



Santa Barbara  
Botanic Garden

**SANTA BARBARA BOTANIC GARDEN, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

# SANTA BARBARA BOTANIC GARDEN, INC.

December 31, 2023

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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, 2023, 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, 2023, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated August 15, 2024, on our consideration of Santa Barbara Botanic Garden, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Santa Barbara Botanic Garden, Inc.'s internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Santa Barbara Botanic Garden, Inc.'s internal control over financial reporting and compliance.

## **Report on Summarized Comparative Information**

We have previously audited the Santa Barbara Botanic Garden, Inc.'s December 31, 2022 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated September 7, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McGowan Muntermann*

Santa Barbara, California

August 15, 2024

**SANTA BARBARA BOTANIC GARDEN, INC.**

STATEMENT OF FINANCIAL POSITION

December 31, 2023

(With Comparative Totals for December 31, 2022)

	<b>ASSETS</b>			(Memo)
	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 224,549	\$ -	\$ 224,549	\$ 303,023
Accounts and contracts receivable	574,657	-	574,657	430,666
Other receivables	19,456	-	19,456	220,498
Pledges and bequests receivable, current portion	-	450,743	450,743	430,410
Inventories	124,593	-	124,593	81,088
Prepaid expenses and deposits	229,766	-	229,766	150,534
	<u>1,173,021</u>	<u>450,743</u>	<u>1,623,764</u>	<u>1,616,219</u>
<b>NON-CURRENT ASSETS</b>				
Pledges receivable, net of current portion	-	107,485	107,485	179,457
Investments	6,558,869	9,854,730	16,413,599	15,320,436
Interest in perpetual trusts	-	1,259,126	1,259,126	1,175,581
Interest in charitable remainder trusts	-	372,614	372,614	358,957
Cash value of life insurance	230,621	-	230,621	209,322
Property and equipment, net	17,563,207	-	17,563,207	18,019,045
Design and entitlement costs	1,192,833	-	1,192,833	1,192,833
Collections	118,275	-	118,275	118,275
	<u>25,663,805</u>	<u>11,593,955</u>	<u>37,257,760</u>	<u>36,573,906</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 26,836,826</u></b>	<b><u>\$ 12,044,698</u></b>	<b><u>\$ 38,881,524</u></b>	<b><u>\$ 38,190,125</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 257,577	\$ -	\$ 257,577	\$ 145,453
Accrued liabilities	464,422	-	464,422	573,036
Deferred revenue	300,509	-	300,509	266,324
	<u>1,022,508</u>	<u>-</u>	<u>1,022,508</u>	<u>984,813</u>
<b>NET ASSETS</b>				
Without Donor Restrictions				
Undesignated	22,329,069	-	22,329,069	24,004,635
Designated by the Board for endowment	3,485,249	-	3,485,249	3,192,553
Total Without Donor Restrictions	25,814,318	-	25,814,318	27,197,188
With Donor Restrictions	-	12,044,698	12,044,698	10,008,124
	<u>25,814,318</u>	<u>12,044,698</u>	<u>37,859,016</u>	<u>37,205,312</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 26,836,826</u></b>	<b><u>\$ 12,044,698</u></b>	<b><u>\$ 38,881,524</u></b>	<b><u>\$ 38,190,125</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, 2023

(With Comparative Totals for the Year Ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	(Memo) 2022 Total
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
Contributions, bequests and grants	\$ 520,820	\$ 1,877,634	\$ 2,398,454	\$ 3,055,738
Membership contributions	756,530	-	756,530	657,575
Admission fees	1,094,195	-	1,094,195	1,047,808
Contracts	1,674,956	-	1,674,956	1,439,409
Garden shop sales, net of costs	343,981	-	343,981	318,402
Investment income (loss)	1,077,100	1,159,923	2,237,023	(2,681,318)
Public programs	140,072	-	140,072	76,896
Change in value of trusts and life insurance	-	118,501	118,501	(249,789)
Other income	197,267	-	197,267	170,867
Special events (net of expenses of \$94,503 and \$67,467)	81,517	-	81,517	124,021
Net assets released from restrictions	<u>1,119,484</u>	<u>(1,119,484)</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains and Other Support	<u>7,005,922</u>	<u>2,036,574</u>	<u>9,042,496</u>	<u>3,959,609</u>
<b>EXPENSES</b>				
<b>Program Expenses</b>				
Education	870,796	-	870,796	457,886
Living collections	2,101,722	-	2,101,722	2,087,960
Conservation and research	2,849,115	-	2,849,115	2,619,699
Garden shop	<u>392,913</u>	<u>-</u>	<u>392,913</u>	<u>259,247</u>
Total Program Expenses	<u>6,214,546</u>	<u>-</u>	<u>6,214,546</u>	<u>5,424,792</u>
<b>Supporting Services</b>				
Management and general	1,120,111	-	1,120,111	1,400,317
Fundraising	<u>1,054,135</u>	<u>-</u>	<u>1,054,135</u>	<u>742,576</u>
Total Expenses	<u>8,388,792</u>	<u>-</u>	<u>8,388,792</u>	<u>7,567,685</u>
<b>CHANGE IN NET ASSETS</b>	<b>(1,382,870)</b>	<b>2,036,574</b>	<b>653,704</b>	<b>(3,608,076)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>27,197,188</u>	<u>10,008,124</u>	<u>37,205,312</u>	<u>40,813,388</u>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 25,814,318</u></b>	<b><u>\$ 12,044,698</u></b>	<b><u>\$ 37,859,016</u></b>	<b><u>\$ 37,205,312</u></b>

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, 2023

(With Comparative Totals for the Year Ended December 31, 2022)

