SANTA BARBARA MUSEUM OF NATURAL HISTORY

FINANCIAL STATEMENTS

DECEMBER 31, 2022

SANTA BARBARA MUSEUM OF NATURAL HISTORY

December 31, 2022

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McGowan Guntermann
A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

200 E. Carrillo Street, Suite 300, Santa Barbara, CA 93101, (805) 962-9175, www.mcgowan.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Santa Barbara Museum of Natural History
Santa Barbara, California

Opinion

We have audited the accompanying financial statements of Santa Barbara Museum of Natural History (a non-profit organization) (Museum), which comprise the statement of financial position as of December 31, 2022, 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 Museum of Natural History as of December 31, 2022, 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 Museum of Natural History 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 Museum of Natural History'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 Museum of Natural History'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 Museum of Natural History'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.

McGowan Guntermann

Santa Barbara, California

April 12, 2024

SANTA BARBARA MUSEUM OF NATURAL HISTORY

STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS

	Without Donor Restrictions	With Donor Restrictions	2022 Total
CURRENT ASSETS			
Cash and cash equivalents (Note 2)	$ 1,059,694	$ -	$ 1,059,694
Grants and contributions receivable (Note 3)	-	2,015,790	2,015,790
Bequests receivables (Note 3)	-	10,000	10,000
Other receivable	72,153	-	72,153
Inventory	104,092	-	104,092
Prepaid expenses and other assets	472,918	-	472,918
Total Current Assets	1,708,857	2,025,790	3,734,647
OTHER ASSETS			
Grants and contributions receivable - long-term (Note 3)	-	185,000	185,000
Investments (Note 4)	35,038,206	15,955,351	50,993,557
Charitable gift annuities (Note 5)	-	92,765	92,765
Interests in charitable remainder trusts (Note 6)	-	3,044,043	3,044,043
Interests in perpetual trusts (Note 6)	-	7,434,950	7,434,950
Property and equipment, net (Note 7)	23,501,868	-	23,501,868
Total Other Assets	58,540,074	26,712,109	85,252,183
TOTAL ASSETS	**$ 60,248,931**	**$ 28,737,899**	**$ 88,986,830**

LIABILITIES AND NET ASSETS

	Without Donor Restrictions	With Donor Restrictions	2022 Total
LIABILITIES			
Accounts payable and accrued expenses	$ 65,104	$ -	$ 65,104
Accrued payroll and related expenses	510,722	-	510,722
Deferred revenue (Note 8)	150,404	-	150,404
Agency Funds	62,880	-	62,880
Economic injury disaster loan, current (Note 9)	3,651	-	3,651
Total Current Liabilities	792,761	-	792,761
OTHER LIABILITIES			
Charitable gift annuities liability (Note 5)	74,670	-	74,670
Economic injury disaster loan, net current (Note 9)	144,943	-	144,943
Note Payable (Note 9)	2,980,990	-	2,980,990
Total Other Liabilities	3,200,603	-	3,200,603
TOTAL LIABILITIES	3,993,364	-	3,993,364
NET ASSETS (Note 11)			
Without Donor Restrictions	56,255,567	-	56,255,567
With Donor Restrictions	-	28,737,899	28,737,899
Total Net Assets	56,255,567	28,737,899	84,993,466
TOTAL LIABILITIES AND NET ASSETS	**$ 60,248,931**	**$ 28,737,899**	**$ 88,986,830**

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

SANTA BARBARA MUSEUM OF NATURAL HISTORY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Total
INCOME			
Support and Revenue			
Admissions	$ 1,467,400	$ -	$ 1,467,400
Memberships	657,467	-	657,467
Contributions, bequests, and grants	1,039,873	1,872,192	2,912,065
Net investment returns	(4,500,955)	(2,428,921)	(6,929,876)
Education fees	177,894	-	177,894
Contracts	104,776	-	104,776
Change in value of charitable gift annuities	-	9,373	9,373
Change in value of charitable trusts (Note 6)	-	(2,573,276)	(2,573,276)
Income from perpetual trusts (Note 6)	244,592	145,100	389,692
Other income	298,788	-	298,788
Loss on retirement of assets, net	(325,671)	-	(325,671)
Total Support and Revenue	(835,836)	(2,975,532)	(3,811,368)
Revenue Centers			
Retail sales	725,887	-	725,887
Less retail expenses	(531,752)	-	(531,752)
Special events	709,132	(11,000)	698,132
Less special events expense	(362,534)	-	(362,534)
Rental income	183,207	-	183,207
Less rental expenses	(93,990)	-	(93,990)
Total Revenue Centers	629,950	(11,000)	618,950
Total Income	(205,886)	(2,986,532)	(3,192,418)
Net Assets Released from Restrictions	1,776,895	(1,776,895)	-
EXPENSES			
Program Expenses			
Exhibit and guest services	3,115,375	-	3,115,375
Education	1,418,416	-	1,418,416
Collections and research	2,355,401	-	2,355,401
Total Program Expenses	6,889,192	-	6,889,192
Supporting Services			
Management and general	2,111,267	-	2,111,267
Development	922,586	-	922,586
Total Supporting Services	3,033,853	-	3,033,853
Total Expenses	9,923,045	-	9,923,045
CHANGE IN NET ASSETS	**(8,352,036)**	**(4,763,427)**	**(13,115,463)**
NET ASSETS, BEGINNING OF YEAR (RESTATED)	64,607,603	33,501,326	98,108,929
NET ASSETS, END OF YEAR	**$ 56,255,567**	**$ 28,737,899**	**$ 84,993,466**

