

**SANTA BARBARA BOTANIC GARDEN, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

**SANTA BARBARA BOTANIC GARDEN, INC.**

December 31, 2021

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Santa Barbara Botanic Garden, Inc.  
Santa Barbara, California

### **Opinion**

We have audited the accompanying financial statements of Santa Barbara Botanic Garden, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2021, 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 Botanic Garden, Inc. as of December 31, 2021, 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 Botanic Garden, Inc. 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 Botanic Garden, Inc.'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 Botanic Garden, Inc.'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 Botanic Garden, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

## **Report on Summarized Comparative Information**

We have previously audited the Santa Barbara Botanic Garden, Inc.'s December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated May 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McGowan Guntermann*

Santa Barbara, California

May 18, 2022

**SANTA BARBARA BOTANIC GARDEN, INC.**

STATEMENT OF FINANCIAL POSITION  
December 31, 2021  
(With Comparative Totals for December 31, 2020)

|                                                  | <b>ASSETS</b>                   |                                 |                                 | (Memo)                          |
|--------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                                                  | Without Donor<br>Restrictions   | With Donor<br>Restrictions      | 2021<br>Total                   | 2020<br>Total                   |
| <b>CURRENT ASSETS</b>                            |                                 |                                 |                                 |                                 |
| Cash and cash equivalents                        | \$ 859,986                      | \$ -                            | \$ 859,986                      | \$ 667,609                      |
| Accounts and contracts receivable                | 510,616                         | -                               | 510,616                         | 458,868                         |
| Other receivables                                | 220,498                         | -                               | 220,498                         | 220,498                         |
| Pledges and bequests receivable, current portion | -                               | 275,305                         | 275,305                         | 25,662                          |
| Inventories                                      | 62,817                          | -                               | 62,817                          | 109,785                         |
| Prepaid expenses and deposits                    | <u>100,544</u>                  | <u>-</u>                        | <u>100,544</u>                  | <u>100,227</u>                  |
| <br>Total Current Assets                         | <br><u>1,754,461</u>            | <br><u>275,305</u>              | <br><u>2,029,766</u>            | <br><u>1,582,649</u>            |
| <b>NON-CURRENT ASSETS</b>                        |                                 |                                 |                                 |                                 |
| Pledges receivable, net of current portion       | -                               | 317,062                         | 317,062                         | 13,205                          |
| Investments                                      | 9,249,190                       | 9,167,795                       | 18,416,985                      | 16,015,556                      |
| Interest in perpetual trusts                     | -                               | 1,404,483                       | 1,404,483                       | 1,299,887                       |
| Interest in charitable remainder trusts          | -                               | 342,126                         | 342,126                         | 327,547                         |
| Cash value of life insurance                     | 247,040                         | -                               | 247,040                         | 218,594                         |
| Property and equipment, net                      | 18,557,425                      | -                               | 18,557,425                      | 21,278,124                      |
| Collections                                      | <u>118,275</u>                  | <u>-</u>                        | <u>118,275</u>                  | <u>118,275</u>                  |
| <br>Total Non-Current Assets                     | <br><u>28,171,930</u>           | <br><u>11,231,466</u>           | <br><u>39,403,396</u>           | <br><u>39,271,188</u>           |
| <br><b>TOTAL ASSETS</b>                          | <br><b><u>\$ 29,926,391</u></b> | <br><b><u>\$ 11,506,771</u></b> | <br><b><u>\$ 41,433,162</u></b> | <br><b><u>\$ 40,853,837</u></b> |
| <br><b>LIABILITIES AND NET ASSETS</b>            |                                 |                                 |                                 |                                 |
| <b>LIABILITIES</b>                               |                                 |                                 |                                 |                                 |
| Accounts payable                                 | \$ 49,604                       | \$ -                            | \$ 49,604                       | \$ 156,938                      |
| Accrued liabilities                              | 285,493                         | -                               | 285,493                         | 237,973                         |
| Deferred revenue                                 | 282,388                         | -                               | 282,388                         | 158,088                         |
| Other liabilities                                | 2,289                           | -                               | 2,289                           | 1,507                           |
| Notes payable                                    | <u>-</u>                        | <u>-</u>                        | <u>-</u>                        | <u>2,530,447</u>                |
| <br>Total Current Liabilities                    | <br><u>619,774</u>              | <br><u>-</u>                    | <br><u>619,774</u>              | <br><u>3,084,953</u>            |
| <br><b>NET ASSETS</b>                            |                                 |                                 |                                 |                                 |
| Without Donor Restrictions                       |                                 |                                 |                                 |                                 |
| Undesignated                                     | 25,395,187                      | -                               | 25,395,187                      | 24,928,979                      |
| Designated by the Board for endowment            | <u>3,911,430</u>                | <u>-</u>                        | <u>3,911,430</u>                | <u>3,553,907</u>                |
| Total Without Donor Restrictions                 | 29,306,617                      | -                               | 29,306,617                      | 28,482,886                      |
| With Donor Restrictions                          | <u>-</u>                        | <u>11,506,771</u>               | <u>11,506,771</u>               | <u>9,285,998</u>                |
| <br>Total Net Assets                             | <br><u>29,306,617</u>           | <br><u>11,506,771</u>           | <br><u>40,813,388</u>           | <br><u>37,768,884</u>           |
| <br><b>TOTAL LIABILITIES AND NET ASSETS</b>      | <br><b><u>\$ 29,926,391</u></b> | <br><b><u>\$ 11,506,771</u></b> | <br><b><u>\$ 41,433,162</u></b> | <br><b><u>\$ 40,853,837</u></b> |

