

FRIENDS OF THE CORPUS CHRISTI MUSEUM OF SCIENCE & HISTORY

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2024 AND 2023



**FRIENDS OF THE CORPUS CHRISTI MUSEUM OF
SCIENCE & HISTORY**

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INDEPENDENT AUDITOR'S REPORT

June 2, 2025

To the Board of Directors
The Friends of the Corpus Christi Museum of Science & History
Corpus Christi, Texas

Opinion

We have audited the accompanying financial statements of the Friends of the Corpus Christi Museum of Science and History (a nonprofit organization), which comprise the statement of financial position as of September 30, 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 the Friends of the Corpus Christi Museum of Science and History as of September 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Friends of the Corpus Christi Museum of Science and History 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 these 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 the Friends of the Corpus Christi Museum of Science and History'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 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 the Friends of the Corpus Christi Museum of Science and History'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 the Friends of the Corpus Christi Museum of Science and History's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Friends of the Corpus Christi Museum of Science and History's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 10, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Adamson & Company LLC

FRIENDS OF THE CORPUS CHRISTI MUSEUM OF SCIENCE & HISTORY

STATEMENTS OF FINANCIAL POSITION

| | SEPTEMBER 30, | |
|--|-------------------------|-------------------------|
| | 2024 | 2023 |
| | | (Restated) |
| ASSETS | | |
| Current Assets: | | |
| Cash and Equivalents | 602,440 | 936,631 |
| Certificates of Deposit | 201,594 | -- |
| Accounts Receivable | 343,165 | 338,331 |
| Inventories | 22,484 | 18,822 |
| Prepaid Expenses | 36,230 | 21,285 |
| Total Current Assets | <u>1,205,913</u> | <u>1,315,069</u> |
| Non-Current Assets- | | |
| Property & Equipment, Net (Note 8) | <u>4,758</u> | <u>--</u> |
| TOTAL ASSETS | <u><u>1,210,671</u></u> | <u><u>1,315,069</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities: | | |
| Accounts Payable & Accrued Liabilities | 25,459 | 30,543 |
| Accrued Payroll | 44,660 | 44,149 |
| Deferred Revenue | 76,164 | 118,197 |
| Total Liabilities | <u>146,283</u> | <u>192,889</u> |
| Net Assets, as Restated: | | |
| Without Donor Restrictions | 914,388 | 1,087,180 |
| With Donor Restrictions (Note 7) | 150,000 | 35,000 |
| Total Net Assets | <u>1,064,388</u> | <u>1,122,180</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>1,210,671</u></u> | <u><u>1,315,069</u></u> |

See Notes to Financial Statements.

FRIENDS OF THE CORPUS CHRISTI MUSEUM OF SCIENCE & HISTORY

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2024 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | <u>WITHOUT DONOR RESTRICTIONS</u> | <u>WITH DONOR RESTRICTIONS</u> | <u>TOTAL</u> | |
|---|--|---|---------------------|--------------------------|
| | | | <u>2024</u> | <u>2023</u> |
| | | | | <u>(Restated)</u> |
| Support, Revenue and Gains: | | | | |
| Contributions | 56,531 | 150,000 | 206,531 | 71,100 |
| Contributions of Nonfinancial Assets (Note 10) | 723,384 | -- | 723,384 | 626,492 |
| Management Fee from the City of Corpus Christi (Note 5) | 500,000 | -- | 500,000 | 500,000 |
| Collection Revenue, Net Direct Costs of \$938 and \$7,869 | 4,136 | -- | 4,136 | (1,561) |
| Admission Sales | 313,058 | -- | 313,058 | 314,218 |
| Membership Sales | 68,201 | -- | 68,201 | 73,179 |
| Gift Shop Sales, Net Costs of Goods Sold of \$45,209 and \$44,200 | 67,021 | -- | 67,021 | 55,125 |
| Concession Sales, Net Costs of Goods Sold of \$2,907 and \$6,993 | (937) | -- | (937) | 9,964 |
| Vending Machine Sales | 6,402 | -- | 6,402 | 5,815 |
| Special Events | 104,114 | -- | 104,114 | 139,645 |
| Room Rentals | 154,095 | -- | 154,095 | 178,492 |
| Education Revenues | 56,875 | -- | 56,875 | 149,727 |
| Camps | 113,307 | -- | 113,307 | 129,451 |
| Net Investment Income | 31,488 | -- | 31,488 | 27,184 |
| Grants | 113,170 | -- | 113,170 | 135,089 |
| Oil & Gas Royalties | 12,368 | -- | 12,368 | 16,896 |
| Net Assets Released from Restrictions | 35,000 | (35,000) | -- | -- |
| Total Support, Revenue and Gains | 2,358,213 | 115,000 | 2,473,213 | 2,430,816 |
| Expenses: | | | | |
| Program Services | 2,114,400 | -- | 2,114,400 | 1,560,882 |
| Management and General | 259,467 | -- | 259,467 | 426,707 |
| Fundraising | 157,138 | -- | 157,138 | 58,604 |
| Total Expenses | 2,531,005 | -- | 2,531,005 | 2,046,193 |
| Change in Net Assets | (172,792) | 115,000 | (57,792) | 384,623 |
| Net Assets, Beginning of Year | 1,087,180 | 35,000 | 1,122,180 | 592,334 |
| Correction (Note 12) | -- | -- | -- | 145,223 |
| NET ASSETS, END OF YEAR | 914,388 | 150,000 | 1,064,388 | 1,122,180 |

