

SANTA BARBARA MARITIME MUSEUM

FINANCIAL STATEMENTS

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Santa Barbara Maritime Museum
Santa Barbara, California

I have audited the accompanying financial statements of the Santa Barbara Maritime Museum which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence that I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Santa Barbara Maritime Museum as of June 30, 2020, 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.

Report on Summarized Comparative Information

I have previously audited the Santa Barbara Maritime Museum's 2019 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated February 7, 2020. In my opinion, the summarized comparative information presented herein as of and for the year June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gary A. Smith

Santa Barbara, California
January 19, 2021

SANTA BARBARA MARITIME MUSEUM
Statement of Financial Position
June 30, 2020
(With comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 356,670	\$ 236,751
Accounts receivable	7,500	29,275
Grants, pledges, and bequests receivable (Note 3)	8,248	113,345
Inventory for resale	23,572	23,297
Prepaid expenses	12,707	30,481
Investments (Note 4)	569,126	397,631
Interest in charitable remainder trust (Note 5)	419,913	418,736
Property and equipment, net (Note 7)	1,872,925	2,037,389
Artifact collection	551,364	544,517
Deposits	2,064	2,064
Prepaid rent (Note 8)	<u>183,197</u>	<u>193,328</u>
Total assets	<u>\$4,007,286</u>	<u>\$4,026,814</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 36,381	\$ 35,334
Accrued salaries	51,342	42,923
Deferred revenue (Note 9)	13,200	69,210
Rental deposits	<u>5,000</u>	<u>20,000</u>
Total liabilities	<u>105,923</u>	<u>167,467</u>
Net assets:		
Without donor restrictions (Note 11)	3,024,348	2,814,531
With donor restrictions (Note 11)	<u>877,015</u>	<u>1,044,816</u>
Total net assets	<u>3,901,363</u>	<u>3,859,347</u>
Total liabilities and net assets	<u>\$4,007,286</u>	<u>\$4,026,814</u>

See notes to financial statements.

SANTA BARBARA MARITIME MUSEUM
Statement of Activities
Year ended June 30, 2020
(With comparative totals for 2019)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2020</u> <u>Totals</u>	<u>2019</u> <u>Totals</u>
Revenues, gains and other support:				
Donations	\$ 853,314	\$ 76,948	\$ 930,262	\$ 737,400
Donations – artifacts for collection	35,099		35,099	
Grants	12,750	173,750	186,500	315,900
SBA Grant-Paycheck Protection Program (Note 20)	132,917		132,917	
Bequest income				112,570
Memberships	27,441		27,441	33,470
Admissions	32,269		32,269	50,794
Retail sales	42,439		42,439	53,971
Education programs	23,189		23,189	28,841
Rental income, net of expenses of \$73,978 and \$55,177	(2,061)		(2,061)	25,973
Interest income	8,404	525	8,929	1,655
Change in value of charitable remainder trust		1,177	1,177	9,334
Deaccession of collections	(28,252)		(28,252)	
Impairment loss – artifact collection				(33,000)
Special events, net of expenses of \$12,491 and \$23,930	88,013		88,013	87,001
Other income	23,217		23,217	1,390
Net assets released from restrictions (Note 12)	420,201	(420,201)		
Total	<u>1,668,940</u>	<u>(167,801)</u>	<u>1,501,139</u>	<u>1,425,299</u>
Expenses:				
Program services	941,718		941,718	970,894
Management and general	285,188		285,188	287,540
Fund raising	232,217		232,217	219,353
Total expenses	<u>1,459,123</u>	<u>--</u>	<u>1,459,123</u>	<u>1,477,787</u>
Change in net assets	209,817	(167,801)	42,016	(52,488)
Net assets, beginning of year	<u>2,814,531</u>	<u>1,044,816</u>	<u>3,859,347</u>	<u>3,911,835</u>
Net assets, end of year	<u>\$3,024,348</u>	<u>\$ 877,015</u>	<u>\$3,901,363</u>	<u>\$3,859,347</u>

See notes to financial statements.