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

**SANTA BARBARA BOTANIC GARDEN, INC.**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the Year Ended December 31, 2021

(With Comparative Totals for the Year Ended December 31, 2020)

|                                                      | Without Donor<br>Restrictions   | With Donor<br>Restrictions      | 2021<br>Total                   | (Memo)<br>2020<br>Total         |
|------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>REVENUE, GAINS AND OTHER SUPPORT</b>              |                                 |                                 |                                 |                                 |
| Contributions, bequests and grants                   | \$ 317,659                      | \$ 2,275,751                    | \$ 2,593,410                    | \$ 1,833,071                    |
| Government grant                                     | 602,526                         | -                               | 602,526                         | 566,400                         |
| Membership contributions                             | 463,689                         | -                               | 463,689                         | 372,692                         |
| Admission fees                                       | 1,147,911                       | -                               | 1,147,911                       | 523,155                         |
| Contracts                                            | 968,120                         | -                               | 968,120                         | 814,758                         |
| Garden shop sales, net of costs                      | 261,875                         | -                               | 261,875                         | 97,878                          |
| Investment income                                    | 1,497,205                       | 920,145                         | 2,417,350                       | 1,360,040                       |
| Public programs                                      | 13,868                          | -                               | 13,868                          | 12,374                          |
| Change in value of trusts and life insurance         | -                               | 147,622                         | 147,622                         | 126,975                         |
| Other income                                         | 221,182                         | -                               | 221,182                         | 93,826                          |
| Special events (net of expenses of \$0 and \$17,612) | 22,882                          | -                               | 22,882                          | 40,789                          |
| Net assets released from restrictions                | <u>1,122,745</u>                | <u>(1,122,745)</u>              | <u>-</u>                        | <u>-</u>                        |
| <br>Total Revenue, Gains and Other Support           | <br><u>6,639,662</u>            | <br><u>2,220,773</u>            | <br><u>8,860,435</u>            | <br><u>5,841,958</u>            |
| <br><b>EXPENSES</b>                                  |                                 |                                 |                                 |                                 |
| Program Expenses                                     |                                 |                                 |                                 |                                 |
| Education                                            | 362,207                         | -                               | 362,207                         | 369,745                         |
| Living collections                                   | 1,646,512                       | -                               | 1,646,512                       | 1,379,078                       |
| Conservation and research                            | 1,997,231                       | -                               | 1,997,231                       | 1,678,275                       |
| Garden shop                                          | <u>203,588</u>                  | <u>-</u>                        | <u>203,588</u>                  | <u>62,216</u>                   |
| Total Program Expenses                               | <u>4,209,538</u>                | <u>-</u>                        | <u>4,209,538</u>                | <u>3,489,314</u>                |
| Supporting Services                                  |                                 |                                 |                                 |                                 |
| Management and general                               | 1,095,386                       | -                               | 1,095,386                       | 980,788                         |
| Fundraising                                          | <u>511,007</u>                  | <u>-</u>                        | <u>511,007</u>                  | <u>458,228</u>                  |
| Total Expenses                                       | <u>5,815,931</u>                | <u>-</u>                        | <u>5,815,931</u>                | <u>4,928,330</u>                |
| <br><b>CHANGE IN NET ASSETS</b>                      | <br><b>823,731</b>              | <br><b>2,220,773</b>            | <br><b>3,044,504</b>            | <br><b>913,628</b>              |
| <br>NET ASSETS, BEGINNING OF YEAR                    | <br><u>28,482,886</u>           | <br><u>9,285,998</u>            | <br><u>37,768,884</u>           | <br><u>36,855,256</u>           |
| <br><b>NET ASSETS, END OF YEAR</b>                   | <br><u><b>\$ 29,306,617</b></u> | <br><u><b>\$ 11,506,771</b></u> | <br><u><b>\$ 40,813,388</b></u> | <br><u><b>\$ 37,768,884</b></u> |