EXPENSES	Program Services					Support Services		2023 Total	(Memo) 2022 Total
	Education	Living Collections	Conservation and Research	Garden Shop	Total Program	Management and General	Fundraising		
Salaries and wages	\$ 576,267	\$ 1,178,885	\$ 1,423,109	\$ 258,510	\$ 3,436,771	\$ 363,580	\$ 552,709	\$ 4,353,060	\$ 3,430,499
Payroll taxes and benefits	150,849	308,597	372,527	67,670	899,643	95,174	144,682	1,139,499	1,418,717
Total salaries and benefits	727,116	1,487,482	1,795,636	326,180	4,336,414	458,754	697,391	5,492,559	4,849,216
Advertising and promotion	991	233	175	242	1,641	845	109,427	111,913	122,982
Bank fees	3,311	51,921	8,216	18,783	82,231	27,658	2,661	112,550	83,373
Contracted services	28,158	81,485	258,487	3,788	371,918	283,576	130,249	785,743	745,591
Equipment and supplies	27,937	147,554	121,243	22,639	319,373	125,792	92,276	537,441	454,698
Facilities and maintenance	17,609	136,922	1,229	5,330	161,090	95,910	1,725	258,725	183,057
Insurance	11,943	78,860	85,672	11,119	187,594	18,920	3,096	209,610	273,471
Professional memberships	-	-	349	-	349	15,983	5,016	21,348	10,946
Publications	2,495	2,534	-	86	5,115	4,872	83,665	93,652	92,024
Travel and meetings	3,182	9,927	62,300	357	75,766	21,269	6,557	103,592	155,115
Depreciation	48,054	104,804	515,808	4,389	673,055	66,532	16,575	756,162	664,679
<b>2023 TOTAL EXPENSES</b>	<b>\$ 870,796</b>	<b>\$ 2,101,722</b>	<b>\$ 2,849,115</b>	<b>\$ 392,913</b>	<b>\$ 6,214,546</b>	<b>\$ 1,120,111</b>	<b>\$ 1,148,638</b>	<b>\$ 8,483,295</b>	
Less expenses included with revenues on the statement of activities									
Special events direct expenses	-	-	-	-	-	-	(94,503)	(94,503)	(67,467)
<b>2023 TOTAL EXPENSES</b>	<b>\$ 870,796</b>	<b>\$ 2,101,722</b>	<b>\$ 2,849,115</b>	<b>\$ 392,913</b>	<b>\$ 6,214,546</b>	<b>\$ 1,120,111</b>	<b>\$ 1,054,135</b>	<b>\$ 8,388,792</b>	
2022 TOTAL EXPENSES (MEMO)	\$ 457,886	\$ 2,087,960	\$ 2,619,699	\$ 259,247	\$ 5,424,792	\$ 1,400,317	\$ 742,576		\$ 7,567,685

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, 2023

(With Comparative Totals for the Year Ended December 31, 2022)

	<u>2023</u>	<u>(Memo)</u> <u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 653,704	\$ (3,608,076)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	756,162	664,679
Long-term contributions	-	(2,000,000)
Gain on sale of property	-	(13,925)
Change in value of trusts and life insurance	(118,501)	249,789
Realized and unrealized loss (gain) on value of securities	(1,877,783)	2,937,273
(Increase) decrease in:		
Accounts and contracts receivable	57,051	79,950
Pledges and bequests receivable	51,639	(17,500)
Inventories	(43,505)	(18,271)
Prepaid expenses and deposits	(79,232)	(49,990)
Increase (decrease) in:		
Accounts payable	112,124	95,849
Accrued liabilities	(108,614)	284,107
Deferred revenue	34,185	(14,917)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(562,770)</u>	<u>(1,411,032)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(300,323)	(1,367,479)
Net proceeds from disposition of property	-	62,272
Purchase of securities	(1,151,558)	(2,256,376)
Proceeds from sale of securities	1,936,178	2,415,652
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>484,297</u>	<u>(1,145,931)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term contributions	-	2,000,000
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>-</u>	<u>2,000,000</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(78,473)	(556,963)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>303,023</u>	<u>859,986</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 224,550</u>	<u>\$ 303,023</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”. For donor-imposed restrictions that are perpetual in nature, the unrealized gains and investment income on funds not restricted by the donor are classified as net assets with donor restrictions until those amount are appropriated for expenditure.

#### 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.

#### 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.

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

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

#### 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, 2023, all accounts receivables were considered fully collectible and thus no allowance for uncollectable accounts receivable are reported.

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

#### 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 Garden that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

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

#### 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, 2023, all pledges and bequests receivable are considered fully collectible.

#### 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.

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

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

#### Property, Equipment and Depreciation

The Garden records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years. 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, 2023.

#### 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.

#### Reclassification

Certain reclassifications have been made to the December 31, 2022, financial statements to conform to the presentation used in the December 31, 2023, financial statements.

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

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

#### 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, 2023, which has been capitalized in accordance with generally accepted accounting principles.

#### Leases

The Garden has previously adopted FASB ASC 842, Leases. For the year ended December 31, 2023, the Garden had no material noncancellable operating or capital leases.

Further, the Garden elected a short-term lease exception policy, permitting the Garden 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.

#### 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.

#### 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. 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 in-kind contributions totaling \$13,168 of goods and services during the year ended December 31, 2023.

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

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

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

#### Income Taxes (continued)

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, 2023, 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 and state tax examinations by tax authorities for years before 2020 and 2019, 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.

#### 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, 2022, from which the summarized information was derived.

#### 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.

Credit risk associated with accounts and contracts receivable and pledges and bequests receivable are 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 finance committee of the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the finance 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 August 15, 2024, the date which the financial statements were available to be issued.

**SANTA BARBARA BOTANIC GARDEN, INC.**

NOTES TO 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 4.73%.

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

2024		\$ 450,743	
2025		71,038	
2026		<u>43,500</u>	
		565,281	
	Less unamortized discount	<u>(7,053)</u>	
	Total pledges and bequests receivable	<u>\$ 558,228</u>	

Note 3 – INVENTORY

Inventory consists of garden shop and nursery inventory totaling \$124,593 at December 31, 2023.

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, 2023, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Cash	\$ 591,890	\$ 591,890	\$ -
Fixed income	4,528,770	4,726,530	197,760
Equities	8,427,404	11,092,179	2,664,775
Other	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Total Investments	<u>\$ 13,551,064</u>	<u>\$ 16,413,599</u>	<u>\$ 2,862,535</u>

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

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Balance at end of the year	\$ 13,551,064	\$ 16,413,599	\$ 2,862,535
Balance at the beginning of the year	<u>14,171,450</u>	<u>15,320,436</u>	<u>1,148,986</u>
Net change in unrealized gain			<u>\$ 1,713,549</u>

The following schedule summarizes the investment income in the statement of activities for the year ended December 31, 2023:

Dividends and interest	\$ 472,685
Net unrealized gain	1,713,549
Net realized gain	164,234
Investment fees	<u>(113,445)</u>
Investment income	<u>\$ 2,237,023</u>



# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### 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.

