



FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023



SANTA BARBARA HISTORICAL MUSEUM
TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF CASH FLOWS	5
STATEMENT OF FUNCTIONAL EXPENSES	6
NOTES TO THE FINANCIAL STATEMENTS	7-27



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, 2023, 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, 2023, 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, 2022, and expressed an unmodified audit opinion on those audited financial in my report dated October 20, 2022. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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.

Amihouchine & Associates

Santa Barbara, California
October 26, 2023

SANTA BARBARA HISTORICAL MUSEUM
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
<u>ASSETS</u>				
Cash and cash equivalents	\$ 309,640	\$ 44,418	\$ 354,058	\$ 773,255
Other receivables	7,419	-	7,419	3,329
Prepaid expenses and deposits	67,657	-	67,657	41,113
Inventory	80,101	-	80,101	63,410
Unemployment reserve account	14,282	-	14,282	30,612
Investments (Note 3)	2,247,585	982,484	3,230,069	2,746,947
Interest in charitable trusts (Note 4)	-	749,442	749,442	724,822
Interest in perpetual trusts (Note 5)	-	2,056,502	2,056,502	1,999,198
Property and equipment - net (Note 6)	2,606,512	-	2,606,512	2,533,408
Historic land and buildings (Note 7)	119,197	-	119,197	119,197
Collections acquired since 1990	-	2,057,720	2,057,720	2,012,920
Total Assets	\$ 5,452,393	\$ 5,890,566	\$ 11,342,959	\$ 11,048,211
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities				
Accounts payable	\$ 55,713	\$ -	\$ 55,713	\$ 62,167
Accrued liabilities	74,442	-	74,442	72,528
Total Liabilities	130,155	-	130,155	134,695
Net Assets				
Without donor restrictions:				
Unrestricted	3,637,166	-	3,637,166	3,742,190
Board designated (Note 8)	1,685,072	-	1,685,072	1,685,072
With donor restrictions:				
Temporarily restricted (Note 8)	-	1,087,759	1,087,759	1,085,551
Permanently restricted (Note 8)	-	4,802,807	4,802,807	4,400,703
Total Net Assets	5,322,238	5,890,566	11,212,804	10,913,516
Total Liabilities and Net Assets	\$ 5,452,393	\$ 5,890,566	\$ 11,342,959	\$ 11,048,211

See accompanying notes

SANTA BARBARA HISTORICAL MUSEUM
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Support:				
Grants	\$ 351,996	\$ 88,000	\$ 439,996	\$ 322,888
Contributions	69,206	33,170	102,376	146,314
Bequests	-	300,000	300,000	201,000
Special events, net of expenses of \$69,805 and \$0, respectively	86,844	-	86,844	65,500
In-kind contributions	-	44,800	44,800	14,350
Membership	49,020	-	49,020	53,300
Investment income (Note 3)	(70,564)	5,952	(64,612)	44,514
Trust income (Note 5)	63,196	12,936	76,132	64,284
Rental income	437,300	-	437,300	455,207
Museum store sales	27,531	-	27,531	46,486
Public programs	17,703	-	17,703	15,082
Library fees	7,856	-	7,856	4,783
Miscellaneous income	78	-	78	545
Change in value of charitable trusts	-	27,620	27,620	(101,425)
Total Support	<u>1,040,166</u>	<u>512,478</u>	<u>1,552,644</u>	<u>1,332,828</u>
Net Assets Released From Restrictions:				
Released due to capital expenditure	25,000	(25,000)	-	-
Release due to other expenditure	140,470	(140,470)	-	-
Total	<u>1,205,636</u>	<u>347,008</u>	<u>1,552,644</u>	<u>1,332,828</u>
Expenses:				
Program services:				
Curatorial, library, collection management, and exhibitions	464,629	-	464,629	388,439
Facilities and Historical Structures	451,620	-	451,620	482,753
Public programs, education, and outreach	314,194	-	314,194	395,719
Supporting services:				
Management and general	228,470	-	228,470	215,898
Membership	14,540	-	14,540	15,229
Fundraising	86,269	-	86,269	80,945
Total Expenses	<u>1,559,722</u>	<u>-</u>	<u>1,559,722</u>	<u>1,578,983</u>
Excess of Support Over/(Under) Expenses before other changes in net assets	(354,086)	347,008	(7,078)	(246,155)
Other Changes in Net Assets:				
COVID relief funds	-	-	-	124,302
Change in unrealized gain on investments	249,062	-	249,062	(438,834)
Change in value of perpetual trusts	-	57,304	57,304	(418,748)
Change in Net Assets	<u>(105,024)</u>	<u>404,312</u>	<u>299,288</u>	<u>(979,435)</u>
Net Assets at Beginning of Year	<u>5,427,262</u>	<u>5,486,254</u>	<u>10,913,516</u>	<u>11,892,951</u>
Net Assets at End of Year	<u>\$ 5,322,238</u>	<u>\$ 5,890,566</u>	<u>\$ 11,212,804</u>	<u>\$ 10,913,516</u>

