



**FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2025**

SANTA BARBARA HISTORICAL MUSEUM

June 30, 2025

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Santa Barbara Historical Museum
Santa Barbara, California

Opinion

We have audited the accompanying financial statements of Santa Barbara Historical Museum (a non-profit organization) (the Museum), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our 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, 2025, 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

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 the 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 the Financial Statements

Our 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 our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement 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 our judgment, 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.

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

Report on Summarized Comparative Information

We have previously audited the Museum's June 30, 2024, financial statements, and we expressed an unmodified audit opinion on those statements in our report dated October 17, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGowan Muntermann

Santa Barbara, California

November 13, 2025

SANTA BARBARA HISTORICAL MUSEUM

STATEMENT OF FINANCIAL POSITION

June 30, 2025

	ASSETS			(Memo)
	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 87,143	\$ 64,262	\$ 151,405	\$ 387,674
Other receivables	28,059	-	28,059	8,380
Prepaid expenses and deposits	88,962	-	88,962	71,309
Inventory	77,910	-	77,910	77,910
Unemployment reserve account	19,156	-	19,156	16,753
	<u>301,230</u>	<u>64,262</u>	<u>365,492</u>	<u>562,026</u>
OTHER ASSETS				
Investments	2,476,946	964,261	3,441,207	3,461,407
Interests in charitable trusts	-	1,105,601	1,105,601	907,354
Interests in perpetual trusts	-	2,349,685	2,349,685	2,213,510
Property and equipment, net	2,345,115	-	2,345,115	2,514,733
Historic land and buildings	119,197	-	119,197	119,197
	<u>4,941,258</u>	<u>4,419,547</u>	<u>9,360,805</u>	<u>9,216,201</u>
TOTAL ASSETS	<u>\$ 5,242,488</u>	<u>\$ 4,483,809</u>	<u>\$ 9,726,297</u>	<u>\$ 9,778,227</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 121,677	\$ -	\$ 121,677	\$ 33,095
Accrued liabilities	68,295	-	68,295	82,416
	<u>189,972</u>	<u>-</u>	<u>189,972</u>	<u>115,511</u>
TOTAL LIABILITIES	<u>189,972</u>	<u>-</u>	<u>189,972</u>	<u>115,511</u>
NET ASSETS				
Without Donor Restrictions				
Undesignated	2,526,002	-	2,526,002	2,854,054
Designated by the Board	2,526,514	-	2,526,514	2,573,130
	<u>5,052,516</u>	<u>-</u>	<u>5,052,516</u>	<u>5,427,184</u>
Total Without Donor Restrictions	<u>5,052,516</u>	<u>-</u>	<u>5,052,516</u>	<u>5,427,184</u>
With Donor Restrictions				
	<u>-</u>	<u>4,483,809</u>	<u>4,483,809</u>	<u>4,235,532</u>
Total Net Assets	<u>5,052,516</u>	<u>4,483,809</u>	<u>9,536,325</u>	<u>9,662,716</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,242,488</u>	<u>\$ 4,483,809</u>	<u>\$ 9,726,297</u>	<u>\$ 9,778,227</u>

The accompanying notes are an integral part of these financial statements.