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* – Equities 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 Trusts* – 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 Garden. The beneficial interest in the trusts is reported at its fair value.

**SANTA BARBARA BOTANIC GARDEN, INC.**

NOTES TO FINANCIAL STATEMENTS

Note 5 – FAIR VALUE MEASUREMENT (continued)

*Life insurance policies* – Valued based on policy’s cash surrender value, Cash surrender values are determined using unobservable inputs.

Fair value for 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, 2023, 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, 2023.

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, 2023:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 591,890	\$ -	\$ -	\$ 591,890
Fixed income	2,974,714	1,751,816	-	4,726,530
Equities	11,092,179	-	-	11,092,179
Other	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
 Total assets measured at fair value	 <u>\$ 14,661,783</u>	 <u>\$ 1,751,816</u>	 <u>\$ -</u>	 <u>\$ 16,413,599</u>
 Interests in charitable remainder trusts	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 372,614</u>	 <u>\$ 372,614</u>
 Interests in perpetual trusts	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,259,126</u>	 <u>\$ 1,259,126</u>
 Cash value of life insurance	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 230,621</u>	 <u>\$ 230,621</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, 2023:

<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	\$ 358,957	\$ -	\$ -	\$ 13,657	\$ 372,614
Interest in perpetual trusts	1,175,581	-	-	83,545	1,259,126
Cash value of life insurance	<u>209,322</u>	<u>-</u>	<u>-</u>	<u>21,299</u>	<u>230,621</u>
Total Assets	<u>\$ 1,743,860</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 118,501</u>	<u>\$ 1,862,361</u>

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 6 – INTEREST IN TRUSTS AND LIFE INSURANCE POLICIES

#### Charitable Remainder Trusts

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, 2023, the Garden applied a discount rate of 5 percent. The present value of the trusts as of December 31, 2023, reported in the accompanying statement of financial position was \$372,614.

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, 2023, the present value of the trusts increased by \$13,657.

#### Interest in Perpetual Trusts

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, 2023, the total estimated fair market value of the interests in perpetual trusts was \$1,259,126. 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, 2023, the present value of the trusts increased by \$83,545. The total distributions received from the trusts were \$54,263 for the year ended December 31, 2023.

#### Cash Value of Life Insurance

The Garden is beneficiary of life insurance policies with total death benefits of \$500,000 and a cash surrender value of \$209,322 as of December 31, 2023. The increase in cash surrender value of \$21,299 for the year ended December 31, 2023, has been recorded in the accompanying statement of activity.

### Note 7 – DESIGN AND ENTITLEMENT COSTS

Prior to 2010, the Garden incurred basic design and permitting costs that resulted in the entitlement to build additional structures in the Garden in three phases. All costs incurred for phase one were capitalized in the completed structures and improvements in 2016 and are being depreciated over their useful lives. Basic design and permitting costs which entitle the Garden to build phases two and three have been capitalized as a long term asset until construction of these projects begins at which time they will be included in construction in progress.

As of December 31, 2023, the capitalized design and permitting costs by Phase are as follows:

Phase two	\$ 773,668
Phase three	<u>419,165</u>
Total costs	<u>\$ 1,192,833</u>

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 8 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2023:

Land	\$ 2,634,348
Buildings & improvements	20,355,634
Machinery and equipment	649,323
Furniture and fixtures	286,079
Construction in process	<u>277,814</u>
	24,203,198
Less accumulated depreciation	<u>(6,639,991)</u>
Net property and equipment	<u>\$17,563,207</u>

For the year ending December 31, 2023, the Garden recognized depreciation expense of \$756,161.

### Note 9 – 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.

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, 2023.

### Note 10 – 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 Trustees.

The Garden's Board of Trustees 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, 2023, 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 the Garden in a manner consistent with the standard of prudence prescribed by UPMIFA.

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 10 – ENDOWMENT (continued)

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, 2023 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,192,553	\$ 7,720,969	\$ 10,913,522
Contributions	-	-	-
Investment returns	479,618	1,159,923	1,639,541
Appropriations in accordance with spending policy	<u>(186,922)</u>	<u>(452,059)</u>	<u>(638,981)</u>
Endowment net assets, ending of year	<u>\$ 3,485,249</u>	<u>\$ 8,428,833</u>	<u>\$ 11,914,082</u>

### 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, 2023.

### 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 Trustees has authorized an annual spending policy of 5% of the prior 12 quarter rolling average endowment portfolio balance.

# SANTA BARBARA BOTANIC GARDEN, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 11 – LINE OF CREDIT

As of August 25, 2020, the Garden obtained a revolving line of credit with Montecito Bank & Trust for \$2,550,000, with a maturity date of August 25, 2025. The line of credit is secured by investment accounts held at the bank. The interest is based on the Wall Street Journal Prime Rate. The interest rate at December 31, 2023, was 5.75%. As of December 31, 2023, 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 – DEFERRED REVENUE

Deferred revenue consists of the value of annual memberships sold on or before December 31, 2023, and with an expiration date subsequent to December 31, 2023. The amount of deferred revenue reported is based on the number of months remaining of membership benefit value at December 31, 2023.

### Note 13 – 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, upon hire, are immediately eligible for the Garden's matching contributions to the plan. The Garden's contribution to employee retirement plans in 2023 was \$152,987.

### Note 14 – 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, 2023, the Garden had no uninsured cash as no balance exceeded the FDIC insured amount.