See Notes to Financial Statements.

FRIENDS OF THE CORPUS CHRISTI MUSEUM OF SCIENCE & HISTORY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2024 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | PROGRAM SERVICES | SUPPORTING SERVICES | | TOTAL | |
|-------------------------------------|-------------------------|---------------------------|-----------------------|-------------------------|-------------------------|
| | | MANAGEMENT AND GENERAL | FUNDRAISING | 2024 | 2023 (Restated) |
| Salaries and Benefits: | | | | | |
| Salaries | 884,768 | 197,909 | 81,492 | 1,164,169 | 970,262 |
| Employee Benefits | 36,595 | 8,186 | 3,371 | 48,152 | 35,061 |
| Payroll Taxes | 73,179 | 16,369 | 6,740 | 96,288 | 83,574 |
| Total Salaries and Benefits | <u>994,542</u> | <u>222,464</u> | <u>91,603</u> | <u>1,308,609</u> | <u>1,088,897</u> |
| Other Expenses: | | | | | |
| Marketing | 54,628 | -- | -- | 54,628 | 36,142 |
| Insurance | 159,496 | 4,186 | 1,723 | 165,405 | 152,324 |
| Dues & Memberships | 76,339 | -- | -- | 76,339 | 15,921 |
| Postage/Copies | -- | 2,281 | -- | 2,281 | 779 |
| Professional Fees | 75,654 | 16,923 | 6,968 | 99,545 | 59,143 |
| Events & Exhibits Expense | 40,468 | -- | -- | 40,468 | 48,703 |
| Repairs and Maintenance | 356,449 | 12,885 | 5,305 | 374,639 | 277,144 |
| Service Charges | 24,001 | -- | -- | 24,001 | 42,200 |
| Supplies | 64,367 | -- | -- | 64,367 | 41,124 |
| Fundraising | -- | -- | 51,239 | 51,239 | 42,829 |
| Travel | 5,507 | -- | -- | 5,507 | 2,518 |
| Miscellaneous | 12,375 | -- | -- | 12,375 | 4,737 |
| Utilities | 182,141 | 728 | 300 | 183,169 | 182,945 |
| Information Technology | 67,243 | -- | -- | 67,243 | 50,787 |
| Total Other Expenses | <u>1,118,668</u> | <u>37,003</u> | <u>65,535</u> | <u>1,221,206</u> | <u>957,296</u> |
| Total Expenses, Before Depreciation | 2,113,210 | 259,467 | 157,138 | 2,529,815 | 2,046,193 |
| Depreciation | <u>1,190</u> | <u>--</u> | <u>--</u> | <u>1,190</u> | <u>--</u> |
| Total Expenses | <u><u>2,114,400</u></u> | <u><u>259,467</u></u> | <u><u>157,138</u></u> | <u><u>2,531,005</u></u> | <u><u>2,046,193</u></u> |

See Notes to Financial Statements.