See accompanying notes

SANTA BARBARA HISTORICAL MUSEUM
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	\$ 299,288	\$ (979,435)
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	172,078	279,470
Forgiveness of PPP loans	-	(78,700)
Realized loss on sale of investments	111,388	13,384
Non-cash change in unrealized investment gains	(249,062)	438,834
Non-cash change in value of perpetual trusts	(57,304)	418,748
Non-cash change in charitable trusts	(24,620)	104,425
Non-cash change in collections	(44,800)	(14,200)
Changes in:		
Pledges receivable	(4,090)	(1,083)
Bequest receivable	-	200,000
Prepaid and other assets	(26,544)	52,498
Unemployment reserve account	16,330	(3,313)
Inventory	(16,691)	(41,495)
Accounts payable	(14,098)	29,138
Accrued liabilities	1,914	16,021
Net Cash Provided by Operating Activities	<u>163,789</u>	<u>434,292</u>
Cash Flows from Investing Activities:		
Purchase of investments	(649,261)	(429,115)
Proceeds from sale of securities	417,690	192,137
Change in money market funds held for investment	(113,877)	(19,511)
Purchase of property and equipment (Note 6)	<u>(237,538)</u>	<u>(74,559)</u>
Net Cash Used by Investing Activities	<u>(582,986)</u>	<u>(331,048)</u>
Net(Decrease)/Increase in Cash	(419,197)	103,244
Cash and Cash Equivalents at Beginning of Year	<u>773,255</u>	<u>670,011</u>
Cash and Cash Equivalents at End of Year	<u>\$ 354,058</u>	<u>\$ 773,255</u>

Supplemental Disclosure of Cash Flow Information

In the year ended 2023, excluded from the cash used for the purchase of property is the balance due to the vendor of \$6,596; this amount is also excluded from the change in accounts payable. Included in the cash used for the purchase of property is the payment from the year ended 2022 of \$14,240 that was included in accounts payable.

In the year ended 2022, excluded from the cash used for the purchase of property is the balance due to the vendor of \$14,240; this amount is also excluded from the change in accounts payable.

