SANTA BARBARA MUSEUM OF ART

FINANCIAL STATEMENTS

JUNE 30, 2024

SANTA BARBARA MUSEUM OF ART

June 30, 2024

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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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Santa Barbara Museum of Art (a non-profit organization), which comprise the statement of financial position as of June 30, 2024, 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 Art 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 Museum of Art 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 Art'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 Art'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 Art'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 10, 2026

SANTA BARBARA MUSEUM OF ART

STATEMENT OF FINANCIAL POSITION
June 30, 2024

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 1,609,982
Restricted cash	1,568,224
Accounts receivable	24,373
Bequests and contributions receivable, current	234,876
Inventory	114,230
Prepaid expenses	368,846
Total Current Assets	3,920,531
OTHER ASSETS	
Bequests and contributions receivable, net of current	243,334
Investments	64,423,524
Charitable remainder trusts, perpetual income trust interest and gift annuities	15,443,953
Property and equipment, net	49,594,385
Total Other Assets	129,705,196
TOTAL ASSETS	**$ 133,625,727**

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable and accrued expenses	$ 261,074
Accrued payroll and related expenses	459,900
Deferred revenue	1,602,668
Note payable, current	33,501
Total Current Liabilities	2,357,143
OTHER LIABILITIES	
Note payable, net of current portion	859,184
Total Other Liabilities	859,184
TOTAL LIABILITIES	3,216,327
NET ASSETS	
Without Donor Restrictions	84,841,518
With Donor Restrictions	45,567,882
Total Net Assets	130,409,400
TOTAL LIABILITIES AND NET ASSETS	**$ 133,625,727**

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

SANTA BARBARA MUSEUM OF ART

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
INCOME			
Support and Revenue			
Admissions	$ 162,889	$ -	$ 162,889
Events, programs, classes and lectures	71,936	-	71,936
Membership income	873,910	-	873,910
Contributions, bequests, and grants	1,416,743	1,853,943	3,270,686
Special events, net of event expenses of $110,650	(54,209)	-	(54,209)
Membership tours, net of tour expenses of $1,524,461	150,902	-	150,902
Museum store sales, net of store expenses of $654,249	(114,053)	-	(114,053)
Change in value of charitable trusts and gift annuities	-	1,627,111	1,627,111
Income from perpetual trusts	663,892	-	663,892
Investment income, net	5,429,620	2,640,853	8,070,473
Exhibition and collection management income	6,157	-	6,157
Other income	196	-	196
Total Support and Revenue	8,607,983	6,121,907	14,729,890
Net Assets Released from Restrictions	4,697,422	(4,697,422)	-
EXPENSES			
Program Expenses			
Curatorial, collection, management and exhibitions	3,488,286	-	3,488,286
Education, programs and outreach	1,474,327	-	1,474,327
Tours, store and membership	2,820,336	-	2,820,336
Building services and security	495,958	-	495,958
Total Program Expenses	8,278,907	-	8,278,907
Supporting Services			
Management and general	2,211,489	-	2,211,489
Fundraising and development	906,341	-	906,341
Total Supporting Services	3,117,830	-	3,117,830
Total Expenses	11,396,737	-	11,396,737
Excess of Support and Revenue Over Expenses before Other Changes in Net Assets	1,908,668	1,424,485	3,333,153
Other Changes in Net Assets:			
Acquisition of art	(1,844,495)	-	(1,844,495)
Total Other Changes in Net Assets	(1,844,495)	-	(1,844,495)
CHANGE IN NET ASSETS	**64,173**	**1,424,485**	**1,488,658**
NET ASSETS, BEGINNING OF YEAR	84,777,345	44,143,397	128,920,742
NET ASSETS, END OF YEAR	**$ 84,841,518**	**$ 45,567,882**	**$ 130,409,400**

