

# Santa Barbara Maritime Museum

(A California Nonprofit Organization)

Financial Statements  
Year Ended June 30, 2024

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Santa Barbara Maritime Museum

### **Opinion**

We have audited the accompanying financial statements of Santa Barbara Maritime Museum (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, 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 Maritime Museum as of June 30, 2024, 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 Maritime 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 Maritime 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 Maritime 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 Maritime 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**

Santa Barbara Maritime Museum's 2023 financial statements were audited by other auditors and their report dated January 8, 2024, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Hutchinson and Bloodgood LLP*

Santa Barbara, California  
March 18, 2025

**SANTA BARBARA MARITIME MUSEUM**

## Statement of Financial Position

June 30, 2024

(With Summarized Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2024	2023
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 174,479	\$ 129,515	\$ 303,994	\$ 570,424
Grants receivable	33,712	--	33,712	--
Pledges receivable	--	1,250	1,250	31,620
Inventory for resale	--	--	--	24,749
Prepaid expenses	72,960	--	72,960	48,419
Deposits	<u>2,153</u>	<u>--</u>	<u>2,153</u>	<u>2,154</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>283,304</u></b>	<b><u>130,765</u></b>	<b><u>414,069</u></b>	<b><u>677,366</u></b>
<b>NON CURRENT ASSETS</b>				
Present value of future receivable on charitable remainder trust	--	457,076	457,076	487,327
Investments	1,614,144	379,180	1,993,324	1,920,676
Property and equipment, net	1,588,757	--	1,588,757	1,519,342
Right of use assets, net	<u>355,585</u>	<u>--</u>	<u>355,585</u>	<u>386,587</u>
<b>TOTAL NON CURRENT ASSETS</b>	<b><u>3,558,486</u></b>	<b><u>836,256</u></b>	<b><u>4,394,742</u></b>	<b><u>4,313,932</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,841,790</u></b>	<b><u>\$ 967,021</u></b>	<b><u>\$ 4,808,811</u></b>	<b><u>\$ 4,991,298</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 55,235	\$ --	\$ 55,235	\$ 81,700
Funds held as fiscal agent	261,417	--	261,417	127,740
Rental deposits	3,870	--	3,870	2,800
Lease liability	9,582	--	9,582	16,582
Accrued expenses	<u>83,856</u>	<u>--</u>	<u>83,856</u>	<u>79,236</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>413,960</u></b>	<b><u>--</u></b>	<b><u>413,960</u></b>	<b><u>308,058</u></b>
<b>LONG TERM LIABILITIES</b>				
Lease liability, net of current portion	<u>210,826</u>	<u>--</u>	<u>210,826</u>	<u>220,409</u>
<b>TOTAL LONG TERM LIABILITIES</b>	<b><u>210,826</u></b>	<b><u>--</u></b>	<b><u>210,826</u></b>	<b><u>220,409</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>624,786</u></b>	<b><u>--</u></b>	<b><u>624,786</u></b>	<b><u>528,467</u></b>
<b>NET ASSETS</b>				
Without donor restrictions				
Undesignated	1,983,955	--	1,983,955	1,862,775
Board designated:	--	--	--	--
Endowment	1,047,715	--	1,047,715	909,206
Other designated	<u>185,334</u>	<u>--</u>	<u>185,334</u>	<u>563,897</u>
Total board designated	<u>1,233,049</u>	<u>--</u>	<u>1,233,049</u>	<u>1,473,103</u>
With donor restrictions	<u>--</u>	<u>967,021</u>	<u>967,021</u>	<u>1,126,953</u>
<b>TOTAL NET ASSETS</b>	<b><u>3,217,004</u></b>	<b><u>967,021</u></b>	<b><u>4,184,025</u></b>	<b><u>4,462,831</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,841,790</u></b>	<b><u>\$ 967,021</u></b>	<b><u>\$ 4,808,811</u></b>	<b><u>\$ 4,991,298</u></b>