SANTA BARBARA MARITIME MUSEUM
Statement of Functional Expenses
Year ended June 30, 2020
(With comparative totals for 2019)

	Program <u>Services</u>	Management <u>and General</u>	Fund- <u>raising</u>	2020 <u>Total</u>	2019 <u>Total</u>
Salaries and benefits	\$ 454,535	\$ 128,859	\$ 159,310	\$ 742,704	\$ 660,963
Cost of goods sold	25,930			25,930	30,699
Computer operations	22,921	11,717	1,702	36,340	25,865
Office operations	6,784	22,228	139	29,151	32,940
Rent	78,442	6,077	6,077	90,596	95,891
Utilities	19,376	2,422	2,422	24,220	29,830
Insurance	13,607	2,060		15,667	21,943
Advertising and promotion		16,490	16,102	32,592	35,977
Repairs and maintenance	29,307	2,188	55	31,550	89,401
Operating supplies and services	195,655	72,004		267,659	267,320
Fund raising supplies and services			37,758	37,758	57,096
Depreciation and amortization	<u>169,139</u>	<u>21,143</u>	<u>21,143</u>	<u>211,425</u>	<u>208,969</u>
Total expenses	1,015,696	285,188	244,708	1,545,592	1,556,894
Less: expenses included with revenues on the statement of activities:					
Rental expenses	(73,978)			(73,978)	(55,177)
Special events expenses	<u> </u>	<u> </u>	(12,491)	(12,491)	(23,930)
Total expenses on the statement of activities	<u>\$ 941,718</u>	<u>\$ 285,188</u>	<u>\$ 232,217</u>	<u>\$ 1,459,123</u>	<u>\$ 1,477,787</u>

See notes to financial statements.

SANTA BARBARA MARITIME MUSEUM
Statement of Cash Flows
Year ended June 30, 2020
(With comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 42,016	\$ (52,488)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	211,425	208,969
Change in value of charitable remainder trust	(1,177)	(9,334)
Deaccession of collections	28,252	
Impairment loss – artifact collection		33,000
Contributions restricted for long-term purposes	(60,100)	(50,000)
Donated artifacts	(35,099)	
Changes in assets and liabilities:		
Receivables	126,872	(86,385)
Inventory for resale	(275)	4,856
Prepaid expenses	17,774	(9,774)
Accounts payable	1,047	6,570
Accrued salaries	8,419	5,264
Deferred revenue	(56,010)	37,754
Rental deposits	<u>(15,000)</u>	<u>3,150</u>
Net cash provided by operating activities	<u>268,144</u>	<u>91,582</u>
Cash flows from investing activities:		
(Increase) decrease in cash held for investment purposes	(82,324)	105,960
Purchase of investments	(169,171)	(99,045)
Sales or maturities of investments	80,000	30,500
Purchase of property and equipment	<u>(36,830)</u>	<u>(71,528)</u>
Net cash used by investing activities	<u>(208,325)</u>	<u>(34,113)</u>
Cash flows from financing activities:		
Borrowings on line of credit		50,000
Payments on line of credit		(50,000)
Contributions restricted for long-term purposes:		
Endowment	10,000	20,000
Exhibits	<u>50,100</u>	<u>30,000</u>
Net cash provided by financing activities	<u>60,100</u>	<u>50,000</u>
Net increase in cash and cash equivalents	119,919	107,469
Cash and cash equivalents, beginning of year	<u>236,751</u>	<u>129,282</u>
Cash and cash equivalents, end of year	<u>\$ 356,670</u>	<u>\$ 236,751</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 186</u>	<u>\$ 761</u>

See notes to financial statements.

SANTA BARBARA MARITIME MUSEUM
Notes to the Financial Statements
June 30, 2020

Note 1: Organization

The Santa Barbara Maritime Museum's ("Museum") mission includes creating quality exhibits and educational experiences that celebrate the Santa Barbara Channel and illuminate our rich connections with the sea. The Museum's created exhibits, both permanent and rotating, highlight the local maritime history of the California Central Coast and give visitors and locals a sense of Santa Barbara's thousand year maritime history. Exhibits honor people such as commercial divers and lighthouse keepers who, through everyday actions, enrich our lives today.

The Museum's education program connects over 400 local fourth graders to our maritime history through the *Spirit of Dana Point* tall ship program where they live the life of 1830s sailors staying overnight on the ship in the harbor. Nearly 700 local third through eighth graders have a chance to travel aboard a local fishing boat to cruise into the Channel to study marine life from the phyto- and zoo-plankton to the mammals that inhabit the channel. Adults enjoy the many educational programs operated by the Museum, including the monthly lecture series that averages 120 attendees.