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

**SANTA BARBARA BOTANIC GARDEN, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2021

(With Comparative Totals for the Year Ended December 31, 2020)

| EXPENSES                          | Program Services  |                       |                              |                   |                     | Support Services             |                   | 2021<br>Total       | (Memo)<br>2020<br>Total |
|-----------------------------------|-------------------|-----------------------|------------------------------|-------------------|---------------------|------------------------------|-------------------|---------------------|-------------------------|
|                                   | Education         | Living<br>Collections | Conservation<br>and Research | Garden<br>Shop    | Total<br>Program    | Management<br>and<br>General | Fundraising       |                     |                         |
| Salaries and wages                | \$ 174,215        | \$ 771,600            | \$ 833,565                   | \$ 122,585        | \$ 1,901,965        | \$ 406,267                   | \$ 196,023        | \$ 2,504,255        | \$ 2,321,302            |
| Payroll taxes and benefits        | 72,533            | 321,252               | 347,051                      | 51,037            | 791,873             | 169,148                      | 81,613            | 1,042,634           | 621,866                 |
| Total salaries and benefits       | 246,748           | 1,092,852             | 1,180,616                    | 173,622           | 2,693,838           | 575,415                      | 277,636           | 3,546,889           | 2,943,168               |
| Advertising and promotion         | -                 | 2,622                 | 1,229                        | 193               | 4,044               | 5,333                        | 20,870            | 30,247              | 16,306                  |
| Bank fees                         | 318               | 44,547                | 887                          | 696               | 46,448              | 10,128                       | 9,622             | 66,198              | 33,008                  |
| Contracted services               | 28,614            | 96,618                | 135,446                      | 192               | 260,870             | 228,447                      | 132,303           | 621,620             | 540,265                 |
| Equipment and supplies            | 8,532             | 177,384               | 103,392                      | 7,100             | 296,408             | 86,982                       | 17,322            | 400,712             | 209,278                 |
| Facilities and maintenance        | 13,129            | 51,324                | 3,771                        | 2,567             | 70,791              | 82,034                       | 5,105             | 157,930             | 228,839                 |
| Insurance                         | 21,829            | 96,695                | 104,444                      | 15,360            | 238,328             | 14,249                       | 3,471             | 256,048             | 200,304                 |
| Mortgage interest                 | -                 | -                     | -                            | -                 | -                   | -                            | -                 | -                   | 33,452                  |
| Professional memberships          | 42                | 1,750                 | 4,923                        | -                 | 6,715               | 12,946                       | 2,441             | 22,102              | 11,300                  |
| Publications                      | -                 | 19,140                | -                            | -                 | 19,140              | 3,168                        | 24,447            | 46,755              | 46,671                  |
| Travel and meetings               | 750               | 5,374                 | 15,381                       | -                 | 21,505              | 23,581                       | 3,218             | 48,304              | 37,187                  |
| Depreciation                      | 42,245            | 58,206                | 447,142                      | 3,858             | 551,451             | 53,103                       | 14,572            | 619,126             | 628,552                 |
| <b>2021 TOTAL EXPENSES</b>        | <b>\$ 362,207</b> | <b>\$ 1,646,512</b>   | <b>\$ 1,997,231</b>          | <b>\$ 203,588</b> | <b>\$ 4,209,538</b> | <b>\$ 1,095,386</b>          | <b>\$ 511,007</b> | <b>\$ 5,815,931</b> |                         |
| <b>2020 TOTAL EXPENSES (MEMO)</b> | <b>\$ 369,745</b> | <b>\$ 1,379,078</b>   | <b>\$ 1,678,275</b>          | <b>\$ 62,216</b>  | <b>\$ 3,489,314</b> | <b>\$ 980,788</b>            | <b>\$ 458,228</b> |                     | <b>\$ 4,928,330</b>     |

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

**SANTA BARBARA BOTANIC GARDEN, INC.**

**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2021

(With Comparative Totals for the Year Ended December 31, 2020)

|                                                                                                       | 2021               | (Memo)<br>2020    |
|-------------------------------------------------------------------------------------------------------|--------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                           |                    |                   |
| Change in net assets                                                                                  | \$ 3,044,504       | \$ 913,628        |
| Adjustments to reconcile change in net assets<br>to net cash provided (used) by operating activities: |                    |                   |
| Depreciation                                                                                          | 619,126            | 628,552           |
| Gain on sale of property                                                                              | (89,133)           | (15,000)          |
| Change in value of trusts and life insurance                                                          | (147,621)          | (126,975)         |
| Realized and unrealized gain on value of securities                                                   | (2,189,734)        | (1,154,684)       |
| (Increase) decrease in:                                                                               |                    |                   |
| Accounts and contracts receivable                                                                     | (51,748)           | (433,305)         |
| Pledges and bequests receivable                                                                       | (553,500)          | 386,607           |
| Other receivables                                                                                     | -                  | (220,498)         |
| Inventories                                                                                           | 46,968             | (34,402)          |
| Prepaid expenses and deposits                                                                         | (317)              | 7,346             |
| Increase (decrease) in:                                                                               |                    |                   |
| Accounts payable                                                                                      | (107,334)          | 12,457            |
| Accrued liabilities                                                                                   | 48,302             | (114,310)         |
| Deferred revenue                                                                                      | 124,300            | 55,313            |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                                               | <u>743,813</u>     | <u>(95,271)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                           |                    |                   |
| Purchase of property and equipment                                                                    | (183,755)          | (121,064)         |
| Net proceeds from disposition of property                                                             | 2,374,461          | 15,000            |
| Purchase of securities                                                                                | (4,691,338)        | (5,425,157)       |
| Proceeds from sale of securities                                                                      | 4,479,643          | 5,660,534         |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>                                                      | <u>1,979,011</u>   | <u>129,313</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                           |                    |                   |
| Proceeds from long-term debt                                                                          | -                  | 2,530,447         |
| Payments on long-term debt                                                                            | (2,530,447)        | (2,528,257)       |
| Net proceeds from short-term debt                                                                     | -                  | (605,000)         |
| <b>NET CASH USED BY FINANCING ACTIVITIES</b>                                                          | <u>(2,530,447)</u> | <u>(602,810)</u>  |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                           | 192,377            | (568,768)         |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>                                                  | <u>667,609</u>     | <u>1,236,377</u>  |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>                                                        | <u>\$ 859,986</u>  | <u>\$ 667,609</u> |