**SANTA BARBARA MARITIME MUSEUM**

## Statement of Activities

Year Ended June 30, 2024

(With Summarized Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2024	2023
<b>SUPPORT</b>				
Contributions	\$ 950,308	\$ 337,456	\$ 1,287,764	\$ 1,105,569
Grants	38,500	95,701	134,201	91,000
Bequests	10,619	--	10,619	1,004,129
In-kind services	670	--	670	--
Net assets released from restrictions	562,838	(562,838)	--	--
<b>TOTAL SUPPORT</b>	<b>1,562,935</b>	<b>(129,681)</b>	<b>1,433,254</b>	<b>2,200,698</b>
<b>REVENUES, GAINS AND LOSSES</b>				
Memberships	76,598	--	76,598	40,685
Admissions	96,887	--	96,887	82,240
Retail sales	20,575	--	20,575	72,440
Education programs	2,065	--	2,065	1,515
Rental income	45,843	--	45,843	(3,010)
Investment gain, net	177,357	--	177,357	32,593
Change in value of charitable remainder trust	-	(30,251)	(30,251)	33,252
Special events:				
Special events - gross	159,114	--	159,114	130,422
Direct special events expenses	(90,119)	--	(90,119)	(84,365)
Net special event proceeds	68,995	--	68,995	46,057
Other income	69,160	--	69,160	7,708
<b>TOTAL REVENUES AND GAINS</b>	<b>557,480</b>	<b>(30,251)</b>	<b>527,229</b>	<b>313,480</b>
<b>TOTAL SUPPORT, REVENUES AND GAINS</b>	<b>2,120,415</b>	<b>(159,932)</b>	<b>1,960,483</b>	<b>2,514,178</b>
<b>EXPENSES</b>				
Program services	1,585,192	--	1,585,192	1,281,491
Management and general	395,562	--	395,562	429,400
Fundraising	258,535	--	258,535	327,115
<b>TOTAL EXPENSES</b>	<b>2,239,289</b>	<b>--</b>	<b>2,239,289</b>	<b>2,038,006</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(118,874)</b>	<b>(159,932)</b>	<b>(278,806)</b>	<b>476,172</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>3,335,878</b>	<b>1,126,953</b>	<b>4,462,831</b>	<b>3,986,659</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,217,004</b>	<b>967,021</b>	<b>\$ 4,184,025</b>	<b>\$ 4,462,831</b>

**SANTA BARBARA MARITIME MUSEUM**

## Statement of Functional Expenses

Year Ended June 30, 2024

(With Summarized Comparative Totals for 2023)

	Program Services	Management and General	Fundraising	Total	
				2024	2023
Operating expenses					
Salaries and benefits	\$ 714,608	\$ 219,879	\$ 164,910	\$ 1,099,397	\$ 1,017,402
Payroll taxes	51,620	15,883	11,912	79,415	74,241
Total salaries and benefits	766,228	235,762	176,822	1,178,812	1,091,643
Other operating expenses					
Cost of goods sold	25,667	--	--	25,667	42,722
Contract services	25,629	89,703	12,815	128,147	113,395
Computer operations	38,652	4,547	2,274	45,473	66,060
Office operations	19,303	2,217	4,538	26,058	23,624
Rent	125,338	14,746	7,372	147,456	105,390
Utilities	25,578	3,009	1,505	30,092	29,916
Insurance	29,781	3,504	1,752	35,037	26,237
Advertising and promotion	9,383	--	9,383	18,766	36,785
Repairs and maintenance	21,434	2,679	2,679	26,792	35,490
Operating supplies and services	164,417	20,552	20,552	205,521	217,330
Special events - food	--	--	19,735	19,735	--
Special events - other	--	--	70,384	70,384	--
Educational program supplies and services	183,039	--	--	183,039	140,637
Total other operating expenses	668,221	140,957	152,989	962,167	837,586
Total operating expenses	1,434,449	376,719	329,811	2,140,979	1,929,229
Non operating expenses					
Depreciation and amortization	150,743	18,843	18,843	188,429	193,142
Less: Expenses included with revenues on the statement of activities					
Special events expenses	--	--	(90,119)	(90,119)	(84,365)
Total expenses by function	<u>\$ 1,585,192</u>	<u>\$ 395,562</u>	<u>\$ 258,535</u>	<u>\$ 2,239,289</u>	<u>\$ 2,038,006</u>

**SANTA BARBARA MARITIME MUSEUM**

## Statement of Cash Flows

Year Ended June 30, 2024

(With Summarized Comparative Totals for 2023)