FRIENDS OF THE CORPUS CHRISTI MUSEUM OF SCIENCE & HISTORY

STATEMENTS OF CASH FLOWS

| | YEAR ENDED SEPTEMBER 30, | |
|---|---------------------------------|-------------------|
| | 2024 | 2023 |
| | | (Restated) |
| Cash Flows from Operating Activities: | | |
| Increase (Decrease) in Net Assets | (57,792) | 384,623 |
| Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 1,190 | -- |
| Realized Gain on Investments | (1,594) | (12,107) |
| (Increase) Decrease in Operating Assets | | |
| Accounts Receivable | (4,834) | 24,987 |
| Inventories | (3,662) | (4,004) |
| Prepaid Expenses | (14,945) | (21,285) |
| Increase (Decrease) in Operating Liabilities | | |
| Accounts Payable & Accrued Liabilities | (5,084) | 6,279 |
| Accrued Payroll | 511 | 17,762 |
| Deferred Revenue | (42,033) | (46,923) |
| Net Cash Provided (Used) by Operating Activities | (128,243) | 349,332 |
| Cash Flows from Investing Activities: | | |
| Purchase of Certificate of Deposit | (400,000) | (598,893) |
| Sale of Certificate of Deposit | 200,000 | 611,000 |
| Payments for Property or Equipment | (5,948) | -- |
| Net Cash Provided (Used) by Investing Activities | (205,948) | 12,107 |
| Net Increase (Decrease) in Cash and Equivalents | (334,191) | 361,439 |
| Cash and Equivalents, Beginning of Year | 936,631 | 575,192 |
| CASH AND EQUIVALENTS, END OF YEAR | 602,440 | 936,631 |

See Notes to Financial Statements.

FRIENDS OF THE CORPUS CHRISTI MUSEUM OF SCIENCE & HISTORY

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2024 AND 2023

Note 1 – ORGANIZATION

The Friends of the Corpus Christi Museum of Science and History (the Friends of the Museum) is a Texas nonprofit organization originally chartered on February 19, 1974, under the name, the Friends of the Corpus Christi Museum. On October 29, 1990, the nonprofit organization filed an amendment with the Office of the Secretary of State of Texas to change its name to the Friends of Corpus Christi Museum of Science and History. The purpose of the non-profit organization is to support and aid, in any manner, the Corpus Christi Museum of Science and History. The Friends of the Museum promote public interest and increase and diffuse knowledge and appreciation of history, art and science.

The Friends of the Museum entered into a service agreement with the City of Corpus Christi (the City) for the management of the Corpus Christi Museum of Science and History. The Friends of the Museum primarily engages in the management and operation of the Corpus Christi Museum of Science and History located in Corpus Christi, Texas. Additional information regarding the service agreement between the Friends of the Museum and the City can be found in Note 5.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and with provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

Use of Estimates

The preparation of the 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, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during that reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of recording cash flows, the Friends of the Museum considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUATION)

Accounts Receivable

Accounts receivable represents billings to customers for program service fees provided in a prior period and not collected as of the date of the statement of financial position. An allowance for credit losses, if deemed necessary, reflects management's best estimate of the amounts that will not be collected based on historical trends, adjusted for management's risk, historical, current and forecasted information. As of September 30, 2024 and 2023, management considered all accounts receivable to be fully collectible; therefore, no allowance has been recorded against accounts receivable.

Inventories

Inventories consist of gift shop items and are stated at the lower of cost or net realizable value, determined by the first-in, first-out method.

Property and Equipment

Property and equipment are reported at cost of purchased assets, or at estimated fair value at the date contributed for contributed assets. Expenditures for assets costing more than \$5,000 are capitalized if their useful life is greater than one year. Expenditures for betterments that materially extend the useful life of the assets are capitalized. Repairs and maintenance that do not significantly increase the useful life of an asset are expensed as incurred. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets.

Compensated Absences

The Friends of the Museum expense compensated absences as they are paid; no accrual for compensated absences is recorded as any obligation accrued during the year would not be material to the overall financial statements.