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

SANTA BARBARA MUSEUM OF NATURAL HISTORY

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Program Services					Support Services		
EXPENSES	Exhibit & Guest Services	Store Expenses	Education	Collections & Research	Total Program	Management & General	Development	2022 Total
Salaries, benefits & pensions	$ 1,251,556	$ 141,734	$ 1,055,261	$ 1,399,257	$ 3,847,808	$ 1,040,035	$ 662,479	$ 5,550,322
Payroll taxes	89,033	9,136	69,485	94,715	262,369	61,536	42,420	366,325
Acquisitions	-	-	-	36,797	36,797	-	-	36,797
Advertising	92,121	-	19,316	17,866	129,303	12,487	25,299	167,089
Depreciation	627,895	-	57,752	186,623	872,270	647,131	6,579	1,525,980
Equipment	43,514	-	7,957	24,197	75,668	12,069	10,240	97,977
Insurance	260,707	-	46,191	188,605	495,503	58,100	25,194	578,797
Miscellaneous	11,907	22,840	5,157	23,672	63,576	86,265	15,939	165,780
Printing	49,196	-	13,494	6,050	68,740	3,111	27,232	99,083
Postage and shipping	24,184	-	604	379	25,167	320	1,352	26,839
Purchases	-	307,555	-	-	307,555	-	22,365	329,920
Property taxes	4,711	-	-	-	4,711	11,784	-	16,495
Rentals	38,715	-	1,287	6,322	46,324	27,216	135,019	208,559
Repairs and maintenance	55,050	-	7,439	21,741	84,230	27,736	2,744	114,710
Services	236,189	20,580	43,943	159,065	459,777	144,750	106,257	710,784
Supplies	94,123	20,544	52,836	75,862	243,365	38,979	169,433	451,777
Transportation and travel	11,589	8,823	6,500	14,467	41,379	12,858	9,253	63,490
Utilities	224,885	540	31,194	99,783	356,402	20,880	23,315	400,597
Total Expenses by Function	**$ 3,115,375**	**$ 531,752**	**$ 1,418,416**	**$ 2,355,401**	**$ 7,420,944**	**$ 2,205,257**	**$ 1,285,120**	**$ 10,911,321**
Less expenses included with revenues on the statement of activities								
Retail cost of goods sold	-	(531,752)	-	-	(531,752)	-	-	(531,752)
Cost of direct benefit to donors	-	-	-	-	-	-	(362,534)	(362,534)
Rental expenses	-	-	-	-	-	(93,990)	-	(93,990)
2022 TOTAL EXPENSES	**$ 3,115,375**	**$ -**	**$ 1,418,416**	**$ 2,355,401**	**$ 6,889,192**	**$ 2,111,267**	**$ 922,586**	**$ 9,923,045**

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

SANTA BARBARA MUSEUM OF NATURAL HISTORY

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

	2022
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (13,115,463)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	1,525,980
Realized and unrealized loss on investments	7,505,003
Loss on retirement of assets, net	325,671
Donated stock	(9,869)
Change in value of charitable gift annuities	40,455
Change in value of charitable trusts	2,573,276
Contributions restricted for long-term investment	(205,000)
(Increase) decrease in:	
Grants and contributions receivable	204,919
Bequests receivable	661,296
Other receivables	(41,425)
Inventory	(28,416)
Prepaid expenses and other assets	(173,491)
Increase (decrease) in:	
Accounts payable and accrued expenses	(142,307)
Accrued payroll and related expenses	62,137
Deferred revenue	(2,353)
Agency funds	(1,350)
Charitable gift annuities liability	(15,371)
NET CASH USED BY OPERATING ACTIVITIES	(836,308)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(2,233,821)
Purchase of investments	(26,342,710)
Proceeds from sale of rental property	3,840,402
Proceeds from sale and distributions of investments	21,045,705
NET CASH USED BY INVESTING ACTIVITIES	(3,690,424)
CASH FLOWS FROM FINANCING ACTIVITIES	
Contributions restricted for long-term investment	205,000
Payments on economic injury disaster loan	(3,185)
Proceeds from line of credit	3,000,000
Payments on line of credit	(19,009)
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,182,806
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,343,926)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,403,620
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,059,694

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

Note 1 – PRINCIPAL ACTIVITY

Founded in 1916, the Santa Barbara Museum of Natural History (Museum) opened its doors in 1923 at its beautiful Mission Canyon property. From its inception, the Museum has served as a trusted repository of the natural and cultural heritage of the California Coastal region. Now over one hundred years old, the institution continues to provide compelling science and nature education to generations of Santa Barbara residents and visitors through its exhibits, programs, youth camps, collecting, and research projects. In 1987 the Museum opened a second campus – its Sea Center - focused on marine science and education on Stearns Wharf, thereby bookending the story of the Mission Creek watershed.