SANTA BARBARA HISTORICAL MUSEUM

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	2025 Total	(Memo) 2024 Total
INCOME				
Support:				
Grants	\$ 296,475	\$ 154,410	\$ 450,885	\$ 251,426
Contributions	89,897	19,800	109,697	91,128
Bequests	-	-	-	98,982
Special events (net of expenses of \$58,102 and \$66,921)	63,258	-	63,258	81,029
Membership	57,615	-	57,615	57,040
Investment income	81,149	-	81,149	130,431
Trust income	61,726	-	61,726	64,002
Rental income	429,405	-	429,405	569,225
Museum store sales	25,546	-	25,546	25,487
Public programs	16,366	-	16,366	15,291
Library fees	7,620	-	7,620	2,239
Miscellaneous income (insurance settlement)	107	-	107	197,681
Change in value of charitable trusts	-	201,247	201,247	160,912
Total Support	1,129,164	375,457	1,504,621	1,744,873
Net Assets Released From Restrictions				
Released due to capital expenditure	49,675	(49,675)	-	-
Released due to other expenditure	213,681	(213,681)	-	-
Total Income	1,392,520	112,101	1,504,621	1,744,873
EXPENSES				
Program Expenses				
Curatorial, library, collection management and exhibitions	608,200	-	608,200	449,466
Facilities and Historical Structures	582,557	-	582,557	517,684
Public programs, education and outreach	441,892	-	441,892	366,603
Total Program Expenses	1,632,649	-	1,632,649	1,333,753
Supporting Services				
Management and general	226,365	-	226,365	225,593
Membership	16,505	-	16,505	14,446
Fundraising	85,255	-	85,255	93,801
Total Supporting Services	328,125	-	328,125	333,840
Total Expenses	1,960,774	-	1,960,774	1,667,593
Excess of support over/(under) expenses before other changes in net assets	(568,254)	112,101	(456,153)	77,280
Other Changes in Net Assets				
Change in unrealized gain on investments	193,586	-	193,586	273,344
Change in value of perpetual trusts	-	136,176	136,176	157,008
Write off of collections acquired since 1990	-	-	-	(2,057,720)
Total	-	-	-	-
CHANGE IN NET ASSETS	(374,668)	248,277	(126,391)	(1,550,088)
NET ASSETS, BEGINNING OF YEAR	5,427,184	4,235,532	9,662,716	11,212,804
NET ASSETS, END OF YEAR	\$ 5,052,516	\$ 4,483,809	\$ 9,536,325	\$ 9,662,716

The accompanying notes are an integral part of these financial statements.

SANTA BARBARA HISTORICAL MUSEUM

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2025

EXPENSES	Program Services				Support Services				(Memo)	
	Curatorial, Library, Collection Management & Exhibitions	Facilities & Historical Structures	Public Programs, Education & Outreach	Total Program	Management & General	Membership	Fundraising	2025 Total	2024 Total	
Salaries	\$ 341,760	\$ 123,207	\$ 148,072	\$ 613,039	\$ 26,346	\$ 7,939	\$ 30,315	\$ 677,639	\$ 630,007	
Personnel - benefits and taxes	77,612	39,039	27,695	144,346	8,981	1,126	9,545	163,998	142,146	
Advertising and public relations	-	-	-	-	3,241	-	-	3,241	5,632	
Computer support and software	1,025	744	3,981	5,750	4,703	3,277	744	14,474	15,031	
Depreciation expense	-	202,739	-	202,739	29,815	-	5,963	238,517	196,067	
Development costs	-	-	-	-	-	-	30,073	30,073	40,503	
Museum store costs of sales	-	-	16,145	16,145	-	-	-	16,145	32,412	
Insurance	6,696	31,405	-	38,101	17,612	438	438	56,589	54,012	
Occupancy costs	22,028	42,748	12,736	77,512	14,857	3,549	3,549	99,467	93,074	
Outside consultants	-	-	1,925	1,925	500	-	4,014	6,439	9,555	
Legal and professional fees	-	-	-	-	78,677	-	-	78,677	72,268	
Public programs	146,458	-	221,140	367,598	-	-	-	367,598	166,616	
Repairs and maintenance	11,657	141,504	10,198	163,359	9,052	-	-	172,411	164,276	
Special event costs	-	-	-	-	-	-	58,102	58,102	66,921	
Supplies	964	175	-	1,139	29,546	176	614	31,475	34,988	
Travel and mileage	-	996	-	996	3,035	-	-	4,031	11,006	
Total Expenses by Function	\$ 608,200	\$ 582,557	\$ 441,892	\$ 1,632,649	\$ 226,365	\$ 16,505	\$ 143,357	\$ 2,018,876	\$ 1,734,514	
Less expenses included with revenues on the statement of activities										
Cost of direct benefit to donors	-	-	-	-	-	-	(58,102)	(58,102)	(66,921)	
2025 TOTAL EXPENSES	\$ 608,200	\$ 582,557	\$ 441,892	\$ 1,632,649	\$ 226,365	\$ 16,505	\$ 85,255	\$ 1,960,774		
2024 TOTAL EXPENSES (Memo)	\$ 449,466	\$ 517,684	\$ 366,603	\$ 1,333,753	\$ 225,593	\$ 14,446	\$ 93,801		\$ 1,667,593	

The accompanying notes are an integral part of these financial statements.