Note 2 Summary of significant accounting policies

Basis of presentation

The financial statements of the Museum have been prepared in accordance with U.S. generally accepted principles (GAAP). GAAP requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets and changes in net assets are categorized as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. This net asset classification includes amounts designated by the Board for special purposes.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Donor-imposed restrictions may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash and cash equivalents

For financial statement purposes, all investments with maturities of three months or less are considered to be cash and cash equivalents.

Inventory for resale

Inventory purchased for resale in the Museum store is stated at the lower of cost (first-in, first out) or net realizable value.

Property and equipment

Purchased fixed assets are stated at cost. Donated fixed assets are stated at fair market value as of the date of the gift. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

SANTA BARBARA MARITIME MUSEUM
Notes to the Financial Statements
June 30, 2020

Artifact collection

The Museum maintains a comprehensive maritime artifacts collection. The collection is used for the purposes of exhibition, education, study, research, publication and possible loans to other museums. The Museum recognizes donated collection items as contribution income. The income recognized is measured at the estimated fair market value of the artifact at the date of contribution. When events or changes occur that indicate that the carrying amount of an asset may not be recovered, the Museum reviews that asset for impairment. The Museum will record impairment losses when determined.

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.

Revenue recognition

Revenue from an exchange transaction is recognized when earned. Fees from education programs or the rentals received in advance, if any, are recorded as deferred revenue and recognized in the applicable period in which the related services are performed. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Tax status

The Museum is exempt from income taxes except for certain unrelated business income from the retail store operations. In 2020 store expenses exceeded revenues, resulting in no taxable income. Management believes that the tax positions taken are more likely than not to be sustained upon examination. The Museum's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Donated services

A substantial number of unpaid volunteers have made contributions of their time estimated at 4,500 hours (unaudited) to the Museum's development. The value of this contributed time is not reflected in the financial statements since it does not meet the criteria for recognition.

Advertising

Advertising costs are expensed when incurred and are included in functional expenses.

Functional expenses

The costs of providing the Museum's various programs and supporting services have been summarized on a functional basis in the statement of activities. Certain costs, based upon estimates by management, have been allocated among the programs and supporting services benefited. The estimates by management take into consideration personnel and space utilization.

Use of estimates

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

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June 30, 2020

Recent accounting pronouncement

In the fiscal year ended June 30, 2020, the Museum adopted ASU No.2018-08 – *Not for Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard provides guidance in determining (1) whether a grant or similar contract is to be treated as an exchange transaction or a contribution, and (2) determining whether a contribution is conditional or unconditional. The adoption of this standard does not change any previous recorded amounts.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation.

Note 3: Grants, pledges, and bequests receivable

These receivables are collectible within one year or less. 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, 2020 and 2019.

Note 4: Investments

Investments consist of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents restricted for long-term purposes	\$ 268,463	\$ 132,274
Certificate for deposit	<u>300,663</u>	<u>265,357</u>
	<u>\$ 569,126</u>	<u>\$ 397,631</u>

Note 5: Interest in charitable remainder trust

A charitable trust agreement naming the Museum as an irrevocable beneficiary is recorded on the books of the Museum. Since the Museum has not been named the trustee for the charitable remainder trust in which it is named as the remainderman, the trust was 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.

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

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. The donor has not restricted the Museum's interest in the assets.

SANTA BARBARA MARITIME MUSEUM
Notes to the Financial Statements
June 30, 2020

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 risk-free rate of return currently estimated at 5%.

Note 6: Fair value measurements

The Museum measures the fair value of financial instruments in accordance with ASC Topic 820, Fair Value Measurements and Disclosures. ASC 820 applies to financial instruments that are measured and reported on a fair value basis. The standard establishes a fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted prices in active or inactive markets for the same or similar assets.
- Level 3: Inputs that are unobservable, with valuations based on cash flow models and similar techniques, and not based on market activity.