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

SANTA BARBARA MUSEUM OF ART

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2024

	Program Services					Support Services		
EXPENSES	Curatorial, collection, management and exhibitions	Education, programs and outreach	Building services and security	Tours, store and membership	Total Program	Management and general	Fundraising and development	Total Expenses
Salaries and related costs	$ 1,406,448	$ 872,981	$ 1,629,307	$ 530,732	$ 4,439,468	$ 1,029,663	$ 524,407	$ 5,993,538
Services and professional fees	268,547	157,206	51,286	80,630	557,669	526,297	146,769	1,230,735
Equipment and supplies	80,217	41,903	42,001	31,260	195,381	42,558	51,934	289,873
Postage and shipping	119,467	25,177	1,165	19,479	165,288	14,244	8,705	188,237
Maintenance and installation	182,675	18,224	357,794	2,925	561,618	31,014	15,161	607,793
Printing, publications and advertising	153,181	80,220	1,017	68,729	303,147	4,153	42,812	350,112
Occupancy	513,702	42,879	370,304	29,925	956,810	243,381	91,367	1,291,558
Depreciation	758,258	225,654	366,324	320,425	1,670,661	239,429	132,411	2,042,501
Merchandise	-	-	-	282,141	282,141	-	-	282,141
Merchant, bank and other fees	5,791	10,083	1,138	1,308,422	1,325,434	80,750	3,425	1,409,609
Total Expenses by Function	3,488,286	1,474,327	2,820,336	2,674,668	10,457,617	2,211,489	1,016,991	13,686,097
Less expenses included with revenues on the statement of activities								
Tour expenses	-	-	-	(1,524,461)	(1,524,461)	-	-	(1,524,461)
Store expenses	-	-	-	(654,249)	(654,249)	-	-	(654,249)
Special events	-	-	-	-	-	-	(110,650)	(110,650)
TOTAL EXPENSES	**$ 3,488,286**	**$ 1,474,327**	**$ 2,820,336**	**$ 495,958**	**$ 8,278,907**	**$ 2,211,489**	**$ 906,341**	**$ 11,396,737**

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

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 1,488,658
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	2,042,501
Net realized and unrealized gain on investments	(4,503,668)
Non-cash change in value of charitable trusts and gift annuities	(1,624,440)
(Increase) decrease in:	
Accounts receivable	(13,186)
Bequests and contributions receivable	3,196,877
Inventory	(6,324)
Prepaid expenses	150,547
Increase (decrease) in:	
Accounts payable and accrued expenses	119,129
Accrued payroll and related expenses	7,258
Deferred revenue	285,017
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,142,369
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(533,577)
Purchase of investments	(8,735,125)
Proceeds from sale and maturities of investments	6,550,227
NET CASH USED BY INVESTING ACTIVITIES	(2,718,475)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on note payable	(31,922)
NET CASH USED BY FINANCING ACTIVITIES	(31,922)
NET DECREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(1,608,028)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	4,786,234
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	$ 3,178,206

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	$ 40,530

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

Note 1 – NATURE OF ORGANIZATION

The Santa Barbara Museum of Art (the "Museum") is a California non-profit corporation founded in 1941 to collect, exhibit and interpret works of art and organize diverse exhibitions and programs to enhance public knowledge and appreciation of art. The mission of the Santa Barbara Museum of Art is to integrate art into the lives of people. The Museum believes in the power of art to ignite imagination, stimulate thought and generate experiences that are personally rewarding.

Recognizing that art museums play a constructive role in society, the Museum is committed to:

- Serve and educate the public.
- Champion a breadth of artistic expression.
- Enhance quality of life in the community.
- Accomplish these through the collection, research, preservation, and exhibition of works of art and the advancement of knowledge about them.
- Succeed as an organization through effective interdependence, collaboration and innovation.

The Museum's collection is comprised of approximately 25,000 works of art which span 5,000 years of human creativity and includes classical antiquities and masterpieces of French Impressionism. The Museum's collection of the arts of Asia, Europe and the Americas includes paintings, sculpture, prints, drawings, photographs, ceramics, glass, jades, bronzes, lacquer and textiles.

