, and trusts in perpetuity as of June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total Endowments
		Temporarily Restricted	Endowment Principal	
Donor- Restricted	\$ -	\$ -	\$ 2,760,645	\$ 2760,645
Board- Designated	<u>2,106,011</u>	-	-	<u>2,106,011</u>
Total Endowment	<u>\$ 2,106,011</u>	<u>\$ -</u>	<u>\$ 2,760,645</u>	<u>\$ 4,866,656</u>

Endowment net assets as of June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total Endowments
		Temporarily Restricted	Endowment Principal	
Endowment Net Assets 6/30/2020	\$ 1,514,978	\$ -	\$ 2,457,515	\$ 3,972,493
Contributions	-	-	-	-
Investment income	826,954	-	-	826,954
Change in value of trusts	-	-	303,130	303,130
Appreciation/ (depreciation) – unrealized, net	(121,671)	-	-	(121,671)
Amounts appropriated for expenditure	<u>(114,250)</u>	<u>-</u>	<u>-</u>	<u>(114,250)</u>
Endowment Net Assets 6/30/2021	<u>\$ 2,106,011</u>	<u>\$ -</u>	<u>\$ 2,760,645</u>	<u>\$ 4,866,656</u>

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 12: ENDOWMENTS (Continued)

Endowment net asset composition within the investments by type of fund, trusts restricted to endowment, and trusts in perpetuity as of June 30, 2020 is as follows:

	Without Donor <u>Restrictions</u>	<u>With Donor Restrictions</u>		Total
		<u>Temporarily Restricted .</u>	<u>Endowment Principal .</u>	<u>Endowments .</u>
Donor- Restricted	\$ -	\$ -	\$ 2,457,515	\$ 2,457,515
Board- Designated	<u>1,514,978</u>	-	-	<u>1,514,978</u>
Total Endowment	<u>\$ 1,514,978</u>	<u>\$ -</u>	<u>\$ 2,457,515</u>	<u>\$ 3,972,493</u>

Endowment net assets as of June 30, 2020 are as follows:

	Without Donor <u>Restrictions</u>	<u>With Donor Restrictions</u>		Total
		<u>Temporarily Restricted .</u>	<u>Endowment Principal .</u>	<u>Endowments .</u>
Endowment Net Assets 6/30/2019	\$ 1,532,108	\$ -	\$ 2,434,402	\$ 3,966,510
Contributions	-	-	5,744	5,744
Investment income	133,235	-	-	133,235
Change in value of trusts	-	-	17,369	17,369
Appreciation/ (depreciation) – unrealized, net	(93,865)	-	-	(93,865)
Amounts appropriated for expenditure	<u>(56,500)</u>	<u>-</u>	<u>-</u>	<u>(56,500)</u>
Endowment Net Assets 6/30/2020	<u>\$ 1,514,978</u>	<u>\$ -</u>	<u>\$ 2,457,515</u>	<u>\$ 3,972,493</u>

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 13: FAIR VALUE MEASUREMENT

The Museum is subject to the provisions of ASC Topic 820, Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value of an investment is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date (i.e., the exit price). In accordance with ASU No. 2009-12, *Investment in Certain Entities that Calculate Net Asset Value per Share*, the NAV per share or its equivalent is used to fair value investments that follow the American Institute of Certified Public Accountants Guide in arriving at their reported NAV.

Using the fair value hierarchy established in ASC Topic 820, the Museum is required to maximize the use of observable inputs and to minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The standard describes three levels of inputs that may be 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 active 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.

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

Common stocks are valued at the closing price reported in the active market in which the individual securities are traded.

Government Securities and Corporate bonds are valued at the closing price in which the individual security or bond is traded.

See Notes 4 and 5 for the methods for calculating the charitable remainder, lead, and perpetual trusts (charitable trusts).

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 13: FAIR VALUE MEASUREMENT (Continued)

In determining fair value, the Museum utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. The Foundation held certain assets and instruments that are required to be measured at fair value on a recurring basis at June 30, 2021:

	Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable securities held for trading purposes:			
Money market	\$ 94,510	\$ -	\$ -
Mutual funds	115,218	-	-
Exchange traded funds			
Equities	366,260	-	-
Fixed income	375,118	-	-
Int'l equity funds	642,920	-	-
Int'l mutual funds	232,383	-	-
REIT	23,232	-	-
Liquid Real Assets	136,681	-	-
Common stocks	<u>956,025</u>	-	-
Securities subtotal	2,942,347	-	-
Charitable trusts	<u>-</u>	-	<u>3,247,193</u>
Total	<u>\$ 2,942,347</u>	<u>\$ -</u>	<u>\$ 3,247,193</u>

and at June 30, 2020:

	Quoted Prices in Active Markets for Identical Asset (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable securities held for trading purposes:			
Money market	\$ 78,438	\$ -	\$ -
Mutual funds			
Fixed income	46,889	-	-
Equities	268,742	-	-
Exchange traded funds			
Equities	705,885	-	-
Fixed income	105,720	-	-
Gov't securities	247,458	-	-
Corporate bonds	66,771	-	-
Common stocks	<u>831,588</u>	-	-
Securities subtotal	2,351,491	-	-
Charitable trusts	<u>-</u>	-	<u>2,743,920</u>
Total	<u>\$ 2,351,491</u>	<u>\$ -</u>	<u>\$ 2,743,920</u>

SANTA BARBARA HISTORICAL MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 13: FAIR VALUE MEASUREMENT (Continued)

The following describes the changes in Level 3 assets from June 30, 2020 to June 30, 2021:

	<u>2021</u>		<u>2020</u>	
	Investment in Perpetual Trusts	Charitable Remainder/Lead Trusts	Investment in Perpetual Trusts	Charitable Remainder/Lead Trusts
Beginning Balances	\$ 2,068,930	\$ 674,990	\$ 2,051,561	\$ 662,688
Contribution – charitable trust to Level 3	-	-	-	-
Transfer from Level 3 to Level 1	-	-	-	-
Total gains/ (losses) included in changes in net assets	<u>349,016</u>	<u>154,257</u>	<u>17,369</u>	<u>12,302</u>
Ending Balances	<u>\$ 2,417,946</u>	<u>\$ 829,247</u>	<u>\$ 2,068,930</u>	<u>\$ 674,990</u>

There were no significant transfers between Level 3 and Levels 1 and 2 during fiscal year ended June 30, 2021. As explained more fully in Note 5, the Museum is entitled to the income stream from the investment in perpetual trusts.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 14: LIQUIDITY AND AVAILABILITY

As a part of its liquidity management, the Museum structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Financial assets and resources available for general expenditure, that is, without donor restrictions limiting their use, within one year of the date of the statement of financial position comprise the following:

Cash and cash equivalents	\$	536,569
Other receivables		2,246
Prepaid expenses and deposits		93,611
Unrestricted income from assets held in trust (estimated)		50,000
Endowment spending rate distributions and appropriations		<u>100,000</u>
Total financial assets available within one year	\$	<u>782,426</u>

The Museum operates within a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. In addition, the Museum holds funds without donor restrictions designated by the Board (Note 8) of approximately \$1,600,000. Although the Museum does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the quasi-endowment can be made available if needed upon approval by the Board of Trustees.

For capital improvements or purchased collections, the Museum will generally undertake specific campaigns to generate the resources needed for such expenditures.

NOTE 15: RELATED PARTY

One Board member is the president of a bank at which the Museum holds banking and investment accounts as well as its Payroll Protection Program loan.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 16: CONTINGENCIES

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus known as COVID-19 a pandemic. As a result, economic uncertainties have arisen which are likely to impact net income negatively. Possible effects may include the disruption of revenue streams related to admissions, rentals, fundraising events, and foundation grants. Other financial impacts could occur though such potential impact is unknown at the time.

In response to the requirement to close in March 2020, management redirected the scheduled class field trips to a virtual tour, moved in-person lectures to an online platform, and assisted researchers with resources from its library remotely. Subsequent to year end, the Museum added displays and exhibits in its outdoor space when the Governor of California and the local health agency permitted visitors to outdoor museums. Management continues to monitor state and local guidance related to operations and to adapt its programming to meet the changes.

Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Museum applied for and received a Paycheck Protection Program (PPP) Loan in the amount of \$84,550, which has been forgiven, and a second loan in the amount of \$78,700. Under the terms of the loan, the Museum can expend minimally 60% of the funds for payroll and certain related expenses and 40% for rent and utilities initially over eight weeks and currently twenty-four weeks. If the lender approves all the expenditures, then the full amount of proceeds of the loan may be forgiven. Any amount not forgiven will have an annual interest rate of 1% and principal and interest will be payable over five years. The Museum analyzed its expenditures and anticipates the lender will forgive the full amount of the second PPP loan.

NOTE 17: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 21, 2021, which is the date the financial statements were available to be issued pending final approval by the Board of Trustees. Management has determined no subsequent events requiring disclosure have occurred except as disclosed in Footnote 16.