#### 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.

**SANTA BARBARA BOTANIC GARDEN, INC.**

NOTES TO FINANCIAL STATEMENTS

Note 15 – 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	\$ 224,549
Accounts, contracts and other receivables	594,113
Pledges receivable	<u>450,743</u>
Total Current Assets	<u>1,269,405</u>
Investments	16,413,599
Distributions from assets held under split-interest agreements	54,263
Endowment spending-rate distributions and appropriates	823,262
Less donor purpose restrictions non-endowment	(1,984,125)
Less assets held in endowment	<u>(11,914,082)</u>
Total Investments	<u>3,392,917</u>
Current liabilities	<u>(1,022,508)</u>
Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2023	<u>\$ 3,639,814</u>

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 \$3,485,249 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 16 – NET ASSETS

Net Assets Without Donor Restrictions

As of December 31, 2023, net assets without donor restrictions consist of the following:

Undesignated net assets	\$ 22,329,069
Education	520,420
Research and conservation	515,762
Horticulture	543,550
General operations	<u>1,905,517</u>
Total board designated for endowment	<u>3,485,249</u>
Total Net Assets Without Donor Restrictions	<u>\$ 25,814,318</u>

SANTA BARBARA BOTANIC GARDEN, INC.

NOTES TO FINANCIAL STATEMENTS

Note 16 – NET ASSETS (continued)

Net Assets With Donor Restrictions – Temporary in Nature

As of December 31, 2023, net assets with donor restrictions - temporary in nature, consist of the following:

Non-Endowment:	
Charitable remainder trusts	\$ 372,614
Research and conservation	1,475,296
Education	241,125
Horticulture	176,008
Other restrictions	<u>91,696</u>
	2,356,739
Endowment: unappropriated earnings	
Research and conservations	346,606
Education	423,476
Backcountry	193,647
General	79,166
Horticulture	<u>323,848</u>
	<u>1,366,743</u>
Total net assets with donor restrictions - temporary in nature	<u>\$ 3,723,482</u>

Net Assets With Donor Restrictions – Perpetual in Nature

As of December 31, 2023, net assets with donor restrictions - perpetual in nature, consist of the following:

Non-Endowment:	
Interest in perpetual trusts	<u>\$ 1,259,126</u>
Endowment:	
Research and conservation	2,033,763
Backcountry (including pledges)	2,500,000
Education	1,281,191
General	535,000
Horticulture	<u>712,136</u>
	<u>7,062,090</u>
Total net assets with donor restrictions - perpetual in nature	<u>\$ 8,321,216</u>
Total Net Assets with Donor Restrictions	<u>\$12,044,698</u>



## SUPPLEMENTARY INFORMATION

**SANTA BARBARA BOTANIC GARDEN, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Federal Grantor/Pass Through Grantor	Assistance Listing Number	Pass Through Grantor's Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>U.S. DEPARTMENT OF THE INTERIOR - BUREAU OF LAND MANAGEMENT</b>				
Direct Award:				
Inventory and Monitoring for Priority Sensitive Species in the Bishop Field Office	15.245	L20AC00445	\$ 33,516	\$ -
Monitoring CA Jewelflower Demography in the context of pollinator networks	15.245	L22AC00336	30,324	-
Understanding and Conserving the Endangered Kern Mallow	15.245	L20AC00476	55,928	-
CA Restoring Pollination Networks for the California Jewelflower	15.245	L20AC00477	36,402	-
Saving for the Future Conservation Seed Banking	15.245	L22AC00352	65,816	-
Total U.S. Department of the Interior - Bureau of Land Management			221,986	-
<b>U.S. DEPARTMENT OF THE INTERIOR - U.S. FISH AND WILDLIFE SERVICE</b>				
Direct Award:				
Recovery Challenge	15.657	F21AC01409	16,782	-
Recovery Actions for Two Endangered Species (DIVA/Mafane)	15.657	F19AC00721	2,011	-
Recovery of Dudleya Verityi	15.657	F19AC00728	4,953	-
Recovery actions for three endangered plant species (NAGA)	15.678	F20AC10887	11,311	-
Early Season Milkweed Surveys within the Los Padres National Forest	15.657	F23AC01150	40,569	-
Reproductive Biology Recovery Actions for Three Federally Listed Channel Island Plants	15.664	F21AC03192	3,127	-
Conservation and recovery actions for Sibara filifolia (Santa Cruz Island Rockcross)	15.657	F21AC01269	48,515	-
Total direct awards			127,268	-
Passed through California Department of Fish and Wildlife				
Status assessment for Dudleya affected by the Woolsey Fire	15.615	F19AP00751	21,152	-
Total U.S. Department of the Interior - U.S. Fish and Wildlife Service			148,420	-
<b>U.S. DEPARTMENT OF THE INTERIOR - NATIONAL PARK SERVICE</b>				
Passed through Channel Islands National Park				
Curatorial Storage & Services for CINP Botanical Collections	15.944	P22AC02301	5,078	-
Backlog Cataloging of NPS Botanical Specimens at CINP	15.944	P19AC01093	11,736	-
Recovery Actions for Listed Plants of Channel Islands National Park	15.944	P20AC01054	96,889	-
		P17AC01430/		
Collaborative Study of the Flora of the Channel Islands	15.944	P22AC02313	30,642	-
Total passed through Channel Islands National Park			144,345	-
Passed through Channel Islands National Park, California Institute of Environmental Studies				
Island Mallow assessment	15.944	P19AC01235	1,928	-
Total U.S. Department of the Interior - National Park Service			146,273	-
Total U.S. Department of the Interior			516,679	-
<b>U.S. DEPARTMENT OF THE NAVY</b>				
Direct Award:				
San Nicolas Collection (4)	12.300	N62473-19-2-0003	57,432	-
Terrestrial Invertebrate Diversity and Food/pollinator Web Dynamics on Naval Bases	12.300	N62473-23-2-0002	20,191	-
Naval Outlying Field SNI Plant Surveys & DNA Barcoding	12.300	N62473-22-2-0015	43,669	-
Wetland Flora Herbarium Collection at Naval Base, Point Mugu Ventura County, CA	12.300	N62473-21-2-0005	26,919	-
Invasive Algae Survey on San Nicolas Island to Benefit Rare and Endangered Species on San Nicolas Island	12.300	N62473-21-2-0002	14,908	12,687
Total U.S. Department of the Navy			163,119	12,687
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>				
Direct Award:				
SBBG Living Collections Database Modernization and Integration Initiative	45.301	MA-249890-OMS-21	75,902	-
Total Institute of Museum and Library Services			75,902	-
<b>USDA FOREST SERVICE</b>				
Passed through National Fish and Wildlife Foundation, Regents of the University of California, Davis Campus				
Assessing the Restoration of Ecosystem Services in Post-Fire Chaparral Landscapes	10.683	0806.20.067936/ A21- 1350-S001	103,779	-
Total Federal Awards			\$ 859,479	\$ 12,687