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (278,806)	\$ 476,172
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	188,429	193,142
Change in value of charitable remainder trust	30,251	(33,252)
Net change in unrealized gain on investments	(132,420)	(6,238)
Net change in realized (gain) loss on investments	15	(21,249)
Donated securities	(50,719)	(72)
Contributions restricted for long term purposes	(235,000)	(116,381)
Decrease (increase) in:		
Grants and pledge receivable	(3,342)	30,130
Bequest receivable	--	305,554
Inventory for resale	24,749	4,804
Prepaid expenses	(14,409)	(16,398)
Increase (decrease) in:		
Accounts payable	(26,465)	8,572
Advance deposits	133,677	100,000
Lease liability	4,288	3,208
Rental deposit	1,070	--
Accrued salaries	4,620	430
Net cash provided (used) by operating activities	<u>(354,062)</u>	<u>928,422</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(275,854)	(871,566)
Proceeds from sale of investments	1,411,237	--
Increase in cash held for investment purposes	(244,564)	(301,805)
Increase in short-term investments	--	(24,160)
Decrease in cash restricted for exhibits	--	10,009
Purchase of investments	<u>(1,038,187)</u>	<u>(109,762)</u>
Net cash used by investing activities	<u>(147,368)</u>	<u>(1,297,284)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash restricted for endowment	10,000	35,000
Cash restricted for exhibits	125,000	--
Cash restricted for coffee shop construction	<u>100,000</u>	<u>81,381</u>
Net cash provided by financing activities	<u>235,000</u>	<u>116,381</u>
Net decrease in cash and cash equivalents	(266,430)	(252,481)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>570,424</u>	<u>734,525</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 303,994</u></u>	<u><u>\$ 482,044</u></u>

## SANTA BARBARA MARITIME MUSEUM

### Notes to Financial Statements

June 30, 2024

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#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Santa Barbara Maritime Museum (the "Museum") is presented to assist in understanding of the Museum's financial statements. The financial statements and notes are representations of the Museum's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

**Nature of Activities:** The Museum, which is located in the Waterfront Center Building (formerly the Naval Reserve Building), opened its doors to the public in July 2000, with the unique mission to interpret the rich and diverse maritime history of the Santa Barbara Channel. It is an interactive museum - a place where the public can experience maritime culture without leaving the harbor.

Founded by a group of fisherman, divers, and sailors, the Museum provides hands-on learning opportunities for all ages, delving into Santa Barbara's robust maritime history while highlighting the important role the Santa Barbara Channel plays in our culture and community. On any given day at the Santa Barbara Maritime Museum, conversation can be heard by guests of all ages enjoying their experience at the museum. Visitors embark on a journey of discovery, interacting with nearly 8,000 square feet of immersive and interactive exhibits. Serving as a hub for Santa Barbara's coastal heritage, the museum highlights 13,000 years of local maritime history - from Chumash culture to today's surfing and environmental movements - in addition to boasting two docked historic vessels, and a theater hosting films ranging from the earliest history of the Santa Barbara Channel Islands to shipwrecks and underwater adventures.

With more than 40,000 visitors annually, the museum is the perfect place to spend a few hours learning more about local maritime history and viewing exhibitions often featuring local artists and photographers. Additionally, the Museum goes beyond walls with its diverse, experiential, and project-based education programs available to the community all year-long. The Museum's programs such as the national award-winning Maritime on the Move, Tall Ship, Girls in Ocean Science Conference, Science Nights, and Marine Science provide students with a sense of adventure as they think about maritime connections in the natural environment. Just last year, SBMM provided 183 programs to 4,801 students in 14 cities. Through scholarships and discounts, SBMM programming brings equity and access to locally underserved students, creating social change by reducing historic barriers to coastal access and experiences.

In 2020, the museum received a 10-year accreditation from the American Alliance of Museums (AAM), placing it in the top echelon of museums across the United States. Of the more than 35,000 museums in the United States, less than 1,100 are currently accredited by AAM. Additionally, in 2024, the museum completed the third year of its five-year strategic plan, which provides staff and the Board of Directors with the tools to navigate the continued and future course of the museum. More information about the Museum is available at [sbmm.org](http://sbmm.org).

## SANTA BARBARA MARITIME MUSEUM

### Notes to Financial Statements

June 30, 2024

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#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial Statement Presentation:** Information regarding the Museum's financial position and activities are based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Museum. As a component of unrestricted net assets, The Museum reports board designated net assets that have been designated by the Board of Directors for a particular purpose.

