



**Financial Statements
For the Year Ended
December 31, 2023**



MOXI, THE WOLF MUSEUM OF EXPLORATION + INNOVATION
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
MOXI, The Wolf Museum of Exploration + Innovation

Opinion

We have audited the accompanying financial statements of MOXI, The Wolf Museum of Exploration + Innovation (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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MOXI, The Wolf Museum of Exploration + Innovation as of December 31, 2023, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MOXI, The Wolf Museum of Exploration + Innovation 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 MOXI, The Wolf Museum of Exploration + Innovation'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, including omissions, 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.

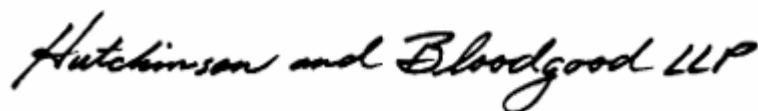
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 MOXI, The Wolf Museum of Exploration + Innovation'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 MOXI, The Wolf Museum of Exploration + Innovation's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited MOXI, The Wolf Museum of Exploration + Innovation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 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.

A handwritten signature in black ink that reads "Hutchinson and Bloodgood LLP". The signature is written in a cursive, flowing style.

Hutchinson and Bloodgood LLP
August 13, 2024
Santa Barbara, California

MOXI, THE WOLF MUSEUM OF EXPLORATION + INNOVATION

Statement of Financial Position

December 31, 2023

(With Summarized Comparative Totals for the Year 2022)

<i>Assets</i>	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2023	2022
Cash and cash equivalents	\$ 1,175,160	\$ 73,500	\$ 1,248,660	\$ 1,912,513
Prepaid expenses	37,803	-	37,803	42,825
Inventory	23,841	-	23,841	25,282
Investments	4,953,012	-	4,953,012	4,924,380
Contributions receivable, net	-	216,008	216,008	266,424
Land lease contribution receivable	-	1,919,105	1,919,105	1,940,335
Building, exhibits, and equipment, net	11,289,027	-	11,289,027	12,712,226
Construction in progress	1,610,186	-	1,610,186	892,765
Total assets	\$ 19,089,029	\$ 2,208,613	\$ 21,297,642	\$ 22,716,750
<i>Liabilities and Net Assets</i>				
Accounts payable	\$ 357,486	\$ -	\$ 357,486	\$ 371,838
Accrued payroll and vacation	152,373	-	152,373	130,152
Accrued expenses	-	-	-	151,538
Deferred revenue	44,671	-	44,671	113,668
Total liabilities	554,530	-	554,530	767,196
Without donor restrictions	18,534,499	-	18,534,499	19,661,830
With donor restrictions	-	2,208,613	2,208,613	2,287,724
Total net assets	18,534,499	2,208,613	20,743,112	21,949,554
	\$ 19,089,029	\$ 2,208,613	\$ 21,297,642	\$ 22,716,750

MOXI, THE WOLF MUSEUM OF EXPLORATION + INNOVATION

Statement of Activities

Year Ended December 31, 2023

(With Summarized Comparative Totals for the Year 2022)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
Contributions	\$ 720,524	\$ 141,000	\$ 861,524	\$ 897,072
In-kind goods and services	74,729	-	74,729	101,146
In-kind rent	72,410	-	72,410	73,169
Grants	83,450	-	83,450	111,474
Admissions	1,272,938	-	1,272,938	1,138,219
Memberships	416,255	-	416,255	353,233
Facilities rental	220,440	-	220,440	368,124
Gain on legal settlement	282,810	-	282,810	-
Program and store revenues	213,810	-	213,810	196,560
Special events:				
Special events gross proceeds	400,412	-	400,412	485,141
Direct special event costs	(215,449)	-	(215,449)	(187,431)
Net special events proceeds	184,963	-	184,963	297,710
Investment gain (loss)	624,242	-	624,242	(777,116)
Net assets released from restrictions	220,111	(220,111)	-	-
Total support, revenues, and gains	4,386,682	(79,111)	4,307,571	2,759,591
Program services	4,442,246	-	4,442,246	3,884,573
Management and general	482,346	-	482,346	389,912
Fundraising	589,421	-	589,421	573,077
Total expenses	5,514,013	-	5,514,013	4,847,562
Decrease in net assets	(1,127,331)	(79,111)	(1,206,442)	(2,087,971)
Net assets, beginning of year	19,661,830	2,287,724	21,949,554	24,037,525
Net assets, end of year	\$ 18,534,499	\$ 2,208,613	\$ 20,743,112	\$ 21,949,554