**SANTA BARBARA BOTANIC GARDEN, INC.**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**December 31, 2023**

Note 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal award activity of the Garden, under programs of the federal government for the year ended December 31, 2023, in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Garden, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Garden.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance\*, wherein certain types of expenditures are not allowed or are limited as a reimbursement. The Garden has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

\*Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122 Cost Principles for Non Profit Organizations, or the cost principles contained in Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

## OTHER AUDITOR'S REPORTS



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

Independent Auditor’s Report on Internal Control  
over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards*

Board of Directors  
Santa Barbara Botanic Garden

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Santa Barbara Botanic Garden (a nonprofit organization) which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 15, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Garden’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Garden’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Garden’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be significant deficiencies.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Garden's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-002 through 2023-007.

### **Santa Barbara Botanic Garden's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Garden's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Garden's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Garden's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signatures of McGowan and Guntermann in cursive script.

Santa Barbara, California  
August 15, 2024



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

Independent Auditor’s Report on Compliance for  
Each Major Program and on Internal Control over  
Compliance Required by the Uniform Guidance

Board of Directors  
Santa Barbara Botanic Garden

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Santa Barbara Botanic Garden’s (the Garden) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Garden’s major federal programs for the year ended December 31, 2023. The Garden’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Santa Barbara Botanic Garden complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Garden and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Garden’s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Garden’s federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Garden's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Garden's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Garden's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Garden's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Garden's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-002 through 2023-007. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Garden's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Garden's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



## Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-002 through 2023-007 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Garden's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Garden's response was not subjected to the other auditing procedure applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Santa Barbara, California  
August 15, 2024

**SANTA BARBARA BOTANIC GARDEN, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
December 31, 2023

**Section I—Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued: **Unmodified**

Internal control over financial reporting:

Material weakness identified? **No**

Significant deficiencies identified that are not considered to be material weaknesses? **Yes**

No instances of noncompliance material to financial statements were disclosed by the audit.

Federal Awards

Internal control over major programs:

Material weakness identified? **No**

Significant deficiencies identified that are not considered to be material weaknesses? **Yes**

Type of auditor’s report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? **No**

Identification of major programs:

Assistance Listing Number	Program Name	Expenditures
12.300	Basic and Applied Scientific Research	\$163,119
15.245	Plant Conservation and Restoration Management	\$221,986

Dollar threshold used to distinguish between type A and type B programs: **\$750,000**

Auditee qualified as low-risk auditee? **No**

# SANTA BARBARA BOTANIC GARDEN, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS December 31, 2023

### Section II—Financial Statement Findings

Finding 2023-001

#### Criteria

Title 2, Code of Federal Regulations (CFR), Subtitle A, Chapter II, Part 200, Subpart D, Cost Principles for Non-Profit Organizations, Section 200.303 states “The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal Statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards. (c) Evaluate and monitor the non-Federal entity’s compliance with statutes, regulations and the terms and conditions of Federal awards. (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings. (e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.”

#### Condition

During our testing of the Garden’s expenditures, we noted the following deficiencies in internal controls:

1. The same supporting documentation was submitted, and approved by management, for reimbursement of two separate transactions.
2. Four of the 40 payroll selections were paid at a different rate than what had been approved for the employee.
3. Two of the 40 payroll selections had different hours reflected on the time card versus the corresponding payroll register.

#### Cause of Condition

The Garden’s internal controls are not properly designed and enforced to be in line with Federal guidelines, particularly CFR 200.303.

#### Effect of Conditions

The Organization’s lack of internal controls may allow improper expenditures to be charged to Federal awards.

# SANTA BARBARA BOTANIC GARDEN, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2023

### Section II—Financial Statement Findings (continued)

Finding 2023-001 (continued)

#### Recommendation

We recommend the Garden establish and maintain effective internal control over Federal Awards in order to provide reasonable assurance that the Garden is managing the Awards in compliance with Federal statutes and regulations, as well as the terms and conditions set forth in the specific Federal Award.

#### Management Response and Corrective Action

See attached corrective action plan.

### Section III—Federal Award Findings and Questioned Costs

Finding: 2023-002

Type of Finding: Significant Deficiency

Category of Finding: Activities Allowed/Allowable Costs

Federal Program Title & Assistance Listing Number: Basic and Applied Scientific Research, 12.300, and Plant Conservation and Restoration Management, 15.245

Federal Agency: U.S. Department of the Navy, and U.S. Department of the Interior – Bureau of Land Management

Award Numbers: All awards subject to Assistance Listing # 12.300 and 15.245

Award Years: Multiple

Questioned Costs: None

#### Criteria

Part 2, CFR Part 200.430 notes “Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed”. The document continues to state that documentation must “Support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.”

#### Condition

While performing tests of the Garden’s internal controls over payroll transactions, we noted the Garden had incorrectly allocated time of 8 of the 40 selections.

**SANTA BARBARA BOTANIC GARDEN, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
December 31, 2023

**Section III—Federal Award Findings and Questioned Costs (continued)**

Finding: 2023-002 (continued)

Cause of Condition

The Garden has not implemented proper internal control policies to adhere to the requirements of the Uniform Guidance.

Effect of Condition

Noncompliance may impact future funding from Federal awards.

Recommendation

We recommend the Garden implement proper internal control procedures to document hours worked, by employee, by grant; and maintain the documentation to support charges allocated to each Federal award.

Management Response and Corrective Action

See attached corrective action plan.