See accompanying notes

SANTA BARBARA HISTORICAL MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

	Program Services						2023	2022
	Curatorial, Library, Collection Management & Exhibitions	Facilities & Historical Structures	Public Programs, Education & Outreach	Management & General	Membership	Fundraising	Total	Total
Salaries	\$ 293,049	\$ 112,760	\$ 131,318	\$ 24,901	\$ 6,985	\$ 28,394	\$ 597,407	\$ 514,381
Personnel - benefits and taxes	69,779	33,223	24,588	8,710	1,113	9,041	146,454	101,749
Advertising and public relations	-	-	-	9,045	-	-	9,045	17,756
Computer support and software	1,024	834	3,259	4,929	2,699	834	13,579	16,751
Depreciation expense	-	146,265	-	21,510	-	4,302	172,077	279,470
Development costs	-	-	-	-	-	34,466	34,466	23,583
Museum store cost of sales	-	-	28,298	-	-	-	28,298	41,095
Insurance	6,694	24,051	-	14,090	349	349	45,533	44,431
Occupancy costs	20,060	35,189	11,367	21,059	3,218	3,218	94,111	79,362
Outside consultants	-	-	8,163	500	-	5,070	13,733	28,683
Legal and professional fees	-	-	-	91,460	-	-	91,460	65,627
Public programs	63,058	-	100,597	-	-	-	163,655	231,651
Repairs and maintenance	9,975	98,159	6,604	5,870	-	-	120,608	102,596
Special event costs	-	-	-	-	-	69,805	69,805	-
Supplies	990	189	-	25,227	176	595	27,177	31,069
Travel and mileage	-	950	-	1,169	-	-	2,119	779
Total Expenses by Function	464,629	451,620	314,194	228,470	14,540	156,074	1,629,527	1,578,983
Less expenses included with revenues on the Statement of Activities								
Cost of direct benefit to donors	-	-	-	-	-	(69,805)	(69,805)	-
Total Expenses Reported in Expenses on the Statement of Activities - 2023	\$ 464,629	\$ 451,620	\$ 314,194	\$ 228,470	\$ 14,540	\$ 86,269	\$ 1,559,722	
Total Expenses Reported in Expenses on the Statement of Activities - 2022	\$ 388,439	\$ 482,753	\$ 395,719	\$ 215,898	\$ 15,229	\$ 80,945		\$ 1,578,983

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 for 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 of 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 five major educational exhibitions: *Memories of Mountain Drive: Santa Barbara's Bohemian Community*, *Clarence Mattei: A Portrait of Our Community*, *Take a Hike: Save the World*, *Huguette Marcelle Clark: A Portrait of the Artist*, *Lockwood de Forest: Lighting the Way*, in addition to the returning exhibition *Project Fiesta: The History of Old Spanish Days*.

Staff continue to meet the public's educational needs with creative programming and improving overall access to the collection and publications online. Currently the Museum hosts a variety of hybrid programming, both in person and virtual, and both indoors and outdoors. Outreach both online and through local television has significantly expanded to history enthusiasts in the area and throughout the world.

Programming included educational events such as lectures, walking tours, film screenings and discussions – with public interest topics including life in early California, conservation, architecture, art, agriculture, early film, western culture, and other local history topics.

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

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATIONAL INFORMATION (Continued)

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 published a scholarly journal "Noticias", *Lockwood de Forest Sr. N.A. (1850-1932): Artist, Architect, Interior Designer, Importer, Collector* and a second edition of *Spanish Colonial Style: Santa Barbara and the Architecture of James Osborne Craig and Mary McLaughlin Craig*.

In addition to visitors both in-person and online, many others explored the Museum's permanent satellite exhibitions at the Hill-Carrillo Adobe, the Historic Terminal of the Santa Barbara Airport, and 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.

- 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 be 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.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023 and 2022.

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.

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.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023 the Museum received as contributions 246 objects of historical significance each individually valued at less than \$5,000 from 90 donors for its library and artifact collections.

The \$2,057,720 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.

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)

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, 2023, board and committee members contributed approximately 1,850 hours and docents and general volunteers contributed approximately 784 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, 2023 and 2022.

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.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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' performances are 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.

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.

SANTA BARBARA HISTORICAL MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023, 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.

Comparative Information and Reclassifications

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.

Certain reclassifications have been made to the June 30, 2022, balances as reported in the prior year financial statements to make them comparable to the balances reported for the year ended June 30, 2023.