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

MOXI, THE WOLF MUSEUM OF EXPLORATION + INNOVATION

Statement of Functional Expenses

Year Ended December 31, 2023

(With Summarized Comparative Totals for the Year 2022)

	<u>Supporting Services</u>			<u>Total</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2023</u>	<u>2022</u>
<i>Salaries and benefits</i>					
Salaries and wages	\$ 1,567,012	\$ 261,123	\$ 364,123	\$ 2,192,257	\$ 1,816,685
Payroll taxes	118,952	27,375	27,641	173,968	148,490
Employee benefits	114,320	11,009	14,268	139,597	163,091
<i>Total salaries and benefits by function</i>	1,800,284	299,507	406,032	2,505,822	2,128,266
Advertising and marketing	226,748	1,729	24,159	252,636	241,489
Bank fees	63,066	1,707	1,951	66,724	57,036
Uncollectible contribution expense	-	7,114	-	7,114	5,500
Depreciation	1,426,068	21,198	1,291	1,448,557	1,448,134
Equipment rental	40,050	359	41,143	81,552	88,412
Insurance	56,164	5,974	1,576	63,714	70,682
Occupancy	92,096	6,945	19,898	118,939	93,064
Office	133,582	20,662	38,672	192,915	144,850
Professional and other services	216,879	103,036	261,214	581,130	380,063
Repairs and maintenance	205,251	3,051	186	208,488	166,117
Supplies	81,321	9,567	8,658	99,546	118,595
Utilities	100,736	1,497	91	102,325	92,785
<i>Total expenses by function</i>	4,442,246	482,346	804,870	5,729,462	5,034,993
Less expenses included with revenues on the statement of activities					
Events expenses	-	-	(215,449)	(215,449)	(187,431)
2023 Total expenses	\$ 4,442,246	\$ 482,346	\$ 589,421	\$ 5,514,013	
2022 Total expenses	\$ 3,884,573	\$ 389,912	\$ 573,077		\$ 4,847,562

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

MOXI, THE WOLF MUSEUM OF EXPLORATION + INNOVATION

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<i>Cash flows from operating activities</i>		
Decrease in net assets	\$ (1,206,442)	\$ (2,087,971)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Depreciation	1,448,557	1,448,134
Realized gain	(261,225)	(1,520)
Net change in unrealized loss (gain)	(249,969)	861,775
Proceeds from the sale of donated securities	10,102	-
(Increase) decrease in:		
Employee Retention Credit receivable	-	209,371
Prepaid expenses	5,022	(9,708)
Inventory	1,441	(13,282)
Contributions receivable	50,416	86,294
Land lease contribution receivable	21,230	19,896
Increase (decrease) in:		
Accrued payroll and vacation	22,221	(725)
Deferred revenue	(68,997)	2,159
Accounts payable and accrued expenses	(165,890)	(92,251)
<i>Net cash provided (used) by operating activities</i>	<u>(393,534)</u>	<u>422,172</u>
<i>Cash flows from investing activities</i>		
Increase in construction in progress	(717,421)	(511,820)
Proceeds from sales of investments	2,145,903	182,329
Purchase of investments	(1,673,443)	(90,385)
Purchase of equipment	(25,358)	(21,025)
<i>Net cash used by investing activities</i>	<u>(270,319)</u>	<u>(440,901)</u>
Net decrease in cash and cash equivalents	(663,853)	(18,729)
<i>Cash and cash equivalents, beginning of year</i>	<u>1,912,513</u>	<u>1,931,242</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 1,248,660</u>	<u>\$ 1,912,513</u>