In addition to displaying its permanent collection, the Museum hosts special exhibitions, some traveling from other museums and some originated by its own curators. Its own exhibitions are often accompanied by scholarly catalogues and from time to time travel to other museums. The Museum has approximately 3,000 members, largely from the Santa Barbara area. Annual attendance at the Museum averages over 60,000 visitors.

The Museum brings people and art together through a broad array of formal and informal learning opportunities for all ages, both in the Museum and out in the community. The Museum provides more than twenty art education programs to over 20,000 people annually. These include academic, outreach and after school programs for K-twelfth-grade students, activities and events for families, classes for college students and lifelong learning opportunities for adults and seniors. In addition, the Museum regularly organizes and hosts lectures, symposia, film series, and focused gallery tours for the Museum's major exhibitions. Many of these programs involve collaborations with community organizations, schools and teachers, colleges and universities as well as selected artists.

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)

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. Cash and highly liquid financial instruments held in investment accounts are excluded from this definition.

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 market value.

Property, Equipment and Depreciation

The Museum records property and equipment additions over $1,500 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 5 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 June 30, 2024.

Investments

The Museum records investments in debt and equity securities with readily determinable market values at fair value. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last business day of the fiscal year. The investments in partnerships and private equity, for which quoted market prices are not readily available, are determined by management in good faith with the assistance of third-party investment managers using methods it considers appropriate. The cost basis in alternative investments are adjusted for partnership activity estimated by the general partners. Realized and unrealized gains and losses are included in the change in net assets.

Collections

In conformity with the practice followed by art museums, art objects purchased or donated are not included in the accompanying statement of financial position. The Museum maintains a comprehensive fine arts collection. The collection is used for the purposes of exhibition, education, study, research, publications and loans to other museums. The collection is kept under curatorial care including extensive conservation practices and specialized fine arts insurance coverage, and is subject to the Museum's policy that requires proceeds from the sale of collection items to be used only for artwork. The Museum does not recognize donated collection items as contribution income as its collections are not capitalized.

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 available for use in general operations without any donor-imposed restrictions. From time to time, the Museum's Board of Trustees may designate certain net assets for particular purposes and objectives..

With Donor Restrictions

Net assets that are subject to donor-imposed restrictions that will be met either by actions of the Museum and/or the passage of time. These balances represent the unexpended portion of donor-restricted contributions and investment return to be used for specific programs and activities as directed by the donor. 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". Restricted net assets also include net assets subject to donor-imposed restrictions that they must be maintained permanently (e.g. endowment funds). Typically, the donors of these types of assets allow the Museum to use the income earned on the related investments for general or specific purposes.

Revenue Recognition

The Museum generates revenue and support from various sources. Revenues that are accounted for outside the scope of ASC 606 include non-exchange funds received by the Museum which are voluntary and un-reciprocal contributions, interest and dividend income, and certain state grants.

In accordance with ASC 606, revenue is reported at the amount that reflects the consideration to which the Museum expects to be entitled in exchange for providing services to customers, and is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of services provided by the Museum. Performance obligations satisfied over time are related to memberships, as further described below. Performance obligations satisfied at a point in time include Museum admissions, special events, membership tours, Museum store sales, and lectures/classes.

The Museum offers a variety of membership levels that typically have a one year term period. Performance obligations are met and revenue is recognized over the term of the membership. Memberships that continue into the following fiscal year are recorded as deferred revenue and are recognized over the remainder of months left in the membership.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and Promises to Give

Unconditional contributions are considered to be non-exchange transactions and are recognized when cash, securities, other assets, or an unconditional promise to give is received. Contributions are recorded as without donor restriction unless the donor stipulates a specific purpose. Donor-restricted contributions are recorded as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets are reclassified to without donor restriction. Donated marketable securities are recorded at fair market value on the date of donation.