SANTA BARBARA HISTORICAL MUSEUM

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2025

	<u>2025</u>	<u>(Memo)</u> <u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (126,391)	\$ (1,550,088)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	238,516	196,067
Realized gain on investments	(6,875)	(71,895)
Unrealized gain on investments	(193,586)	(273,344)
Change in value of perpetual trusts	(136,175)	(157,008)
Change in value of charitable trusts	(198,247)	(157,912)
Change in collections	-	2,057,720
(Increase) decrease in:		
Accounts and pledges receivable	(19,679)	(961)
Prepaid expenses and other assets	(17,653)	(3,652)
Unemployment reserve account	(2,403)	(2,471)
Inventory	-	2,191
Increase (decrease) in:		
Accounts payable	88,582	(22,618)
Accrued liabilities	(14,121)	7,974
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(388,032)</u>	<u>24,003</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(68,898)	(104,288)
Purchase of investments	(44,959)	(1,745,365)
Proceeds from sale of securities	<u>265,620</u>	<u>1,859,266</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>151,763</u>	<u>9,613</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(236,269)	33,616
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>387,674</u>	<u>354,058</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 151,405</u></u>	<u><u>\$ 387,674</u></u>

The accompanying notes are an integral part of these financial statements.

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 come 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: 1925! Santa Barbara Earthquake, The Chair: Storied Seats from our Collection, Don Louis Perceval: His Vision of the West, Pop-Up History: Images of Santa Barbara c.1900, and *Project Fiesta! Centennial of Old Spanish Days*.

Staff continue to meet the public's educational needs with creative programming and improving overall access to the collection. Currently the Museum hosts a variety of educational and cultural 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 cultural performances and educational events such as lectures, walking tours, film screenings, pop-up exhibits, and discussions – with public interest topics including life in early California, conservation, architecture, art, agriculture, early film, western culture, Hispanic heritage, 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. 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 acquired the Santa Barbara News-Press archive, representing over a million photographs and other materials, an important landmark for the organization and the community's history.

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

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Museum have been prepared on the accrual basis of accounting following accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Description of Net Assets

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

Without Donor Restrictions

Net assets without donor restrictions represent net assets that are not subject to donor-imposed time or use restrictions. Net assets without donor restrictions include board designated funds.

With Donor Restrictions

Net assets with donor restrictions represent net assets that are subject to donor-imposed time or use restrictions. Net assets with donor restrictions generally include pledges and bequests receivable and planned gifts. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as “Net assets released from restrictions”. Earnings on donor restricted endowment funds that have not yet been appropriated are also classified as net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

Significant estimates reflected in the Museum’s 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

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents and Restricted Cash

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash on hand, cash in bank and cash held in money market funds, which are neither held for nor restricted by donors for long-term purposes. Cash and highly liquid financial instruments held in investment accounts are excluded from this definition.

Allowance for Credit Losses

The Museum has previously adopted FASB ASC 326, measuring credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. Financial assets held by the Museum that are subject to the guidance in FASB ASC 326 were trade accounts receivable. The impact of the adoption was not considered material to the financial statements and primarily resulted in the preceding disclosure only.

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 year ended June 30, 2025.

Investments and Draw

The Museum records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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

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.

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.

The Museum has determined that no long-lived assets were impaired at June 30, 2025.

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

In prior years, purchased historic artifacts were capitalized when acquired. Donations of individual gifts valued in excess of \$5,000 were recorded at fair market value at the date of donation. Because the values of the collections existing as of December 31, 1990, were not readily determinable, the Museum had not capitalized them.

In prior years, the \$2,057,720 in artifacts, which had been recorded in the financial statements, represented only a very small percentage of the estimated total value of the Museum's total artifacts.

