



Financial Statements For the Year Ended December 31, 2024



MOXI, THE WOLF MUSEUM OF EXPLORATION + INNOVATION
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December 31, 2024

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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, 2024, 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, 2024, 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

The MOXI, The Wolf Museum of Exploration + Innovation's December 31, 2023 financial statements were audited by another independent accounting firm and their report dated August 13, 2024 expressed an unmodified audit opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stoltey & Associates

July 30, 2025
Orcutt, California

MOXI, THE WOLF MUSEUM OF EXPLORATION + INNOVATION

Statement of Financial Position

December 31, 2024

(With Summarized Comparative Totals for the Year 2023)

<i>Assets</i>	Without Donor Restrictions	With Donor Restrictions	Total	
			2024	2023
Cash and cash equivalents	\$ 617,340	\$ 15,000	\$ 632,340	\$ 1,248,660
Prepaid expenses	27,400	-	27,400	37,803
Inventory	25,259	-	25,259	23,841
Investments	3,405,286	-	3,405,286	4,953,012
Contributions receivable, net	-	407,826	407,826	216,008
Land lease contribution receivable	-	1,898,244	1,898,244	1,919,105
Building, exhibits, and equipment, net	11,278,348	-	11,278,348	11,289,027
Right of use asset	289,368	-	289,368	-
Construction in progress	2,950,259	-	2,950,259	1,610,186
Total assets	\$ 18,593,260	\$ 2,321,070	\$ 20,914,330	\$ 21,297,642
<i>Liabilities and Net Assets</i>				
Accounts payable	\$ 344,053	\$ -	\$ 344,053	\$ 357,486
Accrued expenses	172,173	-	172,173	152,373
Deferred revenue	42,652	-	42,652	44,671
Lease obligation	292,635	-	292,635	-
Total liabilities	851,513	-	851,513	554,530
Without donor restrictions	17,741,747	-	17,741,747	18,534,499
With donor restrictions	-	2,321,070	2,321,070	2,208,613
Total net assets	17,741,747	2,321,070	20,062,817	20,743,112
	\$ 18,593,260	\$ 2,321,070	\$ 20,914,330	\$ 21,297,642

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

MOXI, THE WOLF MUSEUM OF EXPLORATION + INNOVATION

Statement of Activities

Year Ended December 31, 2024

(With Summarized Comparative Totals for the Year 2023)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2024	2023
Contributions	\$ 1,238,659	\$ 274,457	\$ 1,513,116	\$ 861,524
In-kind goods and services	110,217	-	110,217	74,729
In-kind rent	71,622	-	71,622	72,410
Grants	7,000	-	7,000	83,450
Admissions	1,321,905	-	1,321,905	1,272,938
Memberships	447,266	-	447,266	416,255
Facilities rental	121,100	-	121,100	220,440
Gain on legal settlement	-	-	-	282,810
Program, store and other revenues	236,131	-	236,131	213,810
Special events:				
Special events gross proceeds	519,578	-	519,578	400,412
Direct special event costs	(248,683)	-	(248,683)	(215,449)
Net special events proceeds	270,895	-	270,895	184,963
Investment gain/(loss)	514,129	-	514,129	624,242
Total support, revenues, and gains	4,338,924	274,457	4,613,381	4,307,571
Net assets released from restrictions	162,000	(162,000)	-	-
Program services	3,931,748	-	3,931,748	4,442,246
Management and general	691,087	-	691,087	482,346
Fundraising	670,841	-	670,841	589,421
Total expenses	5,293,676	-	5,293,676	5,514,013
Change in net assets	(792,752)	112,457	(680,295)	(1,206,442)
Net assets, beginning of year	18,534,499	2,208,613	20,743,112	21,949,554
Net assets, end of year	\$ 17,741,747	\$ 2,321,070	\$ 20,062,817	\$ 20,743,112

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, 2024
(With Summarized Comparative Totals for the Year 2023)