There are many things that make the Museum special - even among other natural history museums - the unique setting in 17 acres of woodland along Mission Creek where school groups and families can explore nature first hand; eleven galleries dedicated to the various natural sciences housed in historic Spanish Revival architecture that creates an intimate, welcoming visitor experience; and the access visitors have to its world-renowned curators and their collections of over 3.5 million artifacts.

The Museum is a place where the community gathers to explore and to celebrate the wonders of nature. As an institution, it is a community leader in the effort to reconnect the populace – especially children – with the natural world, thereby helping to combat “nature deficit disorder.” This term, coined by Richard Louv, describes the alarming and growing phenomenon in which children spend less time outdoors than previous generations did, losing the benefits that exposure to nature provides. This disconnection can result in increased health/behavioral issues, mental health problems, decreased understanding of biodiversity and natural systems, and a diminished capacity for environmental stewardship. Through the Museum’s leadership on this issue and its deliberate efforts to provide high-quality programs aligned with educational standards, the Santa Barbara Museum of Natural History stands as a model for educational institutions and a catalyst for change in our community.

Gate attendance at the Mission Canyon Campus in 2022 was 109,387. In addition, 14,972 children and adults attended educational programs, 3,260 came for community uses and 462 came specifically for research, for a total attendance at the Mission Canyon campus of 128,081.

The Sea Center was closed until mid-March 2022 for infrastructure repairs. Gate attendance in 2022 at the Sea Center was 89,511. In addition, 326 children and adults attended educational programs and 1,341 came for community uses for a total attendance at the Sea Center of 91,178.

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.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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”.

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:

- The determination of the fair value of investments (including alternative investments)
- The net present value of interests in trust
- Allocation of certain expenses by function

Other estimates used in preparing these financial statements include:

- Reserve for uncollectible contributions and grants receivable
- Original cost of assets acquired before 1979
- Depreciable lives of buildings, equipment, and improvements

It is reasonably possible that these estimates will change within the next year.

Cash, Cash Equivalents and Restricted Cash

For the purpose of the statement of cash flows, cash and cash equivalents consists of all cash and highly liquid financial instruments with original maturities of three months or less, 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.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants, Contributions and Bequest Receivables

Unconditional pledges to give are reported as assets and as revenues or gains in the period in which the pledge is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. An allowance for uncollectible pledges to give is determined based on an analysis of historical experience, an assessment of economic conditions and a review of subsequent conditions. Bequests receivable are recorded at the time an unassignable right to the gift has been established and the proceeds are measurable in amount. Management believes these amounts will be fully collected and therefore no provision for uncollectible grants, contributions, and bequests receivable has been made. (See Note 3, Grants, Contributions, and Bequests Receivable.)

Inventory

Inventory consists of goods held for sale in the Museum stores and is carried at the lower of cost (first-in, first-out method) or net realizable value.

Investments and Investment 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.

The draw consists of amounts designated by the Trustees based upon the spending policy to be drawn from quasi endowment and other funds to be used and expended for operations. (See Note 13, 'Endowment,' under the section 'Spending Policy and How the Investment Objectives Relate to Spending Policy.')

Property, Equipment and Depreciation

The Museum records property and equipment additions over $5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Museum reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. The Museum have determined that no long-lived assets were impaired at December 31, 2022.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Collections

In conformity with the practice followed by museums, collection objects purchased or donated are not included in the accompanying statement of financial position. The Museum is continually developing its collections, which currently include more than three million specimens, artifacts, other cultural objects, books, and manuscripts. These holdings are used by Museum scientists and a worldwide network of researchers from a variety of disciplines. Their usage forms the basis of published findings, as well as programs in education and Museum exhibitions. The collection is kept under curatorial care including conservation practices and is subject to the Museum's policy that requires proceeds from the sale of collection items to be used only for acquisition of additional collections. The Museum does not recognize as a contribution any income from donated collection items, as its collections are not capitalized.

Leases

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition on the income statement.

The new standard is effective for the Museum as of January 1, 2022, and has been adopted for the year ended December 31, 2022. As of January 1, 2022, and for the year ended December 31, 2022, the Museum had no material noncancellable operating or capital leases.