Artifacts were considered inexhaustible and, therefore, were 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.

As of June 30, 2024, the Museum wrote off the previously capitalized collections in compliance with industry standards.

Leases

The Museum has previously adopted FASB ASC 842, Leases. For the year ended June 30, 2025, the Museum had no material noncancellable operating or finance leases.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Further, the Museum elected a short-term lease exception policy, permitting the Museum to not apply the recognition requirements of this standard to short-term leases (i.e., leases with terms of twelve months or less) and an accounting policy to account for lease and non-lease components as a single component for certain classes of assets.

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 is recognized when earned. Specifically, store sales are recognized at the time of purchase. Membership dues, which are nonrefundable, are comprised of an exchange element based on the benefits received, and a contribution element for the difference. Membership dues are recognized when received.

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, 2025, board and committee members contributed approximately 1,850 hours and docents and general volunteers contributed approximately 850 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 year ended June 30, 2025.

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.

Income Taxes

The Museum is a nonprofit corporation exempt from Federal income taxes under Internal Revenue Code section 501 (c) (3) and State income taxes under Revenue and Taxation Code Section 23701 (d), therefore no amounts for income taxes are reflected in the accompanying financial statements. The Museum is not a private foundation for income tax purposes. The Museum is not aware of any transactions that would affect its tax-exempt status.

The Museum evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of June 30, 2025, the Museum had no uncertain tax positions requiring accrual.

The Museum files tax returns in California and U.S. federal jurisdictions. The Museum is no longer subject to U.S. federal and state tax examinations by tax authorities for years before 2021 and 2020, respectively.

Reclassifications

Certain balances reported for the year ended June 30, 2024, have been reclassified to make the reporting comparable to the balances reported for the year ended June 30, 2025.

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 accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Subsequent Events

The Museum has evaluated subsequent events through November 13, 2025, the date which the financial statements were available to be issued.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

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, 2025, are as follows:

<u>Description</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>
Money Market	\$ 22,029	\$ 22,029	\$ -
Mutual Funds	962,258	950,588	(11,670)
Exchange Traded Funds			
Equities	223,407	290,708	67,301
International	416,163	475,194	59,031
Common Stocks – Domestic	1,348,943	1,665,997	317,054
Real Estate	<u>35,833</u>	<u>36,691</u>	<u>858</u>
 Total	 <u>\$ 3,008,633</u>	 <u>\$ 3,441,207</u>	 <u>\$ 432,574</u>

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

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Balance at end of the year	\$ 3,008,633	\$ 3,441,207	\$ 432,574
Balance at beginning of the year	3,222,419	3,461,407	<u>238,988</u>
Change in unrealized gain (loss)			<u>\$ 193,586</u>

The following summarizes the investment return included in the Statement of Activities and Changes in Net Assets for the year ended June 30, 2025:

Investment and dividend income	\$ 107,871
Unrealized gain on value of securities	193,586
Realized gain on value of securities	6,875
Investment fees	<u>(33,597)</u>
 Net Investment Return	 <u>\$ 274,735</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.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

Note 4 – INTEREST IN CHARITABLE TRUSTS (continued)

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

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, 2025, is \$906,657.

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, 2025, is \$198,944.

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. 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, 2025, was \$881,359. The income received from the trust was \$37,500 for the year ended June 30, 2025.

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, 2025, was \$1,113,298. The income received from the trust was \$24,226 for the year ended June 30, 2025.

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.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

Note 5 – INTEREST IN PERPETUAL TRUSTS (continued)

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, 2025, was \$355,028. The income received from the trust was \$13,210 for the year ended June 30, 2025.

Note 6 – PROPERTY AND EQUIPMENT

The Museum is progressing with the planned upgrades to its facilities to utilize modern means to preserve its collections. The current year projects consisted repairs and upgrades to the Adobe Office, roof and HVAC repair. 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 consist of the following at June 30, 2025:

Land – 118 East de la Guerra	\$ 28,500
Buildings and improvements	3,183,120
HVAC System	3,084,413
Gallery fixtures	275,357
Gallery equipment	86,080
Office equipment	97,038
Vehicles	77,724
Furniture and fixtures	40,583
Storage containers	24,742
Software	17,392
Vault	1,426,491
Security system	95,016
Costume mannequins	<u>14,770</u>
	8,451,226
Less accumulated depreciation	<u>(6,106,111)</u>
Net property and equipment	<u>\$ 2,345,115</u>

For the year ending June 30, 2025, the Museum recognized depreciation expense of \$238,516.