		Supporting Services			Total	
		Management and General	Fundraising	2024	2023	
Salaries and benefits	Program Services					
Salaries and wages	\$ 1,723,714	\$ 399,337	\$ 419,124	\$ 2,542,175	\$ 2,192,257	
Payroll taxes	140,558	46,007	31,474	218,039	173,968	
Employee benefits	173,672	30,711	30,055	234,438	139,597	
Total salaries and benefits by function	2,037,944	476,055	480,653	2,994,652	2,505,822	
Advertising and marketing	300,352	3,062	24,693	328,107	252,636	
Bank fees	83,618	126	8,041	91,785	66,724	
Uncollectible contribution expense	-	5,653	-	5,653	7,114	
Depreciation	552,502	8,292	505	561,299	1,448,557	
Equipment rental	6,826	-	40,912	47,738	81,552	
Insurance	48,799	15,482	7,101	71,382	63,714	
Occupancy	106,336	13,749	42,417	162,502	118,939	
Office	122,832	48,423	19,951	191,206	192,915	
Professional and other services	253,449	104,699	214,807	572,955	581,130	
Repairs and maintenance	221,455	1,816	10,440	233,711	208,488	
Supplies	94,835	13,730	58,251	166,816	99,546	
Utilities	102,800	-	11,753	114,553	102,325	
Total expenses by function	3,931,748	691,087	919,524	5,542,359	5,729,462	
Less expenses included with revenues on the statement of activities						
Events expenses	-	-	(248,683)	(248,683)	(215,449)	
2024 Total expenses	\$ 3,931,748	\$ 691,087	\$ 670,841	\$ 5,293,676		
2023 Total expenses	\$ 4,442,246	\$ 482,346	\$ 589,421		\$ 5,514,013	

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, 2024

(With Summarized Comparative Totals for the Year 2023)

	<u>2024</u>	<u>2023</u>
<i>Cash flows from operating activities</i>		
Decrease in net assets	\$ (680,295)	\$ (1,206,442)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Depreciation	561,299	1,448,557
Amortization of right of use asset	33,508	-
Realized gain	(586,617)	(261,225)
Net change in unrealized loss (gain)	214,264	(249,969)
Proceeds from the sale of donated securities	24,722	10,102
(Increase) decrease in:		
Prepaid expenses	10,403	5,022
Inventory	(1,418)	1,441
Contributions receivable	(191,818)	50,416
Land lease contribution receivable	20,861	21,230
Increase (decrease) in:		
Accounts payable and accrued expenses	6,367	(143,669)
Deferred revenue	(2,019)	(68,997)
Lease obligation	(30,241)	-
<i>Net change in cash from operating activities</i>	<u>(620,984)</u>	<u>(393,534)</u>
<i>Cash flows from investing activities</i>		
Purchase construction in progress	(1,340,073)	(717,421)
Proceeds from sales of investments	2,724,688	2,145,903
Purchase of investments	(829,331)	(1,673,443)
Purchase of equipment	(550,620)	(25,358)
<i>Net change in cash from investing activities</i>	<u>4,664</u>	<u>(270,319)</u>
Net decrease in cash and cash equivalents	(616,320)	(663,853)
<i>Cash and cash equivalents, beginning of year</i>	<u>1,248,660</u>	<u>1,912,513</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 632,340</u>	<u>\$ 1,248,660</u>
Supplemental Cash Flow Information		
Non-cash addition of right of use asset	\$ 322,876	\$ -
Non-cash addition of lease obligation	<u>\$ (322,876)</u>	<u>\$ -</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, 2024

(With Summarized Comparative Totals for 2023)

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 and Museum Store. 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.

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, 2024 and 2023, 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.

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, 2024 and 2023 were \$230,651 and \$195,002, respectively.