Further, the Museum elected a short-term lease extension policy, permitting the Museum to not apply the recognition requirements of this standard to short-term leases (i.e., leases with terms of 12 months or less) and an accounting policy to account for lease and non-lease components as a single component for certain classes of assets.

Advertising

Advertising costs are expensed as incurred, and approximately $167,000 for the year ended December 31, 2022.

Revenue and Revenue Recognition

Exchange Transactions – Revenue is recognized when earned. Specifically, store sales and admissions 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. The exchange portion of membership dues are recognized over the membership period, and the contribution portion immediately.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition (continued)

Contributions – 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. Bequests are recorded at their estimated fair value when all events required for the transfer of the asset from the estate of the donor to the Museum have occurred and/or a court has issued an order to transfer the assets.

Contributed Services - 531 volunteers donated over 23,000 hours of their time in 2022 to the Museum as docents, interpreters, research associates, interns, and board members. This volunteer time is critical to the success of the Museum. However, as this volunteer service does not meet the recognition requirements prescribed by generally accepted accounting principles, no amount has been recorded in these financial statements for these services. Contributed goods are recorded at fair value at the date of donation. Professional services are recorded at the respective fair values of the services received.

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 December 31, 2022, 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 2019 and 2018, respectively.

Functional Expenses

The cost of providing the various programs and activities have been summarized on the statement of activities on a functional basis. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that can be identified with a specific program or support service are charged directly to that program or support service.

Expenses that are attributed to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. The expenses allocated include salaries, benefits, payroll taxes, occupancy, information technology, insurance, and depreciation. Information technology is allocated based upon the number of staff positions. Marketing expenses are allocated based upon estimated efforts and benefit to each division. Depreciation, insurance, and occupancy are allocated based upon square footage. All other costs are charged directly to the appropriate functional category.

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 believed by the organization 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 losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from community members and foundations supportive of the Museum's mission. Investments are made by a variety of investment managers whose performance is monitored by the Museum, its investment consultant, and the investment committee of the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Subsequent Events

The Museum has evaluated subsequent events through April 12, 2024, the date which the financial statements were available to be issued.

Note 3 – GRANTS, CONTRIBUTIONS AND BEQUESTS RECEIVABLE

Grants and contributions receivable represent unconditional promises to give by individuals, foundations, and government agencies. Bequests receivable represent unconditional promises from estates. Grants, contributions, and bequests receivable come due as follows:

In less than one year	$ 2,025,790
In one to five years	185,000
	$ 2,210,790

Note 4 – 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.

Note 4 – FAIR VALUE MEASUREMENT (continued)

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.

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 uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

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.

Note 4 – FAIR VALUE MEASUREMENT (continued)

Charitable Remainder Trust – 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 December 31, 2022, 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 December 31, 2022.

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 December 31, 2022:

Description	Level 1	Level 2	Level 3	Investments Measured at NAV	Total
Cash and money market funds (at costs)	$ 1,970,850	$ -	$ -	$ -	$ 1,970,850
Domestic equities	12,302,644	-	-	-	12,302,644
International equities	9,788,269	-	-	-	9,788,269
Domestic fixed income*	5,681,060	6,388,056	-	-	12,069,116
Global fixed income	1,229,474	-	-	-	1,229,474
Real assets	2,461,398	-	-	-	2,461,398
Private equity	-	-	-	6,461,487	6,461,487
Hedge funds	-	-	-	4,720,319	4,720,319
Total assets measured at fair value	33,423,695	6,388,056	-	11,181,806	50,993,557
Charitable gift annuities	92,765	-	-	-	92,765
Beneficial interest in Charitable trusts held by others	-	410,763	2,633,280	-	3,044,043
Perpetual trusts	-	-	7,434,950	-	7,434,950
Total beneficial interest	-	410,763	10,068,230	-	10,478,993
Total assets measured at fair value	$ 33,516,460	$ 6,798,819	$ 10,068,230	$ 11,181,806	$ 61,565,315
Annuities payable measured at fair value	$ -	$ -	$ 74,670	$ -	$ 74,670

* $5,000,000 of total fixed income securities is securitized for a line of credit (See Note 9).

Note 4 – FAIR VALUE MEASUREMENT (continued)

The following table provides a reconciliation of assets and liabilities measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2022:

Description	Beginning Balance	Additions	Distributions	Loss included in changes in net assets	Ending Balance
Real estate	$ 463,951	$ -	$ (463,951)	$ -	$ -
Charitable remainder trusts	3,441,196	-	-	(807,916)	2,633,280
Interest in perpetual trusts	9,089,924	-	-	(1,654,974)	7,434,950
Total Assets	$12,995,071	$ -	$ (463,951)	$ (2,462,890)	$10,068,230

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows for the year ended December 31, 2022:

Investment	Number of Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity	11	$ 6,461,487	$ 1,528,619	Non-redeemable	-
Hedge funds	4	$ 4,720,319	-	Quarterly	45 - 90 days

Private equity – includes eleven broadly diversified private equity partnerships with varying allocations to buyouts, distressed and turnaround opportunities, venture capital, and sector-focused funds. Holdings are invested in diversified portfolios of investment partnerships, each of which has a defined term, typically ten to fourteen years, with no right to withdraw prior to termination of the investment partnership. Funds are called as needed by managers and distributions are received through liquidation of the underlying assets of the fund.