Finding: 2023-003

Type of Finding: Significant Deficiency

Category of Finding: Period of Performance

Federal Program Title & Assistance Listing Number: Basic and Applied Scientific Research, 12.300, and Plant Conservation and Restoration Management, 15.245

Federal Agency: U.S. Department of the Navy, and U.S. Department of the Interior – Bureau of Land Management

Award Numbers: 12.300 – N62473-21-2-0002, 15.245 – L20AC00445

Award Years: 2021 and 2020

Questioned Costs: \$30,629.03

Criteria

As noted throughout the Uniform Guidance, including Part 2, CFR Part 200.403 notes “Cost must be incurred during the approved budget period.”

Condition

While performing tests of the Garden’s internal controls over compliance, we noted multiple transactions had occurred after the respective period of performance for the Federal Award had expired.

**SANTA BARBARA BOTANIC GARDEN, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
December 31, 2023

**Section III—Federal Award Findings and Questioned Costs (continued)**

Finding: 2023-003 (continued)

Cause of Condition

The Garden has not implemented proper internal control policies to adhere to the requirements of the Uniform Guidance.

Effect of Condition

Noncompliance may impact future funding from Federal awards.

Recommendation

We recommend the Garden implement proper internal control procedures to track the period of performance for each Federal Award, and ensure costs are only charged to programs during the proper period.

Management Response and Corrective Action

See attached corrective action plan.

Finding: 2023-004

Type of Finding: Significant Deficiency

Category of Finding: Procurement, Suspension and Debarment

Federal Program Title & Assistance Listing Number: Basic and Applied Scientific Research, 12.300, and Plant Conservation and Restoration Management, 15.245

Federal Agency: U.S. Department of the Navy, and U.S. Department of the Interior – Bureau of Land Management

Award Numbers: Multiple

Award Years: Multiple

Questioned Costs: None

Criteria

Part 2, CFR 200, 200.318 states “The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity’s documented procurement procedures must conform to the procurement standards identified in 200.317 through 200.327.”

Condition

While performing tests of the Garden’s internal controls over compliance, we noted the Garden had no procurement policy.

**SANTA BARBARA BOTANIC GARDEN, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
December 31, 2023

**Section III—Federal Award Findings and Questioned Costs (continued)**

Finding: 2023-004 (continued)

Cause of Condition

The Garden has not implemented proper internal control policies to adhere to the requirements of the Uniform Guidance.

Effect of Condition

Noncompliance may impact future funding from Federal awards.

Recommendation

We recommend the Garden implement proper internal control procedures including implementing and following a procurement policy in line with the Uniform Guidance.

Management Response and Corrective Action

See attached corrective action plan.

Reference: 2023-005

Type of Finding: Significant Deficiency

Category of Finding: Subrecipient Monitoring

Federal Program Title & Assistance Listing Number: Basic and Applied Scientific Research, 12.300

Federal Agency: U.S. Department of the Navy

Award Numbers: N62473-21-2-0002

Award Year: 2021

Questioned Costs: \$12,687

Criteria

Section 200.303 notes “The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Condition

While performing tests of the Garden’s internal controls over compliance, we noted the Garden had contracted with a subrecipient related to the above award. However, the Garden was unable to provide any documentation to support monitoring of the subrecipient, or that the entity was in fact a subrecipient, as opposed to a subcontractor.

**SANTA BARBARA BOTANIC GARDEN, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
December 31, 2023

**Section III—Federal Award Findings and Questioned Costs (continued)**

Finding: 2023-005 (continued)

Cause of Condition

The Garden has not implemented proper internal control policies to adhere to the requirements of the Uniform Guidance.

Effect of Condition

Noncompliance may impact future funding from Federal awards.

Recommendation

We recommend the Garden implement proper internal control procedures including implementing and following a subrecipient monitoring policy in line with the Uniform Guidance.

Management Response and Corrective Action

See attached corrective action plan.

Reference: 2023-006

Type of Finding: Significant Deficiency

Category of Finding: Cash Management

Federal Program Title & Assistance Listing Number: Plant Conservation and Restoration Management, 15.245

Federal Agency: U.S. Department of the Interior – Bureau of Land Management

Award Numbers: L20AC00476 and L22AC00352

Award Years: 2019, 2020 and 2022.

Questioned Costs: \$7,731.93

Criteria

Part 2, CFR 200, 200.303 states “The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Condition

While performing tests of the Garden’s internal controls over compliance, specifically related to cash management, we noted that although the Garden operated on a reimbursement basis, supporting schedules provided did not reconcile to amounts drawn on Federal awards during the year. Two instances were noted where the Garden drawing for more on the award than had been incurred, as evidenced by the general ledger.



**SANTA BARBARA BOTANIC GARDEN, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
December 31, 2023

**Section III—Federal Award Findings and Questioned Costs (continued)**

Reference: 2023-006 (continued)

Cause of Condition

The Garden has not implemented proper internal control policies to adhere to the requirements of the Uniform Guidance.

Effect of Condition

Noncompliance may impact future funding from Federal awards.

Recommendation

We recommend the Garden implement proper internal control procedures including properly documenting expenditures included in reimbursements and/or draws from Federal awards.

Management Response and Corrective Action

See attached corrective action plan.

Reference: 2023-007

Type of Finding: Significant Deficiency

Category of Finding: Preparation of the Schedule of Expenditures of Federal Awards

Federal Program Title & Assistance Listing Number: All reflected in SEFA

Federal Agency: All reflected in SEFA

Award Numbers: All reflected in SEFA

Award Years: All reflected in SEFA

Questioned Costs: None

Criteria

Part 2, CFR 200, 200.510 states “The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with 200.502.” Section 200.502 notes “The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs.”

Condition

Incorrect expenditure amounts were reported as expenditures for multiple Federal awards. Incorrect, or inconsistent Assistance Listing numbers were used for Federal awards, which conflicted with the Assistance Listing numbers used to report on the Federal awards, or on grant agreements. Additionally, subrecipients were included in the client’s Schedule of Expenditures of Federal awards which were later determined to be contractors. The schedule presented as part of the audit has been revised by management to address errors noted during the audit.

**SANTA BARBARA BOTANIC GARDEN, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
December 31, 2023

**Section III—Federal Award Findings and Questioned Costs (continued)**

Reference: 2023-007 (continued)

Cause of Condition

The Garden has not implemented proper internal control policies to adhere to the requirements of the Uniform Guidance.