**Net Assets With Donor Restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Museum or by the passage of time. Other donor restrictions are permanent in nature, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is met, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

**Summarized Comparative Information:** The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended June 30, 2023 from which the summarized information was derived.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand, and cash in banks, and excludes cash and cash equivalents held for investment.

**Inventory for resale:** Inventory purchased for resale in the Museum retail store is stated at the lower of cost (first-in, first out) or net realizable value. During the year ended June 30, 2024, the Museum retail store was closed and in April 2024, the space was reopened as a coffee shop.

**Revenue Recognition:** In the absence of donor restrictions, contributions and government grants are considered to be available for unrestricted use. All income is recognized in the period when the contribution or unconditional promise to give is received.

Under Financial Accounting Standard Board (FASB), Accounting Standard Codification (ASC) No. 606, *Revenue from Contracts*, revenue is recognized when an entity satisfies a performance obligation by transferring a promised good or service to a client.

**Admissions:** Revenue from admissions is recognized at a point in time, that being when tickets are sold at the point of entrance. Ticket pricing varies, with young people and members granted free admission. Other groups are offered reduced prices.

## SANTA BARBARA MARITIME MUSEUM

### Notes to Financial Statements

June 30, 2024

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#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Revenue Recognition: (Continued)

Rental of Museum space: Revenue from rental of space, primarily for events such as weddings, is generally recognized at the point in time in which the event occurs. All events require an advance deposit. These deposits are recorded as deferred revenue when they are received. The deposits are refundable up to 30 days before the event occurs. For events cancelled within the 30 day period, revenue is recognized at the time of cancellation.

Museum retail store: The Museum operates a retail store, selling maritime books and artifacts to those visiting the Santa Barbara area and others visiting the premises. Store revenue is recognized at the time of sale.

Coffee Shop: During the year ended June 30, 2024, the Museum retail store was closed and in April 2024, the space was reopened as a coffee shop with Dart Artisan Coffee, Inc., a California corporation, as the coffee shop operator. The Museum receives a percentage of the sales receipts. The revenues are recognized at the time of sale.

**Contributions and Grants:** Contributions are recorded at their fair value on the date of donation. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions support that increases those net asset classes.

**Investments:** In accordance with GAAP, the Museum accounts for its investments in securities at fair value. Information about the unrealized gains and losses and the fair value of investments is presented in Note 5 and 6.

**Fair Value Measurements:** The Museum follows ASC No. 820, Fair Value Measurements and Disclosures, issued by the FASB. This standard defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. Pursuant to ASC No. 820, assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure fair value. ASC No. 820 establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

**Level 1 –** Quoted prices are available in active markets for identical investments as of the reporting date.

**Level 2 –** Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

## SANTA BARBARA MARITIME MUSEUM

### Notes to Financial Statements

June 30, 2024

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#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Fair Value Measurements: (Continued)**

**Level 3 –** Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment, estimation, or other unobservable inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis.

**Cash and cash equivalents:** Valued at face value. (Level 1)

**Mutual funds, exchange traded funds and equities:** Valued utilizing quoted prices available in active markets for identical investments as of the reporting date. (Level 1)

**Interest in charitable remainder trust:** Valued using life expectancy and discount factors obtained from external sources. (Level 2)

**Functional Expenses:** The Museum allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their expenditure classification. Other expenses that are common to several functions are allocated based on total salaries or space utilization within each function.

**Grants and Pledges Receivable:** Grants receivable are stated as unpaid balances, less an allowance for doubtful accounts. The Museum provides for losses on grants receivable using the allowance method. The allowance is based on historical collections, current economic conditions, and an assessment of subsequent conditions. Grants receivable are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Museum's policy to charge off uncollectible grants receivable when management determines the receivable will not be collected. No allowance for uncollectible grants receivable has been recorded as all amounts are expected to be collected. Conditional grants are recognized when the conditions on which they depend are substantially met.

Pledges (unconditional promises to give) are recorded as pledges receivable. Long-term pledges are discounted to present value using a discount rate commensurate with the risk involved. An allowance for uncollectible pledges is estimated by management based on such factors as prior collection history, type of contribution and the nature of the fundraising activity. No allowance for uncollectible pledge receivables has been recorded as all amounts are expected to be collected. Conditional pledges are recognized when the conditions on which they depend are substantially met.