Net Asset Classifications

Net assets, support and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions. Grant and contributions gifted for reoccurring programs are generally not considered "restricted" under U.S. GAAP, though for internal reporting purposes, the Friends of the Museum tracks such grants and contributions to verify the disbursements match the intent. Asset restriction solely through the action of the management and Board of Directors are reported as net assets without donor restrictions.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUATION)

With Donor Restrictions: Net assets subject to donor-imposed stipulations that are more restrictive than the Friends of the Museum's mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

The Friends of the Museum sells annual memberships entitling the purchaser to unlimited admission during the year, as well as discounts on gifts and special events. Fees for memberships are recognized as revenue in the period in which they relate. In addition, the Friends of the Museum collect various revenues earned such as camp registration fees, special event fees, museum admission fees and gift shop sales. Revenues from such sources are recognized at a point-in-time when the performance obligation is met. Management fees paid by the City of Corpus Christi are recognized over time, as Museum operations are provided to the public.

Revenue from grant contracts consist of cost reimbursable municipal and private contracts and grants, which are generally conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when the Friends of the Museum have incurred expenses in compliance with specific contract and grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. Fees for program services are earned and recorded when the Friends of the Museum's performance obligations are satisfied as related services are provided.

The Friends of the Museum recognize contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Contributions

Contributions and grants are reported as without or with donor restrictions, depending on the existence and/or nature of any restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction depending on the nature of the restriction. When a restriction expires, the net assets are reclassified to net assets without donor restriction. Non-cash contributions are recorded at their fair market value at the date of contribution.

Gifts of land, building and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUATION)

Contributed Materials and Services

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills and that would typically need to be purchased if not provided by donation are recorded at the estimated fair market value in the period received. Donated materials are valued based on their estimated fair market value on the date of the contribution. See Note 10 for additional detail.

Income Taxes

The Friends of the Museum is a nonprofit organization exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, The Friends of the Museum is required to file Form 990, Return of Organization Exempt from Income Tax, annually and no provision for income tax is recorded. With few exceptions, the Friends of the Museum is no longer subject to examinations by the U.S. federal, state or local tax authorities for years before September 30, 2021, which is the standard statute of limitations look-back period. If penalties and interest charges are assessed on additional taxes, they are expensed in the period in which they are paid.

Functional Allocation of Expenses

Expenses are reported by their functional classification. Program services are the direct conduct or supervision that fulfill the purposes for which the organization exists. Expenses that are attributable to more than one activity are allocated among the activities benefited.

Advertising

Advertising costs are expensed as incurred. In accordance with the terms of the management service agreement with the City of Corpus Christi, the City provides reimbursement to the Friends of the Museum up to \$50,000 in advertising per fiscal year, subject to availability of funds in the Hotel Occupancy Tax fund. The amount of advertising costs reimbursed by the City totaled \$45,721 and \$36,828 for the years ended September 30, 2024 and 2023, respectively.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

Note 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Friends of the Museum regularly monitor liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Friends of the Museum consider all expenditures related to its ongoing activities related to operating programs, fundraising, as well as, services undertaken to support those activities to be general expenditures.

The following table illustrates the total financial assets held by the Friends of the Museum as of September 30, 2024 and 2023, that could readily be made available within one year of the balance sheet date to meet general expenditures.

| | SEPTEMBER 30, | |
|---|---------------|-----------|
| | 2024 | 2023 |
| Financial Assets at September 30, | | |
| Cash and Equivalents | 602,440 | 936,631 |
| Certificate of Deposit | 201,594 | -- |
| Accounts Receivable | 343,165 | 338,331 |
| Total Financial Assets available in the next twelve months to meet general expenditures | 1,147,199 | 1,274,962 |
| Less Those Unavailable for General Expenditures | | |
| Within One Year, Due To: | | |
| Temporarily Restricted Net Assets | (150,000) | (35,000) |
| FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR | 997,199 | 1,239,962 |

Note 4 – SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Friends of the Museum maintains its cash and cash equivalents with financial institutions and a money market account with an investment company. Such deposits exceeded federal depository insurance by \$457,992 as of September 30, 2023. There were no deposits that exceeded federal depository insurance for the year ended September 30, 2024. Management believes that the risk of loss is minimal due to the strength of the institutions.