Hedge Funds – includes four long/short and multi strategy hedge funds that can invest long and short, primarily in common stocks. Fund managers may invest in value, growth, or event-driven equity opportunities and typically are not restricted by market capitalization, industry sector, or geography. Leverage may be utilized, which can magnify changes in the values of the underlying securities.

Note 5 – CHARITABLE GIFT ANNUITIES

The Museum established a charitable gift annuity program in 2018 in which donors make irrevocable gifts to the Museum and receive an annuity payment for their lifetime, their named beneficiary's lifetime, or jointly. The payments to the individuals are based on rates suggested by the American Council on Gift Annuities, and the lifetime annuity obligations are determined by Union Bank using the Annuity 2012 M&F table with an assumed rate of interest of 4% at December 31, 2022.

The differences between the fair value of the assets transferred by the donor and the lifetime annuity obligation (that is the gift portions) are recognized as contributions received. The obligation to make payments to the annuitants is a general liability of the Museum. The gift portions of the charitable gift annuities can be used immediately for the purposes specified by the donors, but it is the Museum's policy to invest the assets transferred by the donor until the termination of the agreements. Under the counsel of Union Bank, the Museum is in compliance with the State of California's reserve requirements and limitations on investments.

Note 6 – INTERESTS IN TRUSTS

The Museum has been named as an irrevocable beneficiary of three perpetual trusts and several charitable remainder trusts.

Perpetual Income Interest in Trusts

The Museum is the permanent income beneficiary of several perpetual trusts. The Museum does not have possession or control of the trusts or their assets. Distribution of income is nondiscretionary and totaled $389,692 for the year ended December 31, 2022. The Museum's initial interest in a perpetual trust is recorded as a contribution and as an asset at the fair value of the trust interest. As the Museum is the beneficiary of a stream of income into perpetuity, the fair value of its interest in the trust is recorded as a donor restricted asset. Any increase or decrease in the value of the asset is recorded as a change in value of charitable trusts. The Museum believes that the market value as reported by the trustee is a good approximation of the fair value of the Museum's interest in the trusts. The Museum's interest in these perpetual trusts, classified as net assets with donor restrictions, totaled $7,434,950 for the year ended December 31, 2022.

Charitable Remainder Trusts

Charitable remainder trust agreements in which the Museum has been named irrevocably as a remainder beneficiary are recorded on the books of the Museum. Since the Museum is not the trustee for any of the trusts, all 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. 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 the value of charitable trusts. The present value of the estimated future value 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. The discount rate used in 2022 was 2%.

Charitable remainder trust agreements are classified as net assets with donor restrictions. The Museum's interest in these charitable remainder trusts totaled $3,044,043 for the year ended December 31, 2022.

Note 7 – PROPERTY AND EQUIPMENT

The Sea Center is located on Stearns Wharf in Santa Barbara, California. While the Museum constructed the building and related improvements, it leases the wharf space from the City of Santa Barbara.

Five residential units and one office building are included in the listing of land and buildings below. These spaces are leased out to others. The initial lease terms were for one year and as of December 31, 2022, are month to month. Total rent received on these properties in 2022 totaled $152,000.

Note 7 – PROPERTY AND EQUIPMENT (continued)

Property and equipment consist of the following at December 31, 2022:

Land and improvements	$ 314,388
Buildings and improvements	35,815,593
Machinery and equipment	3,045,509
Computer hardware and software	178,821
Construction in process	101,192
	39,455,503
Less accumulated depreciation	(15,953,635)
Net property and equipment	$23,501,868

For the year ending December 31, 2022, the Museum recognized depreciation expense of $1,525,980.

Note 8 – DEFERRED REVENUE

Deferred revenue is a result of membership income. The Museum offers one-year and two-year memberships for sale. The portion of membership dues that represents an economic benefit received by the member is recognized as income as it is earned. The portion of membership dues that represents a contribution is recognized as income when received.

In 2022, the Museum changed the method it used for estimated deferred revenue from memberships, subtracting the charitable donation from the membership to determine the economic benefit received by the member. The economic benefit is then recognized as income as earned.

Note 9 – LINE OF CREDIT AND ECONOMIC INJURY DISASTER LOAN

The Museum had a margin line of credit to provide liquidity for Master Plan cash flows. The total line available was $3,000,000 and was collateralized by investments held at the bank. The line of credit rate was an adjustable interest rate calculated as the bank's prime rate minus 1.75%. At the beginning of 2022, the Museum drew down $3,000,000 on the line of credit to fund the Infrastructure Repair Master Plan and on February 24, 2022, converted the line of credit to a term loan.