NOTE 3: INVESTMENTS

Investments are stated at market value, based primarily on quoted market prices for those or similar instruments. The cost and market value of investments at June 30 are as follows:

<u>2023</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized (De)Appreciation</u>
Money Market	\$ 316,948	\$ 316,948	\$ -
Mutual funds	297,018	279,231	(17,787)
Exchange Traded Funds			
Equities	342,868	364,550	21,682
Fixed income	729,529	677,367	(52,162)
International Equity			
Funds	383,146	351,248	(31,898)
International Mutual			
Funds	211,055	175,743	(35,312)
REIT	20,395	12,875	(7,520)
Liquid Real Assets	56,325	48,552	(7,773)
Municipal Bond	39,455	40,172	717
Common stocks	<u>867,686</u>	<u>963,383</u>	<u>95,697</u>
Total	<u>\$ 3,264,425</u>	<u>\$ 3,230,069</u>	<u>\$ (34,356)</u>

Decrease in unrealized
appreciation over prior year \$ 249,062

SANTA BARBARA HISTORICAL MUSEUM
NOTES TO FINANCIAL STATEMENTS

NOTE 3: INVESTMENTS (Continued)

<u>2022</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation</u>
Money Market	\$ 114,021	\$ 114,021	\$ -
Mutual funds	445,696	405,345	(40,351)
Exchange Traded Funds			
Equities	333,868	311,068	(22,800)
Fixed income	509,083	475,215	(33,868)
International Equity			
Funds	298,334	251,093	(47,241)
International Mutual			
Funds	258,870	183,232	(75,638)
REIT	20,642	19,283	(1,359)
Liquid Real Assets	98,825	89,615	(9,210)
Municipal Bond	39,455	41,076	1,621
Common stocks	<u>911,571</u>	<u>856,999</u>	<u>(54,572)</u>
Total	<u>\$ 3,030,365</u>	<u>\$ 2,746,947</u>	<u>\$ (283,418)</u>

Decrease in unrealized
appreciation over prior year \$ (438,834)

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

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 74,717	\$ 86,991
Realized loss, net, for the year	(111,388)	(13,384)
Less investment advisor fees	<u>(27,941)</u>	<u>(29,093)</u>
Total investment income	<u>\$ (64,612)</u>	<u>\$ 44,514</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, 2023 and 2022, is \$602,543 and \$572,736, 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, 2023 and 2022, is \$146,899 and \$152,086, 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, 2023, was \$793,431 and at June 30, 2022, was \$787,279. The income received from the trust was \$44,000 and \$37,500 for the years ended June 30, 2023 and 2022, 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, 2023, was \$939,838 and at June 30, 2022, was \$891,849. The income received from the trust was \$19,196 and \$14,534 for the years ended June 30, 2023 and 2022, 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, 2023, was \$323,232 and at June 30, 2022 was \$320,071. The income received from the trust was \$12,936 and \$12,250 for the years ended June 30, 2023 and 2022, respectively.

NOTE 6: PROPERTY AND EQUIPMENT

Depreciation expense for the years ended June 30, 2023 and 2022, was \$172,077 and \$279,470, respectively. The Museum is progressing with the planned upgrades to its facilities to utilize modern means to preserve its collections. The current year projects consisted of an additional upgrade to the subterranean environment. An HVAC system was designed to promote airflow and climate control, particularly aimed to improve issues of extreme temperatures and humidity in the preparation areas and art and archive storage areas.

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

	<u>2023</u>	<u>2022</u>
Land – 118 East de la Guerra	\$ 28,500	\$ 28,500
Buildings and improvement	3,082,838	2,994,465
HVAC System	3,084,413	2,957,457
Gallery fixtures	275,357	275,357
Gallery equipment	36,122	36,122
Office equipment	93,591	93,591
Vehicles	58,225	11,628
Furniture and fixtures	40,583	40,583
Storage containers	24,742	24,742
Software	17,392	17,392
Vault	1,426,491	1,426,491
Security system	95,016	71,760
Costume mannequins	14,770	14,770
	<u>8,278,040</u>	<u>7,992,858</u>
Less accumulated depreciation	<u>(5,671,528)</u>	<u>(5,499,450)</u>
Subtotal	2,606,512	2,493,408
Construction-in-progress - HVAC	<u>-</u>	<u>40,000</u>
Property and Equipment - Net	<u>\$ 2,606,512</u>	<u>\$ 2,533,408</u>

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 7: HISTORIC LAND AND BUILDINGS

Historic land and buildings at June 30, 2023 and 2022, are \$119,197.