Legally enforceable pledges, less an allowance for uncollectible amounts (if deemed necessary), are recorded as a receivable in the year made.

Conditional promises to give, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. No material conditional promises to give existed as of June 30, 2024.

Contributed Services

A substantial number of volunteers have donated their time to the Museum as docents, board members and in auxiliary organizations. As this volunteer service does not meet the recognition requirements of accounting principles generally accepted in the United States of America, no amounts have been recognized in the accompanying Statement of Activities and Changes in Net Assets.

Exhibitions

The Museum allocates its expenses on a functional basis among its various program, management and general, and fundraising expenses. Expenses that can be identified with a specific area are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

Leases

The Museum has previously adopted FASB ASC 842, Leases. For the year ended June 30, 2024, the Museum had no material noncancellable operating or finance 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.

Functional Expenses

The Museum allocates its expenses on a functional basis among its various program, management and general, and fundraising expenses. Expenses that can be identified with a specific area are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

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

The Museum evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of June 30, 2024, 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 2020 and 2019, respectively.

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:

- Lives of fixed assets and method of depreciation.
- Net present value of income interest in trusts and future annuities payable by charitable and gift annuity trusts.
- Fair market values of assets held by charitable trusts.
- Fair market value of certain investments.
- Allocation of expenses to various program and support service categories.
- Uncertain tax positions.

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

Allowance for Credit Losses

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren’t measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Museum that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Credit Losses (continued)

The Museum adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in the preceding disclosure only.

Advertising

Advertising costs are expensed as incurred, and approximately $122,000 for the year ended June 30, 2024.

Note 3 – BEQUESTS AND CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as receivables and revenue of the appropriate net asset category. As of June 30, 2024, the Museum has total bequests and pledges receivable of $478,210. Management expects no material write-offs for receivables at June 30, 2024; therefore, no current provision has been made. These contributions and bequests are expected to be collected as follows:

In less than one year	$ 234,876
In one to five years	243,334
	$ 478,210

Note 4 –GIFT ANNUITIES

The Museum has entered into charitable gift annuity agreements. Pursuant to the agreements, the Museum received a charitable gift of marketable securities and is obligated to make annual payments for the remainder of the donor's life. The asset was originally recorded at fair market value on the date of creation. The liability is recorded at present value of future payments.

The assets for the annuities are physically and legally segregated from other assets of the Museum pursuant to the California Insurance Code. The California Department of Insurance Regulations requires that no more than 50% of these segregated assets be invested in stock. The Museum has its gift annuities currently invested in a balanced index fund.

Note 5 – INVESTMENTS

The market values of marketable securities are from quoted prices as of June 30, 2024, and the market value of alternative investment partnerships are provided by the general partners. These amounts are not necessarily indicative of the amounts the Museum could realize in a current market exchange. At June 30, 2024, the Museum had remaining investment commitments to alternative investment partnerships that are not readily marketable of approximately $2,000,000. Investment income is allocated to participating funds based upon each fund’s respective percentage share in the Museum’s investment pool.

The Board of Trustees has adopted a "total return" methodology for providing operating support to the Museum's Operating Fund. This annual draw is calculated as 4.95% of the twenty-quarter moving average of the fair market value of the endowment investment funds as of June 30.

Note 5 – INVESTMENTS (continued)

At June 30, 2024, investments consisted of the following:

	Cost	Market Value	Unrealized Gain (Loss)
Marketable Securities:			
Cash equivalents	$ 2,973,268	$ 2,973,268	$ -
Hedge mutual funds	2,610,705	2,510,725	(99,980)
Stock mutual funds	39,687,319	40,184,934	497,615
Bond mutual funds	11,938,366	10,328,574	(1,609,792)
Total Marketable Securities	57,209,658	55,997,501	(1,212,157)
Alternative Investments	8,426,023	8,426,023	-
Total Investments	$ 65,635,681	$ 64,423,524	$ (1,212,157)

The following summarizes the net change in unrealized gain on investments for the year ended June 30, 2024:

	Cost	Market Value	Unrealized Gain (Loss)
Balance at end of the period	$ 65,635,681	$ 64,423,524	$ (1,212,157)
Balance at beginning of the period	64,552,804	57,734,958	(6,817,846)
Net change in unrealized gain			$ 5,605,689

The following summarizes the investment return included in the statement of activities for the year ended June 30, 2024:

Interest and dividend income	$ 1,970,072
Unrealized gain on value of securities	5,605,689
Realized loss on sale of securities	(1,102,021)
Partnership income	1,807,685
Investment fees	(210,952)
Net Investment Income	$ 8,070,473

Note 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2024:

Buildings and improvements	$ 31,941,113
Furniture and equipment	31,893,951
Total cost	63,835,064
Less accumulated depreciation	(14,240,679)
Net property and equipment	$ 49,594,385

For the year ending June 30, 2024, the Museum recognized depreciation expense of $2,042,501.

Note 6 – PROPERTY AND EQUIPMENT (continued)

In 1982, the Museum deeded certain parcels of privately held land to the County of Santa Barbara in exchange for a lease agreement with the County. The original Museum building and the Park Wing addition is currently leased by the Museum from the County at no cost until March 2081. Two separate buildings have been constructed on the adjacent parcels. The buildings are physically integrated and operated as a single facility. An agreement exists between the Museum and the County addressing the separation of the two buildings, including reversion of improvements to the County, should integrated use of the two structures ever change. The lease agreement is valued at the recorded amount of the land at the time of conveyance, and no gain or loss has been recognized in the transaction. The leasehold is being amortized over a 40-year period.

Buildings and equipment include one residence which is pledged as collateral on a note payable of $892,685.

Note 7 – CHARITABLE TRUST AGREEMENTS

Charitable trust agreements in which the Museum has been named as an irrevocable beneficiary are recorded on the books of the Museum and classified as net assets with donor restrictions. If the Museum is the trustee, the fair market value of the trust is recorded in the Museum's statement of financial position and a corresponding liability is recorded for the net present value of the required payments as specified in the agreement. A contribution is recorded for the difference between the two amounts. If the Museum is not the trustee, the trust is recorded as a contribution and an asset equivalent to the present value of the trust assets and the estimated future income net of the present value of the estimated future payments to other 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 remainder trusts.

The assets are recorded at approximate fair market value based upon the most recent tax return filed by the trust that is available to the Museum or current values provided by the trustee to the Museum. 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 either on the IRS discount rate as of June 30, 2024, or the determined rate of return, whichever is greater.

Note 8 – PERPETUAL INCOME TRUST INTERESTS

The Museum is named as an income beneficiary of four perpetual trusts, the corpus of which is not controlled by the management of the Museum. Under these arrangements, the Museum has the irrevocable right to receive income earned on the underlying assets held in perpetuity. Income received from three of the trusts is discretionary, while income from one trust is restricted for reimbursement of Asian art expenditures.

For the four discretionary trusts, the Museum is a beneficiary of this stream of income in perpetuity. The Museum estimates the asset values by measuring its beneficial interest at fair value by using the fair value of the assets contributed to the trust. Any change in the estimate of the asset values based on changes to the fair value is recorded in the Statement of Activities as a change in value of interests in trusts.

Note 8 – PERPETUAL INCOME TRUST INTERESTS (continued)

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions.

Note 9 – FAIR VALUE MEASUREMENT

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurement and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Museum has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Money market funds – Money market funds valued at the net asset value (NAV) of shares held at year end.

Common stocks, fixed income and mutual funds – Exchange traded securities, mutual funds, and highly-liquid government bonds valued at quoted market prices or NAV of shares held as of year-end.

Charitable trusts agreements and gift annuities – Valued at estimated net present value (NPV) of beneficial interest in trust.

Partnerships – Estimated by management and general partners in the absence of readily determinable fair values using net asset value (NAV) per share as a practical expedient and are therefore not categorized within the fair value hierarchy.