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, 2024 and 2023 was not necessary. Pledges totaling \$5,653 and \$7,113 were written off as there was no possibility of collection for the years ended December 31, 2024 and 2023, 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:

	2024	2023	
<u>Service Donated</u>	<u>Fair Value</u>	<u>Fair Value</u>	<u>Purpose</u>
Information technology	\$ 16,800	\$ 16,800	General
Advertising	86,217	57,900	General
Professional services	7,200	-	General
Special events	49,687	12,500	Fundraising

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 2021 to the present remain subject to examination by the IRS for federal tax purposes, and the tax years from 2020 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, 2023 from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through July 30, 2025, 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, 2024:

Cash and cash equivalents	\$ 617,340
Investments	3,405,286
Contribution receivable	243,769
Less board-designated endowment	<u>(4,095,189)</u>
	<u>\$ 171,206</u>

As part of the liquidity management plan, the Museum will keep an operating reserve of approximately \$520,000 which is available to management for use in current operations. 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, 2025.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2024, are estimated to be received as follows:

Year ending December 31,	
2025	\$ 243,769
2026	75,842
2027	52,667
2028	<u>51,000</u>
	423,278
Less unamortized discount	<u>(15,452)</u>
	<u>\$ 407,826</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, 2024, 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	\$ 312,851	\$ 312,851	\$ -
Mutual funds	802,727	941,350	138,623
Exchange traded funds	<u>1,806,371</u>	<u>2,151,085</u>	<u>344,714</u>
	<u>\$ 2,921,949</u>	<u>\$ 3,405,286</u>	<u>\$ 483,337</u>

As of December 31, 2023, 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	\$ 908,485	\$ 908,485	\$ -
U.S. equity securities	1,017,221	1,281,679	264,458
U.S. government securities	251,949	262,630	10,681
Exchange traded funds	<u>2,077,756</u>	<u>2,500,218</u>	<u>422,462</u>
	<u>\$ 4,255,410</u>	<u>\$ 4,953,012</u>	<u>\$ 697,601</u>

Investment gain/(loss) as of December 31, 2024 and 2023 consists of the following:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 141,776	\$ 113,048
Realized gain on investments	586,617	261,225
Net change in unrealized gain	<u>(214,264)</u>	<u>249,969</u>
Total investment income	<u>\$ 514,129</u>	<u>\$ 624,242</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, 2024:

	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Fair Value (Level 3)</u>
Cash equivalents	\$ 312,851	\$ -	\$ -
Mutual funds	941,350	-	-
Exchange traded funds	<u>2,151,085</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,405,286</u>	<u>\$ -</u>	<u>\$ -</u>

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:

	Fair Value (Level 1)	Fair Value (Level 2)	Fair Value (Level 3)
Cash equivalents	\$ 908,485	\$ -	\$ -
Mutual funds:			
U.S. equity	1,281,679	-	-
U.S. government securities	262,630	-	-
Exchange traded funds:			
Fixed income	240,153	-	-
U.S. equity	2,260,065	-	-
	<u>\$ 4,953,012</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, 2024 and 2023, the Museum recognized annual lease expense of approximately \$93,000, which was recorded as a reduction of the contribution receivable amount and a release from restrictions. In addition, contribution revenue of approximately \$71,622 and \$72,410 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:

	2024	2023
Building	\$ 13,364,591	\$ 13,364,591
Exhibits	8,188,408	7,654,100
Furniture	61,134	44,822
Computer equipment	95,269	95,269
	<u>21,709,402</u>	<u>21,158,782</u>
Less accumulated depreciation	<u>(10,431,054)</u>	<u>(9,869,755)</u>
	<u>\$ 11,278,348</u>	<u>\$ 11,289,027</u>

Depreciation expense related to property and equipment for the years ended December 31, 2024 and 2023, was \$561,299 and \$1,448,557, respectively

8. CONSTRUCTION IN PROGRESS

As of December 31, 2024, construction in progress was approximately \$2,950,259 and consisted of costs incurred as part of exhibit design and enhancement.