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

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

#### Business Activity

The Santa Barbara Botanic Garden, Inc. (the Garden) is a non-profit organization incorporated in 1939 under the laws of the State of California. The Garden fosters the conservation of California native plants through our gardens, research, and education, and serves as a role model for sustainable practice.

#### Programs

The Garden has the following program activities:

Education: The Educational Program supports the Garden's conservation mission by inspiring active stewardship of native plants and the environments that depend on them. We work to develop an environmentally literate and engaged public through on-site classes, lectures, travel, and docent-led public and school tours. The Garden itself serves as a large and inspiring classroom with diverse collections of native plants that attract a great variety of wildlife. Garden school tours increase the eco-literacy of children in ways that are interactive and relevant to their daily lives and interests. These popular tours are designed to align with the California Common Core State Standards, California Environmental Education Initiative, and Next Generation Science Standards. The Garden's Citizen Science Club and California Naturalists training program offer specialized education for volunteers, nature enthusiasts, and professionals.

Living Collections: The Horticulture Program designs, installs, and maintains the Garden's 78 acres of living native plant collections and historic landmarks. The Garden has several distinctive sections that highlight the breadth of species across California's diverse landscape. The newest garden displays offer updated inspiration for conserving water and using natives in home gardens; introduce deciduous natives in a shaded, canyon setting; showcase plants of the Channel Islands with a breadth-taking view of the islands themselves; engage children with a maze made of native Coyote Bush; and introduce visitors to California's rarest and most threatened species. The Horticulture team also manages two native plant nurseries, one open to the public for plant purchases and the other for propagation.

Conservation and Research: The Conservation and Research Program tackles today's complex conservation challenges at all levels: from genes, to individuals, populations, communities, and ecosystems. Garden scientists work collaboratively to identify and implement strategies for protecting and restoring California's diverse botanic ecosystems. The Conservation and Research team works to safeguard endangered plant species, produce essential regional plant inventories and research, and secure collections of seeds as well as living plants for study and potential recovery in the event of disaster. They examine the beneficial role native plants play in supporting pollination and pest control for healthier and more productive food crops and wildlands. The team also manages a seed bank and an herbarium. By using cryogenics, they maintain a comprehensive collection of genetic material from California's most imperiled plants.

Garden Shop: The Garden Shop supports garden education, community programs, exhibits and displays by selling books, maps, garden publications, educational tools and related products, thereby generating appreciation and knowledge of the plant and natural sciences.

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Basis of Accounting

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

#### Description of Net Assets

The Garden 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.

#### Cash and Cash Equivalents

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.

#### Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for research activities. The Garden determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At December 31, 2021, all accounts receivables were considered fully collectible and thus no allowance for uncollectable accounts receivable are reported.

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Receivables and Credit Policies (continued)

Other receivables consist of amounts receivable for employee retention credits and are considered fully collectible.

#### Pledges and Bequests Receivable

The Garden records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Garden determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2021, all pledges and bequests receivable are considered fully collectible.

#### Inventory

Inventory consists of gift shop items as well as nursery items held for sale. Inventory is valued at the lower of cost or market, using the average cost method.

#### Investments and Investment Income

The Garden 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 statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

#### Property, Equipment and Depreciation

The Garden records property and equipment additions over \$3,000 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 30 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 Garden 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 Garden have determined that no long-lived assets were impaired at December 31, 2021.

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Beneficial Interests in Perpetual Trusts

The Garden has been named as an irrevocable beneficiary of perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the Garden; however, the Garden will never receive the assets of the trusts. At the date the Garden receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities, and a beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

#### Beneficial Interests in Charitable Trusts Held by Others

The Garden has been named as an irrevocable beneficiary of several charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, the Garden has neither possession nor control over the assets of the trusts. At the date the Garden receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statements of activities, and a beneficial interest in charitable trusts held by others is recorded in the statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities.

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. Trust distributions with donor-imposed restrictions that are perpetual in nature are transferred to the endowment, in which case, net assets with donor-restrictions are not released.