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

MOXI, THE WOLF MUSEUM OF EXPLORATION + INNOVATION
Notes to Financial Statements
December 31, 2023
(With Summarized Comparative Totals for 2022)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of MOXI, The Wolf Museum of Exploration + Innovation (the “Museum”) is presented to assist in understanding the Museum’s financial statements. The financial statements and notes are representations of the Museum’s management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Nature of the Organization

The Museum is a nonprofit organization founded in 1989 as the Children’s Museum of Santa Barbara, and its mission is to ignite learning through interactive experiences in science and creativity. The Museum opened to the public doing business as MOXI, The Wolf Museum of Exploration + Innovation on February 25, 2017. The Museum is a vibrant, one-of-a-kind experience that prepares individuals to be creative thinkers and problem-solvers. The exhibits and programs are based on innovative ideas and the best practices of interactive science centers around the globe. The Museum is Santa Barbara’s first LEED-certified museum with 25,000 square feet of indoor and outdoor spaces, including a rooftop Sky Garden, Exploration Lab, Innovation Workshop, Museum Store and New Media Theater. The interactive, educational exhibits are aligned with national initiatives designed to boost student engagement in Science, Technology, Engineering, Art and Mathematics (STEAM). The exhibits and programs support the Next Generation Science Standards and Common Core Standards, teaching 21st Century Thinking Skills through active exploration and experimentation. The Museum offers a diverse suite of informal education programs. These include interactive activities and demonstrations, classes and camps, adults-only evening events and more.

Current operations are focused on operating the Museum and its exhibits as well as the design and development of programs for local youth and the community at large in Santa Barbara County, California. The Museum’s activities are supported primarily by contributions from the community, admissions, special events and memberships.

In July 2021, the Museum amended their articles of incorporation to change the name of the Museum from the Children’s Museum of Santa Barbara to MOXI, The Wolf Museum of Exploration + Innovation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Museum's programs are as follows:

Educational services – Develops and implements Museum program activity, including performances and holiday events, daily interpretive activity in the museum galleries, and activities and programs for school and community groups. This program also implements grant-funded projects, often in conjunction with schools and other organizations.

Member services – Maintains the Museum's family membership program, including ongoing member benefits, which include member only events.

Other programs – Rentals of Museum space by other organizations and individuals, birthday parties for children, and adults-only events.

Financial Statement Presentation

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Museum.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Museum or by the passage of time. Other donor restrictions are permanent in nature, where by the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2023 and 2022, there were no donor restricted funds that were permanent in nature.

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand, cash in banks, and cash in money market funds.

Revenue Recognition

Program service revenue is recognized at point of sale or at the time services are provided. In the absence of donor restrictions, contributions are considered to be available for unrestricted use. All income is recognized in the period when the contribution or unconditional promise to give is received. Membership contributions are recorded as revenue when received.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Investments

In accordance with GAAP, the Museum accounts for its marketable investments at fair value. Information about the unrealized gains and losses are presented in Note 4. Information about fair value of investments is discussed in Note 5.

Fair Value Measurements

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

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

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

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

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

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

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

Advertising Costs

The Museum follows the policy of expensing the costs of advertising as incurred. Amounts expensed for advertising costs during the years ended December 31, 2023 and 2022 were approximately \$195,000 and \$162,300, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses allocated on a square footage basis include occupancy, depreciation, repairs and maintenance, utilities, and insurance. Expenses allocated on the basis of estimates of time and effort include salaries and wages, benefits, payroll taxes, professional services, office expenses, and information technology.

Building, Exhibits and Equipment

Office equipment is carried at cost, or if acquired by gift, at the fair market value on the date of donation. In general, the Museum capitalizes assets with a cost of \$2,500 or more and with an expected useful life of greater than one year.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	39
Exhibits	7
Computer equipment	5
Furniture	5

Promises to Give

Unconditional promises to give are recognized as contributions receivable and as revenues in the period the contribution is received. In accordance with GAAP, conditional promises to give are recognized only when the donor-imposed conditions have been substantially met.