The $3,000,000 million term loan requires monthly interest payments at a 3.6% interest rate calculated on a daily basis. Principal is payable in full on February 25, 2027. The loan is secured by all of the Museum's personal property and specifically $5,000,000 held in an investment account at the Bank.

On July 8, 2020, the Museum secured a loan of $150,000 from the Small Business Administration (SBA) under the Economic Injury Disaster Loan (EIDL) Program. Interest on the loan is 2.75% per annum. Payments of $641 are due monthly with the final payment due in 2050, payments are first applied to accrued interest and then to principal. The note is secured by substantially all of the Museum's assets. The loan can be prepaid without penalty at any time.

Note 9 – LINE OF CREDIT AND ECONOMIC INJURY DISASTER LOAN (continued)

The following are the principle payments for the two loans:

2023	$ 3,651
2024	3,753
2025	3,858
2026	3,965
2027	2,985,066
Thereafter	129,291
	$ 3,129,584

Note 10 – EMPLOYEE RETENTION CREDIT

The Museum applied for the Employee Retention Credit (ERC) and as of December 31, 2021, the Museum accrued a grant receivable of approximately $1,865,000, which represents the amounts expected to be received for the ERC for 2020 and 2021. Laws and regulations concerning government programs, including the ERC established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Museum's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Museum.

As of December 31, 2022, the balance of the ERC receivable was $1,789,848. Subsequent to December 31, 2022, the credit was received in full.

Note 11 – NET ASSETS

Net Assets Without Donor Restrictions

As of December 31, 2022, net assets without donor restrictions consist of the following:

Undesignated net assets	$ 2,478,222
Invested in Fixed Assets	23,501,868
Board Designated	
Strategic Reserve	4,905,620
Infrastructure Repairs	1,060,441
Central Coast Information Center	122,365
Earth Sciences	73,072
Specific Projects	179,143
Quasi-Endowment	23,934,836
Total Board Designated	30,275,477
Total Net Assets Without Donor Restrictions	$ 56,255,567

Note 11 – NET ASSETS (continued)

Net Assets With Donor Restrictions

As of December 31, 2022, net assets with donor restrictions, consist of the following:

Subject to expenditure for specified purpose:	
Antique Natural History Art	$ 2,047,418
Earth Sciences	2,161,989
Entomology	520,075
Lepidoptera	50,000
Condor research	352,940
Collection cabinetry	216,958
Publications	116,019
Other Collections and Research	235,073
Astronomy	179,649
Education	509,723
Exhibits	165,769
Master Planning and Implementation	21,240
Sea Center	365,799
Other	18,464
Accumulated earnings on donor-endowed funds	(404,649)
	6,556,467
Subject to the passage of time:	
Beneficial interests in charitable trusts held by others	3,044,043
Not subject to appropriation or expenditure, the income from which is expendable to support:	
Operations	11,483,006
Antique Natural History Art	2,476,891
Entomology	1,510,000
Library and Archives	1,752,721
Malacology	1,000,000
Museum Studies Internships	100,000
Sea Center	102,271
Teen Programs	712,500
	19,137,389
Total Net Assets With Donor Restrictions	28,737,899
Total All Net Assets	$ 84,993,466

Note 12 – 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.

Note 12 – 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.

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Museum has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2022, there were two funds that were underwater by about 15% due to the 2022 investment performance. By the end of 2023, these funds were no longer underwater.

Investment and Spending Policies

The Museum has adopted investment and spending policies for the endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments. The target minimum rate of return is the Consumer Price Index plus 5 percent on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

Note 12 – ENDOWMENT (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Museum uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment, including those endowments deemed to be underwater, each year. To that end, the Board has adopted its "Snake in the Tunnel" spending-rate formula for endowments, over which the Trustees have control. Each year, the Museum may draw funds from the endowment to support the operations of the Museum. The draw is calculated in a two-step process using the values of the past 12 quarters through June.

First, the prior year draw is increased by 4.5% to come up with a preliminary payout. Second, that preliminary payout is then compared to minimum and maximum parameters, which it cannot exceed. The payout cannot exceed 5% of a trailing 12-quarter rolling average of the endowment corpus nor can it fall below 4% of that rolling average. During 2022, the spending rate was 5%. For endowments which the Trustees do not control, such as its interests in perpetual trusts, the Museum expends annual distributions received from third parties on operations. In establishing this policy, the Museum considered the long-term expected return on the endowment and set the rate with the objective of maintaining the purchasing power of the endowment over time.