#### Collections

The Garden has elected not to capitalize donated botanical collections nor does the Garden recognize these contributions as revenues or gains. Generally accepted accounting principles provide that such donations need not be recognized if: 1) they are added to collections that are held for public exhibition, education, or research in furtherance of public service rather than financial gain; 2) are protected, kept unencumbered, cared for and preserved; and 3) are subject to a policy that requires the proceeds from the sales of collection items to be used to acquire other items for collections. The Garden also has non botanical collections of \$118,275, as of December 31, 2021, which has been capitalized in accordance with generally accepted accounting principles.

#### Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. 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.

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. For the year ended December 31, 2021, approximately 225 volunteers donated 10,000 hours in support of the Garden's program and fundraising activities, valued at an estimated \$250,000 (the value of the volunteer time is calculated based on cost to hire someone to perform the same work). No amounts have been recorded in these financial statements for these volunteer services, as they do not meet the criteria requisite under generally accepted accounting principles.

Contributed goods are recorded at fair value at the date of donation. The Garden records donated professional services at the respective fair values of the services received. The Garden received \$21,430 in contributions of such goods or services during the year ended December 31, 2021.

#### Income Taxes

The Garden 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 Organization is not a private foundation for income tax purposes. The Garden is not aware of any transactions that would affect its tax-exempt status.

The Garden 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, 2021, the Garden had no uncertain tax positions requiring accrual.

The Garden files tax returns in California and U.S. federal jurisdictions. The Garden is no longer subject to U.S. federal, state and local tax examinations by tax authorities for years before 2018 and 2017, respectively.

#### Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Direct expenses are charged to the appropriate program or function. Salaries and related benefits are allocated to the various functions based on time spent by employee. Indirect expenses have been allocated to program and supporting services based on reasonable allocation methods deemed appropriate by management.

#### Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Garden to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Garden has not experienced losses in any of these accounts.

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial Instruments and Credit Risk (continued)

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 donors, governmental agencies, and foundations supportive of the Garden's mission. Investments are made by diversified investment managers whose performance is monitored by the Garden and the investment committee of the Board of Directors. 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 Garden.

#### Subsequent Events

The Garden has evaluated subsequent events through May 18, 2022, the date which the financial statements were available to be issued.

#### Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class in the Statement of Activities or by function in the Statement of Functional Expenses. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Garden's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

#### Reclassification

Certain reclassifications have been made to the December 31, 2020, financial statements to conform to the presentation used in the December 31, 2021, financial statements.

### Note 2 – PLEDGES AND BEQUESTS RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges and bequests receivable and revenue of the appropriate net asset category. Pledges receivable represent multi-year commitments and irrevocable bequests by donors and are reported at estimated present value using a discount rate of 0.39%.

Recognition of all pledges and bequests receivable for the next five years ending December 31 and after is expected to be as follows:

|                                       |                   |
|---------------------------------------|-------------------|
| 2022                                  | \$ 275,305        |
| 2023                                  | 214,266           |
| 2024                                  | 102,450           |
| 2025                                  | 1,000             |
| 2026                                  | <u>1,000</u>      |
|                                       | 594,021           |
| Less unamortized discount             | <u>(1,654)</u>    |
| Total pledges and bequests receivable | <u>\$ 592,367</u> |

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 3 – INVENTORY

Inventory consists of garden shop and nursery inventory totaling \$62,817 at December 31, 2021.

### Note 4 – INVESTMENTS

Investments are presented in the financial statements at fair market value, which is derived from quoted market prices at year end. At December 31, 2021, investments consist of the following:

|                        | <u>Cost</u>          | <u>Market Value</u>  | <u>Unrealized Gain</u> |
|------------------------|----------------------|----------------------|------------------------|
| Cash                   | \$ 476,599           | \$ 476,599           | \$ -                   |
| Fixed income           | 4,734,640            | 5,406,191            | 671,551                |
| Equities               | 8,851,720            | 12,531,195           | 3,679,475              |
| Alternatives and other | <u>3,000</u>         | <u>3,000</u>         | <u>-</u>               |
| Total Investments      | <u>\$ 14,065,959</u> | <u>\$ 18,416,985</u> | <u>\$ 4,351,026</u>    |

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

|                                      | <u>Cost</u>       | <u>Market Value</u> | <u>Unrealized Gain (Loss)</u> |
|--------------------------------------|-------------------|---------------------|-------------------------------|
| Balance at end of the year           | \$ 14,065,959     | \$ 18,416,985       | \$ 4,351,026                  |
| Balance at the beginning of the year | <u>13,088,206</u> | <u>16,015,556</u>   | <u>2,927,350</u>              |
| Net change in unrealized gain        |                   |                     | <u>\$ 1,423,676</u>           |

The following schedule summarizes the investment income in the statement of activities for the year ended December 31, 2021:

|                        |                     |
|------------------------|---------------------|
| Dividends and interest | \$ 347,601          |
| Net unrealized gain    | 1,423,676           |
| Net realized gain      | 766,058             |
| Investment fees        | <u>(119,985)</u>    |
| Investment income      | <u>\$ 2,417,350</u> |

### Note 5 – FAIR VALUE MEASUREMENT

The Garden has established a framework for measuring fair value and expanding disclosures about fair value measurements. Accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;
- Level 3: Unobservable inputs that are supported by little or no market activity.