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>2023</u>	<u>2022</u>
Library fund	\$ 911	\$ 705
Capital projects	97,860	132,044
Income generated is designated for General operations	<u>2,148,814</u>	<u>2,090,001</u>
Total net assets without donor restrictions designated by the Board	<u>\$ 2,247,585</u>	<u>\$ 2,222,750</u>

Net assets with donor restrictions:

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

	<u>2023</u>	<u>2022</u>
Library fund	\$ 18,755	\$ 33,946
Curatorial funds	251,171	243,337
Textile conservation and education	6,083	11,374
Borein Publication	-	1,083
Exhibits and upgrades	35,308	10,489
Tablao Museo	5,000	-
Capital projects	19,500	55,000
Educational programs	2,500	2,500
Charitable remainder and lead trusts	<u>749,442</u>	<u>727,822</u>
Total temporarily restricted net assets	<u>\$ 1,087,759</u>	<u>\$ 1,085,551</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>2023</u>	<u>2022</u>
Education and outreach	\$ 128,033	\$ 128,033
Collections - capitalized	2,057,720	2,012,920
Endowment for library	25,000	25,000
Endowment for collections	300,000	-
General operations	235,552	235,552
General operations - held in trust	<u>2,056,502</u>	<u>1,999,198</u>
Total permanently restricted net assets	<u>\$ 4,802,807</u>	<u>\$ 4,400,703</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. Rental income is subject to environmental influences. Approximately 65% of the Museum's event venue rental clients are from outside of Santa Barbara County.

Credit Risk

The Museum on occasion has more than \$250,000 on deposit with financial institutions. The Museum has evaluated the stability of the financial institutions in which it has deposits. The Federal Deposit Insurance Corporation (FDIC) only insures the first \$250,000 of funds on deposit at any one institution. At June 30, 2023, the Museum had uninsured funds of approximately \$440,000.

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.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 11: 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 11: 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 11: 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, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporarily Restricted	Endowment Principal	Endowments
Donor- Restricted	\$ -	\$ -	\$ 2,745,087	\$ 2,745,087
Board- Designated	<u>2,148,814</u>	-	-	<u>2,148,814</u>
Total Endowment	<u>\$ 2,148,814</u>	<u>\$ -</u>	<u>\$ 2,745,087</u>	<u>\$ 4,893,901</u>

Endowment net assets as of June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporarily Restricted	Endowment Principal	Endowments
Endowment Net Assets 6/30/2022	\$ 2,090,001	\$ -	\$ 2,387,783	\$ 4,477,784
Contributions	-	-	300,000	300,000
Investment income	(65,940)	-	-	(65,940)
Change in value of trusts	-	-	57,304	57,304
Appreciation/ (depreciation) – unrealized, net	249,062	-	-	249,062
Amounts appropriated for expenditure	<u>(124,309)</u>	<u>-</u>	<u>-</u>	<u>(124,309)</u>
Endowment Net Assets 6/30/2023	<u>\$ 2,148,814</u>	<u>\$ -</u>	<u>\$ 2,745,087</u>	<u>\$ 4,893,901</u>

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 11: 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, 2022 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	\$ -	\$ -	\$ 2,387,783	\$ 2,387,783
Board- Designated	<u>2,090,001</u>	<u>-</u>	<u>-</u>	<u>1,710,736</u>
Total Endowment	<u>\$ 2,090,001</u>	<u>\$ -</u>	<u>\$ 2,387,783</u>	<u>\$ 4,477,784</u>