**Tax Exempt Status:** The Museum is an exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenue and Taxation Code, and is considered a public charity.

# SANTA BARBARA MARITIME MUSEUM

## Notes to Financial Statements

June 30, 2024

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Uncertain Tax Positions:** FASB's ASC 740-10, *Accounting for Uncertainty in Income Taxes*, prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Museum files tax returns in the U.S. federal jurisdiction and in the state of California. The Museum's tax returns from the year 2020 to the present remain subject to examination by the IRS for federal tax purposes, and the tax years from 2019 to the present remain subject to examination by the state of California. Management has evaluated its tax positions for all jurisdictions in which the statute of limitations remains open and has determined that the Museum had taken no uncertain tax positions that require adjustment to the financial statements. The Museum had no unrecognized tax benefits related to tax positions taken during the year ended June 30, 2024 or for prior periods.

**Property and Equipment:** Property and equipment are stated at cost or, if acquired by gift, at the fair market value at the date of donation. Expenditures for building improvements and major renewals in excess of \$5,000 that extend the useful lives of property and equipment are capitalized. Donations of property and equipment are recorded as contributions at their estimated fair value. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Leasehold Improvements and Exhibits	5 to 30 years
Furniture and equipment	5 to 7 years

**Leases:** The Museum adopted Financial Accounting Standard Board (FASB) Accounting Standard codification (ASC 842), *Leases*, with a date of initial application of July 1, 2022. For leases with a lease term greater than one year, the Museum recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding lease obligation. The Museum determines whether an arrangement is or contains a lease at contract inception. Operating leases with a duration greater than one year are included in operating lease right-of-use assets, current portion operating lease liabilities, and operating lease liabilities, net of current portion in the Museum's statement of financial position as of June 30, 2024.

Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Museum uses a risk-free rate of a period comparable with that of the lease term. The Museum considers the lease term to be the noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if the Museum is reasonably certain to exercise the option, (2) terminate the lease if the Museum is reasonably certain not to exercise that option, and (3) extend, or not to terminate, the lease in which exercise of the option is controlled by the lessor.

The operating lease right-of-use assets also include any lease payments made and exclude lease incentives received or receivable. Lease expense is recognized on a straight-line basis over the expected lease term. Variable lease expenses are recorded when incurred.

**SANTA BARBARA MARITIME MUSEUM**

## Notes to Financial Statements

June 30, 2024

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates:** Financial statements prepared in accordance with GAAP require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Reclassifications:** Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**Subsequent Events:** Management has evaluated subsequent events through March 18, 2025, the date that the financial statements were available to be issued.

**NOTE 2. AVAILABILITY AND LIQUIDITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of June 30, 2024:

Cash and cash equivalents	\$	303,994
Grants receivable		<u>33,712</u>
	\$	<u><u>337,706</u></u>

Additional funds are expected to be received from grants, contributions, investment income, and rental income. These assets are expected to be sufficient to fund the operations of the Museum over the next year. In addition, the Museum has board designated endowment and operating reserves of \$1,047,715 and \$185,334, respectively, as of June 30, 2024. These funds could be made available by action of the Board of Directors.

**NOTE 3. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

	2024	2023
Leasehold Improvements	\$ 2,570,125	\$ 2,300,549
Exhibits	2,689,446	2,683,170
Marine vessel exhibits	182,901	182,901
Furniture and equipment	<u>546,400</u>	<u>564,410</u>
	5,988,872	5,731,030
Less accumulated depreciation and amortization	<u>(4,400,115)</u>	<u>(4,211,688)</u>
Net book value	<u><u>\$ 1,588,757</u></u>	<u><u>\$ 1,519,342</u></u>

Depreciation expense related to property and equipment for the years ended June 30, 2024 and 2023, was \$188,429 and \$193,142, respectively.

## SANTA BARBARA MARITIME MUSEUM

### Notes to Financial Statements

June 30, 2024

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#### NOTE 4. 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 percentage rent is the amount by which 10% of the gross receipts from the store operations exceeds store rent paid. Under terms of the lease agreement for the year ended June 30, 2024, the Museum paid common area charges totaling \$41,643 and percentage rent totaling \$15,457. The Museum also has a lease agreement for office equipment with a monthly payment of \$570.