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 5 – FAIR VALUE MEASUREMENT (continued)

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then Level 2 fair values are estimated by using a pricing model of quoted prices of securities with similar characteristics or discounted cash flows. 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.

Fair market valuation of Level 3 securities is based on estimates of management, information valuation methods used within a particular industry, or other market factors to determine if the carrying value of these investments should be adjusted. Because of the inherent uncertainty of valuations, however, the estimated values may differ from the values that would have been used had a ready market existed, and the differences could be material.

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

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

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

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

*Charitable Remainder Trust* – The Garden 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 Organization. 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, 2021, less any estimated reserve. The Garden considers the measurement of its beneficial interest in the trusts to be a Level 3 measurement within the fair value hierarchy.

The Garden 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, 2021.

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 5 – FAIR VALUE MEASUREMENT (continued)

The following table presents assets recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and the level in which the fair value measurements fall at December 31, 2021:

| <u>Description</u>                       | <u>Level 1</u>       | <u>Level 2</u>      | <u>Level 3</u>      | <u>Total</u>         |
|------------------------------------------|----------------------|---------------------|---------------------|----------------------|
| Cash                                     | \$ 476,599           | \$ -                | \$ -                | \$ 476,599           |
| Fixed income                             | 3,621,947            | 1,784,244           | -                   | 5,406,191            |
| Equities                                 | 12,531,195           | -                   | -                   | 12,531,195           |
| Alternatives and other                   | <u>3,000</u>         | <u>-</u>            | <u>-</u>            | <u>3,000</u>         |
| Total assets measured at fair value      | <u>\$ 16,632,741</u> | <u>\$ 1,784,244</u> | <u>\$ -</u>         | <u>\$ 18,416,985</u> |
| Interests in charitable remainder trusts | <u>\$ -</u>          | <u>\$ -</u>         | <u>\$ 342,126</u>   | <u>\$ 342,126</u>    |
| Interests in perpetual trusts            | <u>\$ -</u>          | <u>\$ -</u>         | <u>\$ 1,404,483</u> | <u>\$ 1,404,483</u>  |

The following table provides a reconciliation of assets and liabilities measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2021:

| <u>Description</u>           | <u>Beginning Balance</u> | <u>Additions</u> | <u>Distributions</u> | <u>Gain included in changes in net assets</u> | <u>Ending Balance</u> |
|------------------------------|--------------------------|------------------|----------------------|-----------------------------------------------|-----------------------|
| Charitable remainder trusts  | \$ 327,547               | \$ -             | \$ -                 | \$ 14,579                                     | \$ 342,126            |
| Interest in perpetual trusts | <u>1,299,887</u>         | <u>-</u>         | <u>-</u>             | <u>104,596</u>                                | <u>1,404,483</u>      |
| Total Assets                 | <u>\$ 1,627,434</u>      | <u>\$ -</u>      | <u>\$ -</u>          | <u>\$ 119,175</u>                             | <u>\$ 1,746,609</u>   |

### Note 6 – INTEREST IN TRUSTS

#### Perpetual Income Interest in Trust

The Garden holds a beneficial interest in the income of the Anna Blaksley Bliss Trust, the Preston and Sterling Morton Trust, and the Hugunin Trust, under legal instruments created by the donors. The Garden does not have possession or control of the trusts, which are held and administered by outside agents. The agents calculate and distribute income in accordance with each trust agreement. Since the Garden is the beneficiary of the income stream into perpetuity, these perpetual trusts' values are recorded as permanently restricted assets.

As of December 31, 2021, the total estimated fair market value of the interests in perpetual trusts was \$1,404,483. The change in the value of these trusts was recorded as an increase or decrease in net assets with donor restrictions in the Statement of Activities. For the year ended December 31, 2021, the present value of the trusts increased by \$104,596. The total distributions received from the trusts were \$55,231 for the year ended December 31, 2021.

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 6 – INTEREST IN TRUSTS (continued)

#### Charitable Remainder Trust

The Garden is the beneficiary of irrevocable charitable remainder trusts held by independent trustees. In accordance with generally accepted accounting principles, the Garden has reported the irrevocable beneficial interest as an asset in the accompanying statement of financial position. Under the terms of the agreements, the Garden has an unconditional right to receive all or a portion of specified cash flows from the agreements. The agreements are valued at fair value based upon expected future cash flows and discounted present value at a risk-adjusted rate. As of December 31, 2021, the Garden applied a discount rate of 5 percent. The present value of the trusts as of December 31, 2021 reported in the accompanying statements of financial position was \$342,126.

The change in the value of these assets is recorded annually as an increase or decrease in net assets in the statement of activities. For the year ended December 31, 2021, the present value of the trusts increased by \$14,579.

### Note 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2021:

|                               |                     |
|-------------------------------|---------------------|
| Land                          | \$ 2,634,348        |
| Buildings & improvements      | 18,869,695          |
| Machinery and equipment       | 543,864             |
| Furniture and fixtures        | 156,974             |
| Work in process               | <u>1,586,733</u>    |
|                               | 23,791,614          |
| Less accumulated depreciation | <u>(5,234,189)</u>  |
| Net property and equipment    | <u>\$18,557,425</u> |

For the year ending December 31, 2021, the Garden recognized depreciation expense of \$619,126.