Note 7 – HISTORIC LAND AND BUILDINGS

Historic land and buildings at June 30, 2025, was \$119,197.

Note 8 – OPERATING LEASE

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.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

Note 9 – 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 67% of the Museum's event venue rental clients are from outside of Santa Barbara County.

Credit Risk

The Museum maintains cash balances insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor and per bank institution. At times throughout the year the Museum maintains balances in excess of the FDIC insured amount. As of June 30, 2025, the Museum had no uninsured cash balances.

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 10 – FAIR VALUE MEASUREMENT

Certain assets and liabilities are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

Inputs may be observable or unobservable.

Observable (Level 1) inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable (Level 2) inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Museum can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable to the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market – corroborated inputs.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

Note 10 – FAIR VALUE MEASUREMENT (continued)

Level 3 – Unobservable inputs for the assets or liabilities. In these situations, the Museum develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk, or liquidity profile of the asset or liability. A significant portion of the Museum investment assets are classified within Level 1 as they are comprised of common stock, exchange traded funds and open-ended mutual funds, with readily determinable fair values based on daily redemption values.

The Museum's investment committee, in conjunction with the external investment advisors, monitors and analyzes the valuation of the investments on a quarterly basis. The investment committee reports to the Board of Trustees. The valuation considers variables such as financial performance of investments, recent sale prices of investments, and other pertinent information.

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

Cash held for investment – Cash held for investment purposes includes money market funds and cash equivalent assets, and is valued at face value.

Fixed income – Corporate bonds and bond funds provide a hedge against deflation, provide a stable return, and to minimize the overall volatility of the account. They are valued utilizing quoted market prices available in active markets for identical investments at the reporting date or through the use of pricing models or other valuation methodologies for fixed income securities not actively traded.

Equities and alternatives – Equities and alternatives include a variety of publicly traded stocks and mutual funds from various industries invested for both growth and value. They are valued utilizing quoted market prices available in active markets for identical investments at the reporting date.

Charitable Remainder, Lead and Perpetual Trusts – The Museum is the irrevocable beneficiary of charitable remainder trusts held by a trustee. These resources are neither in the possession of, nor under the control of, the Museum. The beneficial interest in the trusts is reported at its fair value.

Fair value for the contribution receivables from the beneficial interest in perpetual trusts are measured using the fair value of the assets held in the trust as reported by the trustees as of June 30, 2025, less any estimated reserve. The Museum considers the measurement of its beneficial interest in the trusts to be a Level 3 measurement within the fair value hierarchy.

The Museum recognizes transfers between the levels in the fair value hierarchy at the end of the reporting period. There were no transfers between the levels during the year ended June 30, 2025.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

Note 10 – FAIR VALUE MEASUREMENT (continued)

The following table presents assets recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and the level in which the fair value measurements fall at June 30, 2025:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market	\$ 22,029	\$ -	\$ -	\$ 22,029
Mutual Funds	950,588	-	-	950,588
Exchange Traded Funds				
Equities	290,708			290,708
International	475,194	-	-	475,194
Common Stocks – Domestic	1,665,997	-	-	1,665,997
Real Estate	<u>36,691</u>	<u>-</u>	<u>-</u>	<u>36,691</u>
 Total assets measured at fair value	 <u>3,441,207</u>	 <u>-</u>	 <u>-</u>	 <u>3,441,207</u>
 Beneficial interest in Charitable trusts held by others	 -	 -	 1,105,601	 1,105,601
Perpetual trusts	<u>-</u>	<u>-</u>	<u>2,349,685</u>	<u>2,349,685</u>
Total beneficial interest	<u>-</u>	<u>-</u>	<u>3,455,286</u>	<u>3,455,286</u>
Total assets measured at fair value	<u>\$ 3,441,207</u>	<u>\$ -</u>	<u>\$ 3,455,286</u>	<u>\$ 6,896,493</u>