Contributions Receivable

Management determined that a reserve for uncollectible contributions as of December 31, 2023 and 2022 was not necessary. Pledges totaling \$5,500 and \$20,000 were written off as there was no possibility of collection for the years ended December 31, 2023 and 2022, respectively.

Contributed Services

The Museum recognizes contribution revenue for specialized services that would otherwise be purchased by the Museum in an amount equal to the fair value of those services. The following amounts were contributed and recognized as revenue:

<u>Service Donated</u>	2023	2022	<u>Purpose</u>
	<u>Fair Value</u>	<u>Fair Value</u>	
Information technology	\$ 16,800	\$ 16,800	General
Advertising	57,900	72,500	General
Supplies	-	8,700	General
Professional services	-	1,700	General
Special events	12,500	12,000	Fundraising

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Tax Exempt Status

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

Uncertain Tax Positions

The Museum's tax returns are subject to review and examination by Federal and state authorities. The Museum is not aware of any activities that would jeopardize its tax-exempt status. The Museum is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The Museum's tax returns from the year 2020 to the present remain subject to examination by the IRS for federal tax purposes, and the tax years from 2019 to the present remain subject to examination by the state of California.

Use of Estimates

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

Prior-Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not broken out by net assets with and without donor restrictions. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended December 31, 2022 from which the summarized information was derived.

Recent Accounting Pronouncements

On June 16, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses (FASB ASC 326): *Measurement of Credit Losses on Financial Instruments*, which significantly changed how entities 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. The Museum adopted the standard effective January 1, 2023. As of December 31, 2023, there were no financial assets held by the Museum that are subject to the guidance in FASB ASC 326.

Subsequent Events

Management has evaluated subsequent events through August 13, 2024, the date that the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following as of December 31, 2023:

Cash and cash equivalents	\$ 1,175,160
Investments	4,953,012
Contribution receivable	185,000
Less board designated operating reserve	(520,000)
Less board-designated endowment	<u>(3,809,827)</u>
	<u>\$ 1,983,345</u>

As part of the liquidity management plan, the Museum will keep an operating reserve of approximately \$520,000. Additional funds are expected to be received from contributions, admissions, memberships, and rental income. These funds combined with available funds are expected to exceed the amounts needed to fund the operations of the Museum for the year ending December 31, 2024.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2023, are estimated to be received as follows:

Year ending December 31,	
2024	\$ 185,000
2025	26,500
2026	<u>6,464</u>
	217,964
Less unamortized discount	<u>(1,956)</u>
	<u>\$ 216,008</u>

Contributions receivable due after one year are recorded at the present value of estimated future cash flows using a discount rate of 5.0% per annum. The present value discount is amortized to contribution revenue over the terms of the contributions receivable. Contributions receivable consist of promises from individuals and foundations within the Southern California area.

4. INVESTMENTS

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
Cash and cash equivalents	\$ 908,485	\$ 908,485	\$ -
U.S. equity securities	1,017,221	1,281,679	264,458
U.S. government securities	251,679	262,630	10,681
Exchange traded funds	<u>2,076,435</u>	<u>2,500,218</u>	<u>423,782</u>
	<u>\$ 4,255,410</u>	<u>\$ 4,953,012</u>	<u>\$ 697,601</u>

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess (deficit) of Fair Value Over Cost</u>
Cash and cash equivalents	\$ 480,482	\$ 480,482	\$ -
U.S. equity securities	818,991	1,026,254	207,263
International equity securities	590,713	566,385	(24,328)
Exchange traded funds	<u>2,586,562</u>	<u>2,851,259</u>	<u>264,697</u>
	<u>\$ 4,476,748</u>	<u>\$ 4,924,380</u>	<u>\$ 447,632</u>