9. RIGHT OF USE ASSET, LEASE OBLIGATION UNDER OPERATING LEASE

In March 2024, the Museum entered into an agreement to lease its administrative offices located in Santa Barbara, California. The lease terminates February 2029. Per the terms of the lease, the organization pays a base rent of \$4,176 per month plus operating costs. The lease terms require an annual 2.5% increase in the base rent. The lease also provides the Museum with two options to extend the lease term for a period of 12 months for each option. The base rent for each term option will be determined as if the first year of the option term were merely an extension of the lease, so that the new base rent reflects any increase in the cost-of-living adjustments noted above. Management has determined that it is likely that the two options will be exercised and thus the extended term is reflected in the calculated right of asset value and lease obligation.

As of December 31, 2024, the right-of-use (ROU) asset had a balance of \$289,368 and the related lease obligation of \$292,635, as shown on the statement of financial position. The lease asset and liability were calculated utilizing the risk-free discount rate (4.47%).

Maturities of operating lease liabilities as of December 31, 2024:

Year ending December 31,	
2025	\$ 51,168
2026	52,447
2027	53,758
2028	55,102
2029	56,480
2030	57,892
2031	<u>9,687</u>
Total Lease Payments	336,534
Less Discount	<u>(43,899)</u>
Present Value Lease Liability	<u>\$ 292,635</u>

Rent expense for the year ended June 30, 2024 and 2023 was \$48,441 and \$25,299, respectively.

10. LINE OF CREDIT

The Museum maintains two lines of credit. The first line of \$1,000,000 with a maturity date of August 2025 and interest payable monthly at the Prime Rate as published in the Wall Street Journal had an interest rate at December 31, 2024 of 7.5%. The second line of \$7,000,000 with a maturity date of August 2030 and interest payable monthly at the Prime Rate as published in the Wall Street Journal

minus .25% had an interest rate at December 31, 2024 of 7.25%. As of December 31, 2024 and 2023, there were no amounts outstanding on either line of credit.

11. 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.

As of December 31, 2024 and 2023, 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, 2024, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ -	\$ -
Board-designated	4,095,189	-	4,095,189
Total endowment funds	<u>\$ 4,095,189</u>	<u>\$ -</u>	<u>\$ 4,095,189</u>

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	3,809,827	-	3,809,827
Total endowment funds	<u>\$ 3,809,827</u>	<u>\$ -</u>	<u>\$ 3,809,827</u>

Changes in endowment net assets for the year ended December 31, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,809,827	\$ -	\$ 3,809,827
Net investment gain	480,163	-	480,163
Appropriation of endowment for expenditure	<u>(194,801)</u>	<u>-</u>	<u>(194,801)</u>
Endowment net assets, end of year	<u>\$ 4,095,189</u>	<u>\$ -</u>	<u>\$ 4,095,189</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 3,549,831	\$ -	\$ 3,549,831
Net investment loss	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>

12. NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
General operating	\$ (1,102,049)	\$ 1,305,459
Net assets represented by building, exhibits, equipment, and construction in progress	14,228,607	12,899,213
Board designated:		
Operating reserve	520,000	520,000
Endowment	<u>4,095,189</u>	<u>3,809,827</u>
Total net assets without donor restrictions	<u>\$ 17,741,747</u>	<u>\$ 18,534,499</u>

13. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Unrestricted upon collection	\$ 390,431	\$ 189,708
Education programs	15,000	73,500
Land lease contribution receivable	1,898,244	1,919,105
In-kind services receivable	<u>17,395</u>	<u>26,300</u>
Total net assets with donor restrictions	<u>\$ 2,321,070</u>	<u>\$ 2,208,613</u>

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, 2024 and 2023, employer contributions to the plan totaled \$32,209 and \$0, respectively.

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, 2024, 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, 2024 were approximately \$223,000.