The following table provides a reconciliation of assets and liabilities measured at fair value using significant unobservable inputs (Level 3) for the year ended June 30, 2025:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Distributions</u>	<u>Loss included in changes in net assets</u>	<u>Ending Balance</u>
Charitable remainder trusts	\$ 907,354	\$ -	\$ -	\$ 198,247	\$ 1,105,601
Interest in perpetual trusts	<u>2,213,510</u>	<u>-</u>	<u>-</u>	<u>136,175</u>	<u>2,349,685</u>
Total Assets	<u>\$ 3,120,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 334,422</u>	<u>\$ 3,455,286</u>

There were no significant transfers between Level 3 and Levels 1 and 2 during fiscal year ended June 30, 2025. As explained more fully in Note 5, the Museum is entitled to the income stream from the investment in perpetual trusts.

Note 11 – ENDOWMENT

The Museum’s endowment (the Endowment) consists of funds established by donors to provide annual funding for specific activities and general operations and includes beneficial interests in perpetual trusts. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Trustees.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

Note 11 – ENDOWMENT (continued)

Interpretation of Relevant Law

The Board of the Museum has interpreted the California adopted 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 retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. However, the beneficial interests in perpetual trusts are not legally subject to the UPMIFA, because the Board does not have the ability to control the investments and spending policy of these trusts. 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 fund
- (2) The purposes of the Museum and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Museum
- (7) The investment policies of the Museum.

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.

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.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

Note 11 – ENDOWMENT (continued)

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.

Endowment Net Asset Composition

Endowment net assets by type of fund consist of the following as of June 30, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment	\$ 2,436,742	\$ -	\$ 2,436,742
Donor restricted endowment funds	-	3,038,270	3,038,270
Total	\$ 2,436,742	\$ 3,038,270	\$ 5,475,012

Changes in endowment net assets for the year ended June 30, 2025, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ 2,277,589	\$ 2,902,095	\$ 5,179,684
Investment income (loss)	403,853	-	403,853
Net change in trust assets	-	136,175	136,175
Contributions	-	-	-
Amounts appropriated for expenditures	(244,700)	-	(244,700)
Endowment net assets, end of year	\$ 2,436,742	\$ 3,038,270	\$ 5,475,012

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

Note 12 – RELATED PARTY TRANSACTIONS

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

Note 13 – NET ASSETS

Net Assets Without Donor Restrictions

Included in net assets without donor restrictions are net assets designated by the board as of June 30, 2025:

Income designated for general operations	\$ 2,436,742
Capital projects	<u>89,772</u>
Total Net Assets Without Donor Restrictions	<u>\$ 2,526,514</u>

Net Assets With Donor Restrictions

As of June 30, 2025, net assets with donor restrictions, consist of the following:

Subject to expenditure for specified purpose:	
Curatorial funds	\$ 304,780
Textile conservation and education	3,534
Exhibits and upgrades	29,376
Educational programs	2,248
Charitable remainder and lead trusts	<u>1,105,601</u>
	<u>1,445,539</u>
Not subject to appropriation or expenditure, the income from which is expendable to support:	
Education and outreach	128,033
Endowment for library	25,000
Endowment for collections	300,000
General operations	235,552
General operations – held in trust	<u>2,349,685</u>
	<u>3,038,270</u>
Total Net Assets With Donor Restrictions	<u>\$ 4,483,809</u>

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.

SANTA BARBARA HISTORICAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

Note 14 – LIQUIDITY AND AVAILABILITY (continued)

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	\$ 151,405
Other receivables	<u>28,059</u>
Total Current Assets	<u>179,464</u>
Investments	3,441,207
Less assets not available within one year	<u>(1,004,465)</u>
Total Investments	<u>2,436,742</u>
Current liabilities	<u>(189,972)</u>
Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2025	<u>\$ 2,426,234</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 of approximately \$2,526,000. 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.