Endowment Net Asset Composition

Endowment net assets by type of fund consist of the following as of December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment	$ 23,934,836	$ -	$ 23,934,836
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	11,702,437	11,702,437
Accumulated investment losses	-	(50,544)	(50,544)
Donor restricted fund invested as endowment	-	4,986,854	4,986,854
Interest in perpetual trusts	-	7,434,950	7,434,950
Total	$ 23,934,836	$24,073,697	$ 48,008,533

Note 12 – ENDOWMENT (continued)

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 30,287,352	$ 28,313,360	$ 58,600,712
Investment income (loss)	(4,600,602)	(2,268,406)	(6,869,008)
Net change in trust assets	-	(1,654,974)	(1,654,974)
Contributions	-	205,000	205,000
Draw based on spending policy	(1,616,914)	(131,217)	(1,748,131)
Board approved expenditures for planning giving program	(135,000)	-	(135,000)
Donor restricted expenditures	-	(390,066)	(390,066)
Endowment net assets, end of year	$ 23,934,836	$ 24,073,697	$ 48,008,533

Note 13 – PENSION PLAN

The Museum maintains a tax deferred defined contribution retirement plan (the Plan) for all full- time employees. Employees are eligible to participate in the Plan upon hire and are totally vested in all contributions to the Plan. After one year of employment, the Museum matches each employee's contribution up to three percent of the employee's annual compensation. The Museum's contributions to the Plan in 2022 was $105,813.

Note 14 – CONSTRUCTION PROJECTS AND RELATED COMMITMENTS

Mission Creek Campus Infrastructure Repairs Master Plan

In November of 2020, the Board of Trustees received a report from its architectural team which summarized the team's thorough analysis of the condition of the infrastructure of the Mission Creek campus. Key findings focused on the state of roofing, HVAC, dry rot, and other site elements such as parking lot lighting, etc.

The report proposed that the most critical repairs be made over the course of three summers; with the work each summer focusing on a particular area of the Museum. This approach allows the Museum to remain open for visitation throughout the entire process.

In the summer of 2022, the Museum began the work, focusing on the buildings surrounding the historic courtyard and on the Broder, building located on the south side of Mission creek. This first phase of work had at a total budget of $1,836,000 including a construction guaranteed maximum price contract of $1,300,000.

Note 14 – CONSTRUCTION PROJECTS AND RELATED COMMITMENTS (continued)

Mission Creek Campus Infrastructure Repairs Master Plan (continued)

In 2022, an agreement for $214,000 was signed with the architects for design services for repairs to be made mid-2023. An agreement was also signed in 2022 to approve ordering the HVAC units needed for the 2023 project at a cost of $79,000. Planning for Phase CE started February 2022 and construction was substantially completed in October 2023. The total estimated project cost is $2,000,000 including $1,400,000 for construction. Work began in the Summer of 2023 to address roofing and HVAC systems on the eastern end of the building assemblage (Maximus wing, Mammal and Bird Hall, and the Library), and upgrade Museum parking lot lighting.

The third and final year of work to be undertaken in the Summer of 2024 will focus on roof and HVAC repairs in the middle of the campus (the space sciences building, Farrand Auditorium, and the Education Center). Planning for the final phase of Summer 2024 started in February 2023 with construction expected to commence and finish in 2024. The total estimated project cost is $3,000,000 including $2,146,000 for construction under a guaranteed maximum price contract.

Additionally, In February 2023, the Museum also entered into two repair contracts totaling $100,000. One contract is to replace a section of roof on one of its Mission Creek Campus buildings and the other to paint the exterior of a stand-alone office building on that campus.

The flooring in the Bird Hall and foyer outside the Maximus Gallery was replaced in January 2024. In order to secure the pricing of the materials, the Museum entered into a contract in 2023 with a flooring company for $67,000. During the project, there was additional unforeseen floor prep and moisture retardant which was required bringing the total cost to $85,000

Space Sciences and Planetarium Improvements

In late December 2022, the Museum entered an agreement to purchase a Digistar 7 Sony System (2 cove mounted projectors) projector system for its planetarium for $410,000. The previous 1k projection system was 20 years old, outdated and could not keep up with the latest data, images, and information from space. The new system is 4k and provides visitors with a dazzling view of the universe in crystal-clear resolution and breathtaking contrast. The projector was installed in Spring 2023.

The Museum will be updating its Space Lab area in 2024 and has entered into a $400,000 agreement with an exhibit design-build firm to help create an exhibit with the goal to spark curiosity and interest in space sciences; giving visitors the desire and the knowledge to look up into the night sky from their back yard and to better appreciate and understand what they are seeing. The new exhibit will explore the basics of planetary astronomy (our moon, its cycles, why do we have seasons, gravity, what makes up our solar system, what lies beyond it, what are stars and galaxies, black holes, and dark matter). The new exhibit will open to the public in 2025.

Preparation for Phase 2 of the Master Plan

In November of 2023 the Master Planning Committee and the Board of Trustees approved a team led by the Museum's architectural firm, Mithun, to proceed with a Phase 2 Validation Analysis at a cost of $312,000. The purpose of this study was to review the original 2015 City approved conceptual design master plan for the Mission Creek Campus and in particular, those areas of the campus that were contemplated to be improved as Phase 2 of that master plan (Phase I having been completed through the Centennial Project, 2016 – 2018).