Effect of Condition

Noncompliance may impact future funding from Federal awards.

Recommendation

We recommend the Garden implement proper internal control procedures to allow proper presentation of the Schedule of Expenditures of Federal Awards in accordance with Generally Accepted Accounting Principles.

Management Response and Corrective Action

See attached corrective action plan.



August 15, 2024

Santa Barbara Botanic Garden Corrective Action Plan  
December 31, 2023

This corrective action plan is in response to the Garden's single audit report for the fiscal year ended December 31, 2023.

**Finding 2023-001**

**Criteria**

Title 2, Code of Federal Regulations (CFR), Subtitle A, Chapter II, Part 200, Subpart D, Cost Principles for Non-Profit Organizations, Section 200.303 states "The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal Statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards. (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards. (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings. (e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality."

**Condition**

During our testing of the Garden's expenditures, we noted the following deficiencies in internal controls:

1. The same documentation was submitted for two separate transactions.
2. Four of the 40 payroll selections were paid at a different rate than what had been approved for the employee.
3. Two of the 40 payroll selections had different hours reflected on the time card versus the corresponding payroll register.

## **Finding 2023-001 (continued)**

### **Cause of Condition**

The Garden's internal controls are not properly designed and enforced to be in line with Federal guidelines, particularly CFR 200.303.

### **Effect of Conditions**

The Organization's lack of internal controls may allow improper expenditures to be charged to Federal awards.

### **Recommendation**

We recommend the Garden establish and maintain effective internal control over Federal Awards in order to provide reasonable assurance that the Garden is managing the Awards in compliance with Federal statutes and regulations, as well as the terms and conditions set forth in the specific Federal Award.

### **Management Response**

1. Agreed. The same \$7 bridge toll invoice was uploaded for separate transactions
2. Agreed. The four selections of hours paid at a rate different than the documented salary increase all relate to the same employee. Three of these related to a rate that was put into effect in 2022 and the fourth was related to a rate put into effect in June 2023. While the employee was paid at the approved rate the documentation of the approved salary increases was lacking
3. The timecard and payroll register are all produced within the same payroll system, ADP. The way the data is summarized on the timecard and payroll register are different, but the two can be reconciled by taking into account meal period penalty and holiday hours. The documentation provided for the audit did not clearly reconcile these amounts.

### **Corrective Action Plan:**

The root cause of these finding differs, so the corrective action plan has several pieces:

1. Education on and reverification of proper processes regarding submitting and reviewing support for submitted transactions will be taken by all procurement and supervisory staff.
2. Education on and reverification of proper processes regarding accurately documenting raises as they are given will be taken by all Human Resources staff.

**Contact person(s) responsible for the corrective action:** Diane Wondolowski, Director of Finance, [dwondolowski@sbbotanicgarden.org](mailto:dwondolowski@sbbotanicgarden.org).

**Anticipated Completion Date:** Education on the above has already started and will be completed August 31, 2024.

## **Finding: 2023-002**

### **Criteria**

Part 2, CFR Part 200.430 notes “Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed”. The document continues to state that documentation must “Support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.”

### **Condition**

While performing tests of the Garden’s internal controls over payroll transactions, we noted the Garden had incorrectly allocated time of 8 of the 40 selections.

### **Cause of Condition**

The Garden has not implemented proper internal control policies to adhere to the requirements of the Uniform Guidance.

### **Effect of Condition**

Noncompliance may impact future funding from Federal awards.

### **Recommendation**

We recommend the Garden implement proper internal control procedures to document hours worked, by employee, by grant; and maintain the documentation to support charges allocated to each Federal award.

### **Management Response**

The eight selections were for salaried employees who worked more than 80 hours in the pay period. When a salaried employee has uncompensated overtime, the Garden must charge the documented hourly rate, adjusting hours for the uncompensated time against non-contract funding. This results in the actual paid dollars being billed to the federal award, as appropriate for cost reimbursement. The outcome being total hours on the timecard may be more than the paid hours reflected in the register. This is in accordance with the Uniform Guidance. The calculation of this adjustment was performed but not documented.

### **Corrective Action Plan:**

Documentation of the salary allocation process has been completed.

**Anticipated Completion Date:** Completed.

**Contact person(s) responsible for the corrective action:** Jaime Kuczowski, CPA  
Jaime@balancefm.com, Diane Wondolowski, Director of Finance,  
dwondolowski@sbotanicgarden.org.

## **Finding: 2023-003**

### Criteria

As noted throughout the Uniform Guidance, including Part 2, CFR Part 200.403 notes “Cost must be incurred during the approved budget period.”

### Condition

While performing tests of the Garden’s internal controls over compliance, we noted multiple transactions had occurred after the respective period of performance for the Federal Award had expired.

### Cause of Condition

The Garden has not implemented proper internal control policies to adhere to the requirements of the Uniform Guidance.

### Effect of Condition

Noncompliance may impact future funding from Federal awards.

### Recommendation

We recommend the Garden implement proper internal control procedures to track the period of performance for each Federal Award, and ensure costs are only charged to programs during the proper period.

### Management Response

The documentation provided to the auditors did not make it easy for the auditors to trace the general ledger totals to the amounts billed to cost reimbursement contracts.

The Garden records all expenses incurred for a given award in its general ledger, regardless of whether full funding of the expenses is available. This is so the Garden can see the full cost of the activity and make informed decisions in the future. The reports used to bill the federal awards only pulls expenses in the period of the award. In all cases, no amounts were billed to any federal award after the award had expired.

### Corrective Action Plan

Education and reverification of the processes documenting the flow of information from the general ledger to the federal award billings has been provided to accounting personnel involved in federal award accounting and billing.

**Contact person(s) responsible for the corrective action:** Diane Wondolowski, Director of Finance, [dwondolowski@sbotanicgarden.org](mailto:dwondolowski@sbotanicgarden.org)

**Anticipated Completion Date:** Education on the above has already started and will be completed August 31, 2024.

## **Finding: 2023-004**

### **Criteria**

Part 2, CFR 200, 200.318 states “The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity’s documented procurement procedures must conform to the procurement standards identified in 200.317 through 200.327.”