Note 9 – FAIR VALUE MEASUREMENT (continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Museum believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents assets recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and the level in which the fair value measurements fall at June 30, 2024:

Description	Level 1	Level 2	Level 3	Total
Investments:				
Money market	$ 2,973,268	$ -	$ -	$ 2,973,268
Hedge mutual funds	2,510,725	-	-	2,510,725
Stock mutual funds	40,184,934	-	-	40,184,934
Bond mutual funds	10,328,574	-	-	10,328,574
Total Investments	55,997,501	-	-	55,997,501
Charitable trust agreements and gift annuities	-	15,443,953	-	15,443,953
Total assets in the fair value hierarchy	$ 55,997,501	$ 15,443,953	$ -	71,441,454
Investments measured at net asset value (a)				8,426,023
Total investments at fair value				$ 79,867,477

(a) In accordance with Subtopic 820-10, investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

Note 10 – DEFERRED REVENUE

Deferred revenue consists of money received in advance for memberships, member tours and for summer art classes that will take place after June 30, 2024.

Note 11 – NOTE PAYABLE

The Museum has a note payable of $892,685 secured by residential real estate at an interest rate of 4.375%. Payments of $6,038 are due monthly with the final payment being due on May 15, 2042.

Principal payments are due as follows for the years ending June 30:

2025	$ 33,501
2026	35,017
2027	36,603
2028	38,166
2029	39,987
Thereafter	709,411
	$ 892,685

The Museum paid $40,530 in interest for the year ended June 30, 2024.

Note 12 – LINE OF CREDIT

The Museum has entered into a $12,000,000 non-revolving line of credit agreement with Bank of America. Under the terms of the agreement, the Museum may draw on the line of credit to fund costs associated with its renovation project. Interest is payable monthly at LIBOR plus 1.25%. The line of credit is secured by publicly traded securities in the Museum's investment account held at Bank of America. On September 30, 2020, all outstanding principal and interest automatically converted to a term loan with a fixed interest rate of 2.875%. Payment will be based on a 20 year amortization with outstanding principal and interest due on August 31, 2027. During the year ending June 30, 2022, the loan was paid in full.

Note 13 – BENEFIT PLAN

Museum employees who work at least 20 hours per week are eligible immediately to participate in a deferred salary savings plan under Section 403(b) of the Internal Revenue Code. For eligible employees with more than one year of service and participating in the 403(b) deferred salary savings plan, the Museum matches the employee's contribution up to 5% of the participant's compensation. Total Museum match for the plan during the year ended June 30, 2024, was $135,792.

Note 14 – UNEMPLOYEMENT BENEFITS

The Museum is self-insured against claims filed with the state employment department by former employees for unemployment benefits.

Note 15 – ENDOWMENT

The Museum's endowment consists of 62 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including those designated by Board of Trustees, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 15 – ENDOWMENT (continued)

Interpretation of Relevant Law

The Board of Trustees has interpreted the California adopted Universal Prudent Management of Institutional Funds Act (UPMIF A) 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 classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard for prudence prescribed by UPMIFA.

In accordance with California UPMIF A, the Museum considers the following factors in making a determination to appropriate or accumulate earnings on donor designated 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.

Endowment net assets with donor restrictions totaled \$30,008,134, consisting of total original gift endowment contributions of \$23,057,753 and accumulated earnings of \$6,950,381 as of June 30, 2024. In addition, the board has designated \$34,415,363 for endowment as of June 30, 2024.

Return Objectives and Risk Parameters

The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity for donor-specified periods as well as Board-designated funds. The endowment assets are invested in a manner that is intended to produce results that provide a reasonable balance between the quest for growth and the need to protect principal. The investment policy calls for a diverse portfolio utilizing various asset classes with a goal of reducing volatility and risk.

Strategies Employed for Achieving Goals

To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objective within prudent risk constraints.