In April 2013, the Museum exercised a buyout option on its lease with the City of Santa Barbara. The prepayment is reported as a right of use asset is being amortized over the remaining life of the lease at the date of the buyout, or 25.25 years.

Lease expense:	\$	19,016
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#### Other information:

Operating cash flows used for operating lease	\$	15,448
Weighted-average remaining lease term in years for operating lease		14.08
Weighted-average discount rate for operating lease		2.98%

#### Maturity analysis:

##### Year Ending June 30,

2025	\$	16,020
2026		16,500
2027		16,996
2028		17,505
2029		18,031
Thereafter		<u>188,670</u>
Total undiscounted cash flows		273,722
Present value discount		<u>(53,314)</u>
Total lease liability	\$	<u><u>220,408</u></u>

**SANTA BARBARA MARITIME MUSEUM**

## Notes to Financial Statements

June 30, 2024

**NOTE 5. FUNDS HELD AS FISCAL AGENT**

Funds held as a fiscal agent consist of funds received from on behalf of another entity for the construction of the Deep Water Diving Monument (the "Monument") that the Museum is holding as a fiscal agent. The funds will be disbursed under the direction of the entity for construction of the Monument. The Monument is expected to open in April 2025 .

**NOTE 6. INVESTMENTS**

Investments as of June 30, 2024 consisted of the following:

	Cost	Fair Value	Excess of Fair Value Over Cost
Cash and cash equivalents	\$ 531,042	\$ 531,042	\$ --
U.S. Treasury bills	73,199	73,612	413
Money market funds	378,358	378,358	--
Certificates of deposit	25,492	25,492	--
Domestic equities and mutual funds	50,058	50,058	--
Domestic exchange traded funds	<u>796,671</u>	<u>934,762</u>	<u>138,091</u>
	<u>\$ 1,854,820</u>	<u>\$ 1,993,324</u>	<u>\$ 138,504</u>

Investments as of June 30, 2023 consisted of the following:

	Cost	Fair Value	Excess of Fair Value Over Cost
Cash and cash equivalents	\$ 386,569	\$ 386,569	\$ --
U.S. Treasury bills	148,301	148,981	680
Money market funds	1,215,637	1,215,638	1
Certificates of deposit	25,576	25,576	--
Domestic exchange traded funds	<u>138,509</u>	<u>143,912</u>	<u>5,403</u>
	<u>\$ 1,914,592</u>	<u>\$ 1,920,676</u>	<u>\$ 6,084</u>

Investment income for the years ended June 30, 2024 and 2023 consisted of the following:

	2024	2023
Interest and dividends	\$ 44,952	\$ 5,106
Net realized gain (loss)	(15)	21,249
Net unrealized gain	<u>132,420</u>	<u>6,238</u>
	177,357	32,593
Less investment fees	<u>-</u>	<u>-</u>
Total investment income	<u>\$ 177,357</u>	<u>\$ 32,593</u>

**SANTA BARBARA MARITIME MUSEUM**

## Notes to Financial Statements

June 30, 2024

**NOTE 7. FAIR VALUE MEASUREMENTS**

The following sets forth by level, within the fair value hierarchy, the Museum's assets measured at fair value as of June 30, 2024 and 2023.

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 531,042	\$ --	\$ --	\$ 531,042
U.S. treasury bills	--	73,612	--	73,612
Money market funds	378,358	--	--	378,358
Certificates of deposit	--	25,492	--	25,492
Domestic equities and mutual funds	50,058	--	--	50,058
Domestic exchange traded funds	934,762	--	--	934,762
Interest in charitable remainder trust	--	457,076	--	457,076
	<u>\$ 1,894,220</u>	<u>\$ 556,180</u>	<u>\$ --</u>	<u>\$ 2,450,400</u>
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 386,569	\$ --	\$ --	\$ 386,569
U.S. treasury bills	--	148,981	--	148,981
Money market funds	1,215,638	--	--	148,981
Certificates of deposit	--	25,576	--	25,576
Domestic equities and mutual funds	--	--	--	--
Domestic exchange traded funds	143,912	--	--	143,912
Interest in charitable remainder trust	--	487,327	--	487,327
	<u>\$ 1,746,119</u>	<u>\$ 661,884</u>	<u>\$ --</u>	<u>\$ 2,408,003</u>

**NOTE 8. LINE OF CREDIT**

The Museum has a \$150,000 line of credit with Montecito Bank & Trust. Interest rate has a floor of 6.50% and has no outstanding balances as of June 30, 2024 and 2023.