### **Condition**

While performing tests of the Garden’s internal controls over compliance, we noted the Garden had no procurement policy.

### **Cause of Condition**

The Garden has not implemented proper internal control policies to adhere to the requirements of the Uniform Guidance.

### **Effect of Condition**

Noncompliance may impact future funding from Federal awards.

### **Recommendation**

We recommend the Garden implement proper internal control procedures including implementing and following a procurement policy in line with the Uniform Guidance.

### **Management Response**

The Garden followed the procurement requirements of the OMB and Uniform Guidance but did not codify its policy in writing.

### **Corrective Action Plan:**

The procurement policy is now written. Education of and reverification of the federal procurement processes will be provided to all Principal Investigators and others involved in Grant Management by August 31, 2024.

**Contact person(s) responsible for the corrective action:** Diane Wondolowski, Director of Finance, [dwondolowski@sbotanicgarden.org](mailto:dwondolowski@sbotanicgarden.org)

**Anticipated Completion Date:** The policy is in writing. Education will be complete by August 31, 2024.

## **Finding: 2023-005**

### **Criteria**

Section 200.303 notes “The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

### **Condition**

While performing tests of the Garden’s internal controls over compliance, we noted the Garden had contracted with a subrecipient related to the above award. However, the Garden was unable to provide any documentation to support monitoring of the subrecipient, or that the entity was in fact a subrecipient, as opposed to a subcontractor.

### **Cause of Condition**

The Garden has not implemented proper internal control policies to adhere to the requirements of the Uniform Guidance.

### **Effect of Condition**

Noncompliance may impact future funding from Federal awards.

### **Recommendation**

We recommend the Garden implement proper internal control procedures including implementing and following a subrecipient monitoring policy in line with the Uniform Guidance.

### **Management Response**

The Garden’s followed the Uniform Guidance requirements on subrecipient monitoring process but did not document its policies and procedures.

### **Corrective Action Plan**

The Garden has now documented its Federal Subrecipient Monitoring Policy. Education on and reverification of proper processes regarding federal subrecipient monitoring transactions will be taken by all principal investigators.

**Contact person(s) responsible for the corrective action:** Diane Wondolowski, Director of Finance, [dwondolowski@sbotanicgarden.org](mailto:dwondolowski@sbotanicgarden.org).

**Anticipated Completion Date:** The policy is in writing. Education will be complete by August 31, 2024.



**Reference: 2023-006**

**Criteria**

Part 2, CFR 200, 200.303 states “The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

**Condition**

While performing tests of the Garden’s internal controls over compliance, specifically related to cash management, we noted that although the Garden operated on a reimbursement basis, supporting schedules provided did not reconcile to amounts drawn on Federal awards during the year. Two instances noted the Garden drawing for more on the award than had been incurred, as evidenced by the general ledger.

**Cause of Condition**

The Garden has not implemented proper internal control policies to adhere to the requirements of the Uniform Guidance.

**Effect of Condition**

Noncompliance may impact future funding from Federal awards.

**Recommendation**

We recommend the Garden implement proper internal control procedures including properly documenting expenditures included in reimbursements and/or draws from Federal awards.

**Management Response**

The Garden did not draw more on awards than had been incurred over the course of the contract. Adjustments in the general ledger were made in subsequent periods to tie out requested reclasses from program staff.

**Corrective Action Plan:**

Education and reverification of the processes documenting the flow of information from the general ledge to the federal award billings has been provided to accounting personnel involved in federal award accounting and billing.

**Contact person(s) responsible for the corrective action:** Jaime Kuczkowski, CPA  
Jaime@balancefm.com, Diane Wondolowski, Director of Finance,  
dwondolowski@sbotanicgarden.org

**Anticipated Completion Date:** Education will be complete by August 31, 2024.

## **Reference: 2023-007**

### **Criteria**

Part 2, CFR 200, 200.510 states “The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with 200.502.” Section 200.502 notes “The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs.”

### **Condition**

Incorrect expenditure amounts were reported as expenditures for multiple Federal awards. Incorrect, or inconsistent Assistance Listing numbers were used for Federal awards, which conflicted with the Assistance Listing numbers used to report on the Federal awards, or on grant agreements. Additionally, subrecipients were included in the client’s Schedule of Expenditures of Federal awards which were later determined to be contractors. The schedule presented as part of the audit has been revised by management to address errors noted during the audit.

### **Cause of Condition**

The Garden has not implemented proper internal control policies to adhere to the requirements of the Uniform Guidance.

### **Effect of Condition**

Noncompliance may impact future funding from Federal awards.

### **Recommendation**

We recommend the Garden implement proper internal control procedures to allow proper presentation of the Schedule of Expenditures of Federal Awards in accordance with Generally Accepted Accounting Principles.

### **Management Response**

Expenditure amounts in the Schedule of Expenditures of Federal Awards (SEFA) included reimbursable costs allocable to the contract only. Revisions were made during the audit process for costs in excess of the contract award amount and post award costs.

Identification of subrecipients vs contractors is addressed in the response to finding 2023-005. The new monitoring policy includes the difference between the two and provides for education in identifying the services appropriately.

### **Corrective Action Plan**

This was the first time the organization had to prepare the SEFA and was inexperienced in the requirements. The Garden has hired a new Director of Finance who will attend training specific to federal grants reporting in order to ensure that the 2024 SEFA is prepared correctly.

**Reference: 2023-007 (continued)**

The Garden has now documented its Federal Subrecipient Monitoring Policy. Education on and reverification of proper processes regarding federal subrecipient monitoring transactions will be taken by all principal investigators.

**Contact person(s) responsible for the corrective action:** Diane Wondolowski, Director of Finance, [dwondolowski@sbotanicgarden.org](mailto:dwondolowski@sbotanicgarden.org).

**Anticipated Completion Date:** The Director of Finance is registered for a September 2024 training on federal grants. The subrecipient policy is in writing. Education on that policy will be complete by August 31, 2024.



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Diane E. Wondolowski, Director of Finance

8/15/2024

Date