Note 14 – CONSTRUCTION PROJECTS AND RELATED COMMITMENTS (continued)

Preparation for Phase 2 of the Master Plan (continued)

The Validation Study would update the Phase 2 conceptual plan to reflect changes in the programming needs of the Museum, to review how changes in building codes and city requirements would impact the Phase 2 scope, and to develop a set of design alternatives for study, and ultimately agree on a preferred design scheme that could be used to develop a cost estimate, schedule, and an analysis of how implementation might impact Museum operations. The architectural team would interact with staff and the Master Plan Committee in an iterative process as they developed a final report with recommendations to be submitted to the Museum in the Spring of 2024.

Note 15 – COMMITMENTS AND CONTINGENT LIABILITIES

The Museum has the following commitments and contingent liabilities in addition to those commitments enumerated above in the footnote on Construction Projects and Related Commitments.

Grants Received

The Museum receives grants from various governmental agencies. These grants are subject to audit by the corresponding cognizant oversight agency as to allowable costs paid with federal funds and as to the share of costs contributed by the Museum. The Museum would be liable up to the full amount of federal funds expended should costs charged to the project be disallowed.

Wharf Lease

The Sea Center is located on Stearns Wharf in Santa Barbara, California. While the Museum constructed the building and related improvements, it leases the wharf space from the City. That lease agreement terminates on June 30, 2027. Per the terms of this lease, the Museum pays the City 10% of the gross receipts of the Sea Center store. Payments to the City in 2022 totaled $22,389.

Cabinetry

In November 2022, the Museum placed an order for new cabinetry to house a portion of its collection which was received in 2023 at total cost of $217,000.

Solar Installation at the Sea Center

In 2019, the Museum entered into an agreement to have solar panels installed on the roof of the Sea Center. The Sea Center solar generation system started producing electricity May, 2020. The Museum pays for the electricity generated by the solar panels and used by the Sea Center at a rate 0.202 per kWh escalating 3.6% annually for the later of 6 years or until $110,096 has been paid, at which time the Museum can purchase the system for the then market price, continue to buy the electricity generated, or terminate the agreement. Payments in 2022 totaled $15,733.

Note 16 – RELATED PARTY TRANSACTIONS

The Museum's Board consisted of 23 Trustees as of December 31, 2022. One of the trustees is a Senior Portfolio Manager of the bank that serves as the administrator of the Museum's Charitable Giving Annuity program. The Museum paid fees totaling $11,000 to this bank.

Note 17 – CONCENTRATION OF RISK

The Museum maintains cash balances at five banks. The standard Federal Deposit Insurance Corporation (FDIC) insurance coverage is limited 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 December 31, 2022, the Museum's uninsured cash balance was approximately $1,306,000.

Note 18 – STATEMENT OF CASH FLOWS - SUPPLEMENTAL DISCLOSURES

The Museum had a bequest receivable on its books as of December 31, 2021 valued at $3,375,000. That bequest took the form of residential real estate which the Museum took possession of and sold in 2022.

In 2022, the Museum drew down $3,000,000 on its Line of Credit. The Line of Credit was then converted into a long term loan for $3,000,000.

Total cash paid for interest in 2022 was $89,462.

Note 19 – LIQUIDITY AND AVAILABILITY

The Museum's management regularly monitors liquidity required to meet its operating needs, its master planning construction and other contractual commitments, while also striving to maximize the investment of its available funds. The Museum has various sources of liquidity at its disposal including cash and cash equivalents and liquid investments. Cash flow fluctuates during the year due to the timing of donations and pledge payments coming in for the master plan compared with the related periodic construction expenditures and due to the timing of bequests, special events, and general operations.

The Museum has set aside over $3,000,000 in laddered US Treasuries as of December 31, 2022 to fund its master planning construction needs.

The Museum's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Board-designated endowment of $23,934,836 is subject to the annual spending policy as described in Note 12. Although the Museum does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of its liquidity management plan, the Museum has designated a strategic reserve, which had a balance of $4,905,620 as of December 31, 2022.

Note 19 – LIQUIDITY AND AVAILABILITY (continued)

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:

Cash and cash equivalents	$ 1,059,694
Pledges and grants receivable without purpose restrictions	1,902,290
Total Current Assets	2,961,984
Investments	50,993,557
Less assets not available within one year	(47,939,223)
Total Investments	3,054,334
Current liabilities	(792,761)
Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2022	$ 5,223,557

Note 20 – RESTATEMENT OF NET ASSETS

During the year ending December 31, 2022, the Museum changed the way deferred membership income is estimated, reducing deferred revenue by the portion of the membership that is reported as a contribution. The change in net assets and deferred revenue as of December 31, 2021, have been increased by $248,296. As a result of the restatement, the net assets as of January 1, 2022, have been increased by $248,296.