Investment income as of December 31, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 113,048	\$ 83,139
Realized gain on investments	261,225	1,520
Net change in unrealized gain (loss)	<u>249,969</u>	<u>(861,775)</u>
Total investment income (loss)	<u>\$ 624,242</u>	<u>\$ (777,116)</u>

5. FAIR VALUE MEASUREMENTS

The following sets forth by level, within the fair value hierarchy, the Museum's assets measured at fair value on a recurring basis as of December 31, 2023:

	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Fair Value (Level 3)</u>
Cash equivalents	\$ 908,485	\$ -	\$ -
Mutual funds:			
U.S. equity securities	1,281,679	-	-
U.S. government securities	262,630		
Exchange traded funds:			
Fixed income	240,153	-	-
U.S. equity	<u>2,260,065</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,953,012</u>	<u>\$ -</u>	<u>\$ -</u>

5. FAIR VALUE MEASUREMENTS (Cont.)

The following sets forth by level, within the fair value hierarchy, the Museum's assets measured at fair value on a recurring basis as of December 31, 2022:

	Fair Value <u>(Level 1)</u>	Fair Value <u>(Level 2)</u>	Fair Value <u>(Level 3)</u>
Cash equivalents	\$ 480,482	\$ -	\$ -
Mutual funds:			
U.S. equity	1,026,254	-	-
Int'l equity	566,385	-	-
Exchange traded funds:			
Fixed income	226,691	-	-
U.S. equity	<u>2,624,568</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,924,380</u>	<u>\$ -</u>	<u>\$ -</u>

6. LAND LEASE CONTRIBUTION RECEIVABLE

In August 2013, the Museum entered into a fifty-year lease agreement with the City of Santa Barbara for undeveloped land. The lease agreement provides for annual lease payment of one dollar and the use of the land is restricted to the construction and on-going operations of a children's museum. The lease agreement required that the City of Santa Barbara approve the design of the Museum and contains certain other restrictions. The difference between the fair value of the lease and the lease payment by the Museum represents an in-kind donation for the value of the use of the leased land during the lease term. The value of the donation cannot exceed the appraised fair value of the land at the date of contribution. The fair value of the land was approximately \$2,100,000 and the Museum recorded contribution income and a net contribution receivable in this amount at the date of the contribution.

During the years ended December 31, 2023 and 2022, the Museum recognized annual lease expense of approximately \$93,100, which was recorded as a reduction of the contribution receivable amount and a release from restrictions. In addition, contribution revenue of approximately \$73,200 and \$72,400 was recorded due to the amortization of the contribution receivable discount, which was calculated using an interest rate of 3.75%.

7. BUILDING, EXHIBITS, AND EQUIPMENT

The Museum has the following assets and the assets are summarized by major classifications as follows at December 31:

	<u>2023</u>	<u>2022</u>
Building	\$ 13,364,591	\$ 13,364,591
Exhibits	7,654,100	7,638,433
Furniture	44,822	35,131
Computer equipment	<u>95,269</u>	<u>95,269</u>
	21,158,782	21,133,424
Less accumulated depreciation	<u>(9,869,755)</u>	<u>(8,421,198)</u>
	<u>\$ 11,289,027</u>	<u>\$ 12,712,226</u>

Depreciation expense related to property and equipment for the years ended December 31, 2023 and 2022, was \$1,448,557 and \$1,448,134, respectively

8. CONSTRUCTION IN PROGRESS

As of December 31, 2023, construction in progress was approximately \$1,610,200 and consisted of costs incurred as part of exhibit design and enhancement.

9. LINE OF CREDIT

The Museum maintains a line of credit of \$1,000,000 with a maturity date of September 2023. Interest is payable monthly at the Prime Rate as published in the Wall Street Journal and the interest rate at December 31, 2023 was 7.5%. As of December 31, 2023 and 2022, there were no amounts outstanding on the line of credit.

10. ENDOWMENT FUNDS

The Museum has one board-designated endowment that is used to generate investment income. The Museum does not intend to spend from the board-designated endowment, but these amounts could be made available for operations or capital expenditure if necessary. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Museum has interpreted the California adopted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the donor gift instrument.