During the year ended December 31, 2021, the Garden sold a residential property for net proceeds of approximately \$2,200,000. The property was located adjacent to the Garden, but it was determined that it was not required for Garden operations. The proceeds were used to pay down debt associated with the original purchase. The gain on sale is included in other income on the accompanying statement of activities.

### Note 8 – COLLECTIONS

The Garden has collections of botanical books, native plant artworks, herbarium specimens, and living collections. It safeguards the collection of the library in an air-conditioned space. The herbarium collection of preserved plant specimens is maintained in a secure, pest-free facility. The living collection of native plants is displayed on the 78 acres and is maintained by the horticulture staff. Additions to the herbarium and living collection are made in the normal course work by the staff and volunteers, whether during research projects, through exchange with other gardens, from gifts, or from occasional purchases.

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 8 – COLLECTIONS (continued)

The Garden's recorded collections represent only a very small percentage of the estimated total value of the Garden's total artifacts. Artifacts are considered inexhaustible and, therefore, are not being depreciated due to their historical value. The Garden's artifacts are held for exhibition to the public, for educational purposes, or for research, with the intent of being protected, cared for, and preserved. There were no sales of collections during the year ended December 31, 2021.

### Note 9 – ENDOWMENT

The Garden's endowment (the Endowment) consists of individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

The Garden's Board of Directors has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2021, there were no such donor stipulations. As a result of this interpretation, the Garden retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. The Garden considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Changes in Endowment net assets for the years ended December 31, 2021 are as follows:

|                                                      | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
|------------------------------------------------------|-------------------------------|----------------------------|----------------------|
| Endowment net assets,<br>beginning of year           | \$ 3,553,907                  | \$ 6,368,505               | \$ 9,922,412         |
| Contributions                                        | -                             | -                          | -                    |
| Investment Earnings                                  | 513,482                       | 920,145                    | 1,433,627            |
| Appropriations in accordance<br>with spending policy | <u>(155,959)</u>              | <u>(279,474)</u>           | <u>(435,433)</u>     |
| Endowment net assets, ending<br>of year              | <u>\$ 3,911,430</u>           | <u>\$ 7,009,176</u>        | <u>\$ 10,920,606</u> |

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 9 – ENDOWMENT (continued)

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the total amount of the gifts made to the endowment by the donor. The Garden has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There are no deficiencies at December 31, 2021.

#### Investment and Spending Policies

The Garden has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for programs and operating supported by the endowment 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. 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.

Without regard to the current year actual interest and dividends earned, the Board of Directors has authorized an annual spending policy of 5% of the prior 12 quarter rolling average endowment portfolio balance.

### Note 10 – DEFERRED REVENUE

Deferred revenue consists of the value of annual memberships sold on or before December 31, 2021, and with an expiration date subsequent to December 31, 2021. The amount of deferred revenue reported is based on the number of months remaining of membership benefit value at December 31, 2021.

### Note 11 – NOTES PAYABLE

As of August 25, 2020, the Garden obtained a revolving line of credit with Montecito Bank & Trust for \$2,550,000, with a due date of August 25, 2025. The line of credit is secured by investment accounts held at the bank and there was no interest for the first twelve months of the loan, then the interest is based on the Wall Street Journal Prime Rate. The minimum interest rate after the first twelve months of the loan is 1.50%. At December 31, 2020, the Garden owed a balance of \$2,530,447 on the line of credit. Effective March 22, 2021, the Garden paid off this revolving line of credit. As of December 31, 2021, there was no borrowing on the line of credit and the line of credit remains open and available for use by the Garden.

### Note 12 – EMPLOYEE BENEFITS

The Garden maintains a 403(b) tax sheltered annuity plan covering employees who meet certain minimum eligibility requirements. The plan is funded each payday (26 per year) based on a match of up to 3.50% of eligible employees' compensation. Employees must work two years with 1,000 hours of service each year to be eligible for the Garden's matching contributions to the plan. The Garden's contribution to employee retirement plans in 2021 was \$87,096.

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 13 – CONCENTRATION OF RISK

#### Credit Risk

The Garden maintains cash balances at two financial institutions. The standard Federal Deposit Insurance Corporation (FDIC) insurance coverage amount is \$250,000 per depositor and per bank institution for interest-bearing accounts. At times throughout the year the Garden maintains balances in excess of the FDIC insured amount. As of December 31, 2021, the Garden's uninsured cash balance was approximately \$582,000.

#### Market Risk

The Garden 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.

#### Geographic Risk

The Garden's primary donor base and members are located in Santa Barbara County, California.