Endowment net assets as of June 30, 2022 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 6/30/2021	\$ 2,527,923	\$ -	\$ 2,806,531	\$ 5,334,454
Contributions	-	-	-	-
Investment income	43,561	-	-	43,561
Change in value of trusts	-	-	(418,748)	(418,748)
Appreciation/ (depreciation) – unrealized, net	(438,834)	-	-	(438,834)
Amounts appropriated for expenditure	<u>(42,649)</u>	<u>-</u>	<u>-</u>	<u>(42,649)</u>
Endowment Net Assets 6/30/2022	<u>\$ 2,090,001</u>	<u>\$ -</u>	<u>\$ 2,387,783</u>	<u>\$ 4,477,784</u>

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 12: 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, equity and mutual funds, and exchange traded funds are valued at the closing price reported in the active market in which the individual securities or identical ones 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 12: 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, 2023:

	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	\$ 316,948	\$ -	\$ -
Mutual funds	279,231	-	-
Exchange traded funds			
Equities	364,550	-	-
Fixed income	677,367	-	-
Int'l equity funds	351,248	-	-
Int'l mutual funds	175,743	-	-
REIT	12,875	-	-
Liquid Real Assets	48,552	-	-
Municipal Bond	40,172	-	-
Common stocks	963,383	-	-
Securities subtotal	3,320,069	-	-
Charitable trusts	-	-	2,805,944
Total	<u>\$ 3,320,069</u>	<u>\$ -</u>	<u>\$ 2,805,944</u>

and at June 30, 2022:

	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	\$ 114,021	\$ -	\$ -
Mutual funds	405,345	-	-
Exchange traded funds			
Equities	311,068	-	-
Fixed income	475,215	-	-
Int'l equity funds	251,093	-	-
Int'l mutual funds	183,232	-	-
REIT	19,283	-	-
Liquid Real Assets	89,615	-	-
Municipal Bond	41,076	-	-
Common stocks	856,999	-	-
Securities subtotal	2,746,947	-	-
Charitable trusts	-	-	2,724,020
Total	<u>\$ 2,746,947</u>	<u>\$ -</u>	<u>\$ 2,724,020</u>

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 12: FAIR VALUE MEASUREMENT (Continued)

The following describes the changes in Level 3 assets from June 30, 2022 to June 30, 2023:

	2023		2022	
	Investment in Perpetual Trusts	Charitable Remainder/Lead Trusts	Investment in Perpetual Trusts	Charitable Remainder/Lead Trusts
Beginning Balances	\$ 1,999,198	\$ 724,822	\$ 2,417,946	\$ 829,247
Contribution – charitable trust to Level 3	-	-	-	-
Transfer from Level 3 to Level 1	-	-	-	-
Total gains/ (losses) included in changes in net assets	<u>57,304</u>	<u>24,620</u>	<u>(418,748)</u>	<u>(104,425)</u>
Ending Balances	<u>\$ 2,056,502</u>	<u>\$ 749,442</u>	<u>\$ 1,999,198</u>	<u>\$ 724,822</u>

There were no significant transfers between Level 3 and Levels 1 and 2 during fiscal year ended June 30, 2023. 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 13: 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	\$	309,640
Other receivables		7,419
Prepaid expenses and deposits		67,657
Unrestricted income from assets held in trust (estimated)		60,000
Endowment spending rate distributions and appropriations		<u>270,000</u>
Total financial assets available within one year	\$	<u>714,716</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 \$2,100,000. 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 14: RELATED PARTY

One Board member is the president of a bank at which the Museum holds banking and investment accounts.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

NOTE 15: COVID RELIEF FUNDS

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, and a second loan in the amount of \$78,700, both of which have been forgiven.

In addition, the Museum became eligible for the Employee Retention Credit program in year end 2020, and received approximately \$45,602 and \$69,780 for years ended June 30, 2022 and 2021, respectively.

NOTE 16: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 26, 2023, 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.