10. ENDOWMENT FUNDS (Cont.)

As of December 31, 2023 and 2022, the Museum did not hold any donor restricted endowment funds.

In accordance with California UPMIFA the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds;

- (1) The duration and preservation of the fund
- (2) The purposes of the Museum and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Museum
- (7) The investment policies of the Museum

Endowment net asset composition by type of fund as of December 31, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ -	\$ -
Board-designated	<u>3,809,827</u>	<u>-</u>	<u>3,809,827</u>
Total endowment funds	<u>\$ 3,809,827</u>	<u>\$ -</u>	<u>\$ 3,809,827</u>

Endowment net asset composition by type of fund as of December 31, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ -	\$ -
Board-designated	<u>3,549,831</u>	<u>-</u>	<u>3,549,831</u>
Total endowment funds	<u>\$ 3,549,831</u>	<u>\$ -</u>	<u>\$ 3,549,831</u>

10. ENDOWMENT FUNDS (Cont.)

Changes in endowment net assets for the year ended December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,549,831	\$ -	\$ 3,549,831
Net investment gain	449,996	-	449,996
Appropriation of endowment for expenditure	<u>(190,000)</u>	<u>-</u>	<u>(190,000)</u>
Endowment net assets, end of year	<u>\$ 3,809,827</u>	<u>\$ -</u>	<u>\$ 3,809,827</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,625,997	\$ -	\$ 4,625,997
Net investment loss	(636,166)	-	(636,166)
Board designations removed	(265,000)	-	(265,000)
Appropriation of endowment for expenditure	<u>(175,000)</u>	<u>-</u>	<u>(175,000)</u>
Endowment net assets, end of year	<u>\$ 3,549,831</u>	<u>\$ -</u>	<u>\$ 3,549,831</u>

11. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following as of December 31:

	<u>2023</u>	<u>2022</u>
General operating	\$ 1,305,459	\$ 1,987,008
Net assets represented by building, exhibits, equipment, and construction in progress	12,899,213	13,604,991
Board designated:		
Operating reserve	520,000	520,000
Endowment	<u>3,809,827</u>	<u>3,549,831</u>
Total net assets without donor restrictions	<u>\$ 18,534,499</u>	<u>\$ 19,661,830</u>

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	<u>2023</u>	<u>2022</u>
Unrestricted upon collection	\$ 189,708	\$ 226,924
Education programs	73,500	80,965
Land lease contribution receivable	1,919,105	1,940,335
In-kind services receivable	<u>26,300</u>	<u>39,500</u>
Total net assets with donor restrictions	<u>\$ 2,208,613</u>	<u>\$ 2,287,724</u>

13. RELATED PARTY TRANSACTIONS

For the years ended December 31, 2023 and 2022, board members contributed approximately \$110,200 and \$222,500 to the Museum. As of December 31, 2023 and 2022, contributions receivable from board members were approximately \$110,200 and \$222,500, respectively.

14. RETIREMENT PLAN

The Museum has adopted a 403(b) retirement plan and allows eligible employees the option to contribute a portion of their compensation to the plan. The Plan allows for discretionary contributions by the Museum as employer. For the years ended December 31, 2023 and 2022, no employer contributions were made to the plan.

15. CONCENTRATIONS

Financial instruments that potentially subject the Museum to concentrations of credit risk consist principally of cash and cash equivalents. As of December 31, 2023, all of the Museum's cash was maintained in financial institutions. Cash balances held in the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Uninsured cash balances at December 31, 2023 were approximately \$640,200.

16. GAIN ON LEGAL SETTLEMENT

In February 2023, an arbitration finding in favor of the Museum awarded approximately \$131,300 to the Museum. In addition, the Museum had an accrued liability of approximately \$151,500 as of December 31, 2022. The release of the accrued liability and settlement award was reported as a gain of approximately \$282,800 in the statement of financial activities of the Museum for the year ended December 31, 2023.