**NOTE 9. 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 a 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.

## SANTA BARBARA MARITIME MUSEUM

### Notes to Financial Statements

June 30, 2024

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#### NOTE 9. INTEREST IN CHARITABLE REMAINDER TRUST (CONTINUED)

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.

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 riskfree rate of return currently estimated at 5%.

#### NOTE 10. CONCENTRATIONS AND 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 11. ENDOWMENT FUNDS

The Museum's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**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 objectives of the Museum's investment policy are to maintain the purchasing power of the endowment assets and achieve returns in excess of inflation while maintaining a prudent level of overall portfolio risk.

**SANTA BARBARA MARITIME MUSEUM**

## Notes to Financial Statements

June 30, 2024

**NOTE 11. ENDOWMENT FUNDS (CONTINUED)**

**Spending policy:** The annual distribution rate from the Endowment Fund is based on a recommendation determined by the Finance Committee. The rate is expected to be in the range of 4% to 6% of the average rolling three-year market value of the invested assets as of the end of the calendar year preceding the start of the next fiscal year. The museum did not take any endowment distributions during the fiscal year ended June 30, 2024.

Changes in endowment net assets consist of the following:

	Without Donor Restrictions	With Donor Restrictions		Total Net Assets
June 30, 2024		Investment Appreciation	Held in Perpetuity	
Beginning endowment net assets	\$ 909,206	\$ 8,870	\$ 255,000	\$ 1,173,076
Investment returns	138,510	38,847	--	177,357
Contributions	--	--	10,000	10,000
Ending endowment net assets	<u>\$ 1,047,716</u>	<u>\$ 47,717</u>	<u>\$ 265,000</u>	<u>\$ 1,360,433</u>
June 30, 2023	Without Donor Restrictions	With Donor Restrictions		Total Net Assets
		Investment Appreciation	Held in Perpetuity	
Beginning endowment net assets	\$ 62,910	\$ (6,778)	\$ 220,000	\$ 276,132
Investment returns	12,942	15,648	--	28,590
Contributions	--	--	35,000	35,000
Transfers in	<u>833,354</u>	<u>--</u>	<u>--</u>	<u>833,354</u>
Ending endowment net assets	<u>\$ 909,206</u>	<u>\$ 8,870</u>	<u>\$ 255,000</u>	<u>\$ 1,173,076</u>

**NOTE 12. RETIREMENT PLAN**

The Museum has adopted a 403(b) retirement plan and allows all eligible employees the option to participate in a matching program for retirement benefits. Each plan year, the Museum determines the amount of the matching contribution, if any, that they will make for all eligible participants. Contributions are allocated to each participant who is eligible to receive an employer matching contribution. For the years ended June 30, 2024 and 2023, employer contributions to the plan totaled \$15,610 and \$25,538, respectively.

**SANTA BARBARA MARITIME MUSEUM**

## Notes to Financial Statements

June 30, 2024

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**NOTE 13. NET ASSETS**

Net assets consist of the following:

	<u>2024</u>	<u>2023</u>
Without donor restrictions:		
Board designated for:		
Operating reserve	\$ 185,334	\$ 375,733
Capital reserve	--	38,164
Building improvements	--	50,000
Coffee build out	--	100,000
Endowment	1,047,715	909,206
Undesignated	<u>1,983,955</u>	<u>1,862,775</u>
Total without donor restrictions:	<u>\$ 3,217,004</u>	<u>\$ 3,335,878</u>
With donor restrictions:		
Temporarily restricted		
For exhibits	\$ 111,680	\$ 159,276
For education programs	44,047	84,860
Building improvements	--	100,000
Subject to appropriation and spending policy	87,968	8,870
Subject to passage of time	<u>458,326</u>	<u>518,947</u>
	<u>\$ 702,021</u>	<u>\$ 871,953</u>
Permanently restricted		
Held in perpetuity	<u>\$ 265,000</u>	<u>\$ 255,000</u>
Total with donor restrictions	<u>967,021</u>	<u>1,126,953</u>
Total net assets	<u><u>\$ 4,184,025</u></u>	<u><u>\$ 4,462,831</u></u>