Note 15 – ENDOWMENT (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Museum has a policy of appropriating for expenditure each year an amount not to exceed 4.95% of the twenty-quarter moving average fair value of the permanent endowment fund investments as of June 30. In establishing this policy, the Museum considered the long-term expected return on its endowment. Accordingly, over the long-term, the Museum expects the current spending policy to allow its endowment to maintain the purchasing power of its assets held in perpetuity as well as to provide additional real growth through new gifts and investment return. If additional funds beyond the 4.95% policy are needed by the Museum for operations or other specific Board approved purposes, then the additional amounts are drawn from Board-designated endowment funds.

Endowment Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-designated funds may fall below the level that current law requires the Museum to retain for a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States erica, these deficiencies are reported as a reduction in unrestricted net assets. Such deficiencies result from unfavorable market fluctuations. As of June 30, 2024, no such deficiency existed.

Note 16 – CONCENTRATION OF RISK

Credit Risk

The Museum maintains cash balances at several banks insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2024, the Museum had approximately $2,812,000 of cash deposits in excess of FDIC limits.

Investment Risk

The Museum holds its investments in a diversified portfolio. Nevertheless, these investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Geographical Concentration

The Museum's membership and donor base is largely drawn from Santa Barbara County. Visitors are both local and tourists.

Note 17 – NET ASSETS

Net Assets Without Donor Restrictions

As of June 30, 2024, net assets without donor restrictions consist of the following:

General unrestricted	$ 50,426,155
Board Designated	
General operations	19,848,792
Art acquisition	11,427,779
Conservation	1,904,710
Education	646,278
Exhibitions	587,804
Total Board Designated	34,415,363
Total Net Assets Without Donor Restrictions	$ 84,841,518

As of June 30, 2024, net assets with donor restrictions, consist of the following:

Subject to expenditure for specified purpose:	
General operations	$ 147,980
Art acquisition	312,122
Exhibitions	57,533
Education	125,039
	642,674
Subject to the passage of time:	
Assets held under split-interest agreements	3,903,033
Endowments:	
Subject to appropriation or expenditure when a specified event occurs:	
General operations	2,224,144
Art acquisition	1,563,591
Conservation	2,513,024
Exhibitions	543,404
Education	106,218
	6,950,381
Subject to endowment spending policy and appropriation:	
Restricted by donors for:	
General operations	19,300,377
Art acquisition	1,001,065
Conservation	1,621,035
Exhibitions	497,000
Education	638,276
	23,057,753
Total Endowments	30,008,134

Note 17 – NET ASSETS (continued)

Not subject to spending policy or appropriation:	
Beneficial interests in perpetual trusts and split interest agreements	11,014,041
Total Net Assets With Donor Restrictions	$ 45,567,882

Note 18 – LIQUIDITY AND AVAILABILITY

The Museum's liquidity management procedures include a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Museum invests cash in excess of daily requirements in short term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve.

The Museum has endowment funds that consist of both donor-restricted and Board-designated amounts. The Board-designated funds available for general us are included above as are the estimated earnings on donor-restricted funds providing they are also available for general use.

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	$ 1,617,313
Accounts receivable	24,373
Contributions receivable without purpose restrictions	234,876
Total Current Assets	1,876,562
Investments	64,423,524
Less assets not available within one year	(41,022,174)
Fiscal year 2025 estimated endowment appropriation for operations	1,289,610
Total Investments	24,690,960
Current liabilities	(2,357,142)
Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2024	$ 24,210,380

Note 19 – SUBSEQUENT EVENTS

Subsequent to the year ending June 30, 2024, the Museum has entered into a contract for a new security system and fire panel. The contract was finalized in June 2025, requiring a $142,000 deposit through a financing agreement with an additional $400,000 financed upon completion in February 2026. The total financed is $542,000 at 9.0% over a 4 year period.

The Museum has evaluated subsequent events through April 10, 2026, the date which the financial statements were available to be issued.