### Note 14 – LIQUIDITY

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

|                                                                                                                   |                     |
|-------------------------------------------------------------------------------------------------------------------|---------------------|
| Cash and cash equivalents                                                                                         | \$ 859,986          |
| Accounts and contracts receivable                                                                                 | 731,114             |
| Pledges receivable                                                                                                | 275,305             |
| Other current assets                                                                                              | <u>163,361</u>      |
| Total Current Assets                                                                                              | <u>2,029,766</u>    |
| Investments                                                                                                       | 18,416,985          |
| Distributions from assets held under<br>split-interest agreements                                                 | 55,231              |
| Endowment spending-rate distributions<br>and appropriates                                                         | 734,218             |
| Less donor purpose restrictions<br>non-endowment                                                                  | (2,158,620)         |
| Less assets held in endowment                                                                                     | <u>(10,920,606)</u> |
| Total Investments                                                                                                 | <u>6,127,208</u>    |
| Current liabilities                                                                                               | <u>(619,774)</u>    |
| Financial assets available to meet cash needs for general<br>expenditures within one year as of December 31, 2021 | <u>\$ 7,537,200</u> |

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 14 – LIQUIDITY (continued)

The Garden'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 as well as general operations. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$3,911,430 is subject to an annual spending rate of 5 percent as described in Note 10. Although the Garden 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.

### Note 15 – NET ASSETS

#### Net Assets Without Donor Restrictions

As of December 31, 2021, net assets without donor restrictions consist of the following:

|                                             |                      |
|---------------------------------------------|----------------------|
| Undesignated net assets                     | \$ 25,395,187        |
| Education                                   | 584,058              |
| Research and conservation                   | 578,831              |
| Horticulture                                | 610,016              |
| General operations                          | <u>2,138,525</u>     |
| Total board designated for endowment        | <u>3,911,430</u>     |
| Total Net Assets Without Donor Restrictions | <u>\$ 29,306,617</u> |

#### Net Assets With Donor Restrictions – Temporary in Nature

As of December 31, 2021, net assets with donor restrictions consist of the following:

|                                                                |                     |
|----------------------------------------------------------------|---------------------|
| Non-Endowment:                                                 |                     |
| Charitable remainder trusts                                    | \$ 342,126          |
| Research and conservation                                      | 411,590             |
| Education                                                      | 25,000              |
| Horticulture                                                   | 1,627,797           |
| Pledges receivable                                             | 592,367             |
| Other restrictions                                             | <u>94,232</u>       |
|                                                                | 3,093,112           |
| Endowment: unappropriated earnings                             |                     |
| Research and conservations                                     | 636,313             |
| Education                                                      | 154,265             |
| General                                                        | 633,295             |
| Horticulture                                                   | <u>523,213</u>      |
|                                                                | <u>1,947,086</u>    |
| Total net assets with donor restrictions - temporary in nature | <u>\$ 5,040,198</u> |

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 15 – NET ASSETS (continued)

#### Net Assets With Donor Restrictions – Perpetual in Nature

As of December 31, 2021, net assets with donor restrictions consist of the following:

|                                                                   |                     |
|-------------------------------------------------------------------|---------------------|
| Non-Endowment:                                                    |                     |
| Interest in perpetual trusts                                      | <u>\$ 1,404,483</u> |
| Endowment:                                                        |                     |
| Research and conservation                                         | 2,033,763           |
| Education                                                         | 1,281,191           |
| General                                                           | 535,000             |
| Horticulture                                                      | <u>1,212,136</u>    |
|                                                                   | 5,062,090           |
| Total net assets with donor restrictions - perpetual<br>in nature | <u>\$ 6,466,573</u> |
| Total Net Assets with Donor Restrictions                          | <u>\$11,506,771</u> |

The temporarily restricted amount for horticulture at December 31, 2021, consists primarily of amounts restricted for the Backcountry project. Per the fundraising terms for this project, any funds not required to complete construction will be transferred to donor restricted endowment at the completion of the project. The income from that endowment will support the operation of the Backcountry. This project will be completed in 2022.

### Note 16 – SBA LOAN UNDER PAYCHECK PROTECTION PROGRAM

On April 17, 2020, the Garden received loan funding of \$566,400 under the Paycheck Protection Program as allowed under the CARES Tax Act, related to the 2020 COVID-19 pandemic. The loan allows for the loan proceeds to be used on allowable costs for the Garden.

The loan will be fully forgiven if the funds are used for payroll costs, rent and utilities and at least 60% of the forgiven amount must be used for payroll. Loan payments will also be deferred for six months. No collateral or personal guarantees were required.

The loan was forgiven in full on August 31, 2021. The Organization recorded the loan as grant revenue for the year ended December 31, 2020.

On January 29, 2021, the Garden received loan funding of \$602,526 under the Paycheck Protection Program as allowed under the CARES Tax Act, related to the 2020 COVID-19 pandemic. The loan allows for the loan proceeds to be used on allowable costs for the Garden.

The Organization recorded the loan as grant revenue for the year ended December 31, 2021. The loan was forgiven in full on February 24, 2022.

**SANTA BARBARA BOTANIC GARDEN, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Note 17 – UNCERTAINTY**

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide.

The Garden cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Garden's financial position, changes in net assets, and cash flows in 2022.