Assets measured at fair value as of June 30, 2020 are as follows:

Measured on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Level 4</u>
Interest in charitable remainder trust	\$ -	\$ -	\$ 419,913	\$ 419,913
Measured on a non-recurring basis:				
Donated artifacts		35,099		35,099
	<u>\$ -</u>	<u>\$ 35,099</u>	<u>\$ 419,913</u>	<u>\$ 455,012</u>

Level 3 balance at beginning of year		\$ 418,736	
Change in value of charitable trust		1,177	
Level 3 balance at end of year		<u>\$ 419,913</u>	

Note 7: Property and equipment

Property and equipment consists of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 540,217	\$ 535,095
Marine vessel exhibits	158,000	158,000
Exhibits	2,649,302	2,617,594
Leasehold improvements	<u>2,177,916</u>	<u>2,177,916</u>
	5,525,435	5,488,605
Less: accumulated depreciation	<u>(3,652,510)</u>	<u>(3,451,216)</u>
	<u>\$1,872,925</u>	<u>\$2,037,389</u>

SANTA BARBARA MARITIME MUSEUM
Notes to the Financial Statements
June 30, 2020

Note 8: Prepaid rent

Prepaid rent represents the amount of base rent paid by the Museum in exercising a buyout option in its lease with the City of Santa Barbara in April 2013. The prepaid amount of \$255,800 is being amortized over the remaining life of the lease at the date of the buyout, or 25.25 years.

Note 9: Deferred revenue

Deferred revenue consists of advance payments for use of Museum facilities for events such as weddings and meetings.

Note 10: Line of credit

The Museum has a line of credit in the amount of \$150,000 with a bank. The line expires in April 2021 and bears interest at an index of the prime rate plus 1% with a floor of 6.5%. There were no borrowings as of June 30, 2020.

Note 11: Net assets

Net assets consist of the following:

	<u>2020</u>	<u>2019</u>
Without donor restrictions:		
Board designated for:		
Operating reserve	\$ 73,651	\$ 28,442
Undesignated	<u>2,950,697</u>	<u>2,786,089</u>
Total without donor restrictions	3,024,348	2,814,531
With donor restrictions:		
Temporarily restricted:		
For exhibits	190,948	195,423
For education programs	82,024	151,955
Subject to appropriation and spending policy	882	357
Subject to passage of time	<u>428,161</u>	<u>532,081</u>
Sub-total	702,015	879,816
Permanently restricted:		
Held in perpetuity	<u>175,000</u>	<u>165,000</u>
Total with donor restrictions	<u>877,015</u>	<u>1,044,816</u>
Total net assets	<u>\$3,901,363</u>	<u>\$3,859,347</u>

Note 12 Net assets released from restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Satisfaction of time restrictions	\$ 113,345
Satisfaction of program restrictions	252,281
For exhibits	<u>54,575</u>
	<u>\$ 420,201</u>

SANTA BARBARA MARITIME MUSEUM
Notes to the Financial Statements
June 30, 2020

Note 13: Endowment

The Museum's endowment consists of funds provided by donors to be invested in perpetuity, the income from which is expendable to support activities of the organization.

Interpretation of relevant law

The Board of Directors 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 donor-restricted endowment funds. The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Investment policy

The endowment assets are invested in a manner that is intended to produce results that preserve the gifts while assuming a low level of investment risk.

Spending policy

The Museum has a policy of appropriating for distribution endowment earnings when received and available to distribute. Some earnings may be retained at the discretion of the Board of Directors in order to maintain purchasing power of the endowment assets.

Endowment net asset composition by type for the year ended June 30, 2020 is as follows:

	<u>With donor restrictions</u>		<u>Total</u>
	<u>Investment Appreciation</u>	<u>Held in Perpetuity</u>	
Donor-restricted endowment	<u>\$ 882</u>	<u>\$175,000</u>	<u>\$175,882</u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	<u>With donor restrictions</u>		<u>Total</u>
	<u>Investment Appreciation</u>	<u>Held in Perpetuity</u>	
Endowment net assets, beginning of year	\$ 357	\$165,000	\$165,357
Interest income	525		525
Donations	<u> </u>	<u>10,000</u>	<u>10,000</u>
Endowment net assets, end of year	<u>\$ 882</u>	<u>\$175,000</u>	<u>\$175,882</u>

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Funds with deficiencies

From time to time, the fair value of assets associated with the donor-restricted endowment funds may fall below the value of the initial and subsequent gift amounts. In accordance with GAAP, deficiencies of this nature are reported as net assets with donor restrictions. As values recover, the increases are reported as restricted gains. At the reporting date, the Museum had no such declines in values.

Note 14: Leases

The Museum has a lease agreement with the City of Santa Barbara for its facilities in the harbor area of Santa Barbara. The lease, which commenced in July 1998, has an initial term of five years and options to extend for seven consecutive five year terms. The rent includes base rent, store rent and percentage rent, as well as common area charges. The base rent was prepaid in April 2013. The store rent at June 30, 2020 was \$1,139 per month and is adjusted annually for increases in the Consumer Price Index. The percentage rent is the amount by which 10% of the gross receipts from the store operations exceeds store rent paid. No percentage rent was paid for the year ended June 30, 2020.

Rent expense for the years ended June 30, 2020 and 2019 was \$91,793 and \$95,891 respectively.

Note 15: Retirement plan

In 2020 the Museum established a SEP employee retirement plan covering eligible employees. Plan expenses incurred in 2020 were \$11,230.

Note 16: Concentration of credit risk

Financial instruments which potentially subject the Museum to concentrations of credit risk include cash and equivalents and pledges receivable. The cash and equivalents may, at times, exceed the federally insured limits. The Museum has not experienced any losses in such accounts. Regarding pledges receivable, the Museum performs ongoing evaluations of collectability and writes off uncollectible amounts as they become known.

Note 17: Concentration in amount of revenue from donors

In the year ended 2020, approximately 16% of the Museum's total revenue came from donations made by three donors.

Note 18: Related party transactions

The Museum has a contract for telecommunications services with monthly payments of approximately \$700. A board member has a family relationship with an individual who has an economic interest in the service provider.

SANTA BARBARA MARITIME MUSEUM
Notes to the Financial Statements
June 30, 2020

Note 19 Financial assets and liquid resources

Financial assets and liquid resources that are available within one year of June 30, 2020 to fund general expenditures and other obligations as they become due are as follows:

Financial assets:	
Cash and cash equivalents	\$ 271,124
Accounts receivables	7,500
Grants and pledges receivable due within one year	8,248
Board designations:	
Operating reserve	<u>73,652</u>
Total financial assets available within one year	360,524
Liquidity resources:	
Bank line of credit	<u>150,000</u>
Total financial assets and liquidity resources available within one year	<u>\$ 510,524</u>

The Museum may experience budgetary short-falls due to the unpredictability and timing of the receipt of grants and donations, and the seasonal nature of admissions and rentals. To manage liquidity the Museum maintains an operating reserve in the amount of \$73,652 and a line of credit in amount of \$150,000. In addition, the Board could appropriate up to \$882 of investment appreciation if needed.

Note 20: Paycheck Protection Program

In April 2020 the Museum received an advance under the Paycheck Protection Program (“PPP”) in the amount of \$132,670. The PPP was established as part of the CARES Act, which provides for loans and advances to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The advance and any accrued interest are forgiven as long as the business spends the advance for eligible purposes, which include payroll, benefits, rent, and utilities. Unforgiven amounts will bear an interest rate of 1% with principal and interest payable over five years.

The Museum expended the full advance before June 30, 2020 and recognized the amount as revenue in the period in which expenses were incurred.

Note 21: Correction of 2019 financial statement disclosures

The Museum has discovered that the previously issued financial statements included an error related to the recording of an interest in a charitable remainder trust. The interest was originally recorded as restricted for endowment. Upon further review of the related documentation, the Museum determined that the contribution was not restricted for endowment. The effect of the correction on amounts previously reported in Notes 11 and 13 in the June 30, 2019 financial statements is to increase donor assets restricted by the passage of time by \$418,736 and decrease assets held in perpetuity by a like amount.

Note 22: Uncertainties

The United States and the world are currently experiencing a health pandemic known as COVID-19. Cures for this virus have just recently been developed. Mass immunization is projected to happen in 2021. Currently business and governmental entities are operating at a reduced capacity. As a result there is social and economic havoc, and uncertainty as to when a recovery will begin. While the Museum has been generally required to be closed to the public, Museum staff have added exhibits and educational programs to online platforms. The impact on the Museum's future financial position while not currently determinable, could be significant.

Note 23: June 30, 2019 fiscal information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles

Note 24: Subsequent events

Subsequent events have been evaluated through January 19, 2021, which is the date the financial statements were available to be issued.