Note 5 – SERVICE AGREEMENT WITH THE CITY OF CORPUS CHRISTI

In October 2018, The Friends of the Museum entered into a service agreement for management of the Corpus Christi Museum of Science and History with the City of Corpus Christi; with maturity of this agreement on September 30, 2023. Under the terms of the agreement, the Friends of the Museum is to continuously occupy and operate the Museum of Science and History (the Museum) in a first-class and fiscally responsible manner with objectives of creating a modern educational entertainment museum that will appeal to both children and adults while maintaining the established history and science mission of the Museum, as well as the certification and accreditation. Effective October 1, 2023, the Friends of the Museum extended the existing terms of the service agreement with maturity on September 30, 2026.

Note 5 – SERVICE AGREEMENT WITH THE CITY OF CORPUS CHRISTI – (CONTINUATION)

The Friends of the Museum shall exclusively manage and operate the Museum comprising the Museum and all facilities, parking lots, personal property, and exhibits, and collection inventory. The Friends of the Museum's use of such assets is accounted for in conformity with Accounting Standards Codification Topic 853, Service Concession Arrangements; and accordingly, provisions for rent expense for the use of such assets is not reflected in the statement of activities.

Under the terms of the agreement, the Friends of the Museum is compensated for the operation of the Museum via a two-component management fee. The first component is the revenue that is generated by the Museum's operation. The Friends of the Museum is allowed to retain all revenue produced by the Museum's operation. The second component of the management fee is an annual management fee paid to the Friend of the Museum from the City of Corpus Christi in the amount of \$500,000.

The City of Corpus Christi provides information technology services and computers, building maintenance services, grounds maintenance, property insurance, elevator maintenance, and utilities. Such operational costs incurred by the City of Corpus Christi for the operation of the Museum are accounted for in conformity with Accounting Standards Codification Topic 958-605, Revenue Recognition. See Note 10 for additional information regarding contributed nonfinancial assets.

A completed signed Service Agreement for Management of the Corpus Christi Museum of Science and History is on file at the Friends of the Museum finance and management's office located at 1900 N. Chaparral St. Corpus Christi, TX, 78401.

NOTE 6 – ENDOWMENT HELD AT COMMUNITY FOUNDATION

The Friends of the Museum is the specified beneficiary of a permanent endowed fund (the Fund) held by the Coastal Bend Community Foundation. The Fund was established as a non-agency fund; and accordingly, the Friends of the Museum does not recognize its beneficial interests in the transferred assets. As of September 30, 2024 and 2023, the fair value of the fund amounted to \$1,519,282 and \$1,276,914, respectively. For the years ended September 30, 2024 and 2023, \$51,670 and \$49,496, respectively, was requested and distributed from the Fund to the Friends of the Museum.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

The Friends of the Museum receives and holds funds from donors to be used for specific purposes defined by the donor. These funds are deemed donor-restricted but are not held in separate bank accounts. A summary of the composition of net assets with donor restrictions are as follows:

| | 2024 | 2023 |
|---|---------|--------|
| Kenedy Gallery Exhibit Renovation | -- | 35,000 |
| Port of Corpus Christi Permanent STEM Exhibit | 150,000 | -- |
| TOTAL | 150,000 | 35,000 |

For the years ended September 30, 2024 and 2023, net assets released from donor restrictions amounted to \$35,000 and \$104,210, respectively.

Note 8 – PROPERTY AND EQUIPMENT

Major classifications of property and equipment at September 30, 2024, are summarized as follows:

| | <u>2024</u> |
|--------------------------------|-------------------------|
| Furniture & Fixtures | <u>5,948</u> |
| Total Property & Equipment | <u>5,948</u> |
| Less Accumulated Depreciation | <u>1,190</u> |
| NET PROPERTY AND EQUIPMENT | <u><u>4,758</u></u> |

Depreciation expense amounted to \$1,190 for the year ended September 30, 2024. There was no depreciation expense recorded for the year ended September 30, 2023.

Note 9 – EMPLOYEE BENEFIT PLAN

The Friends of the Museum offers a SIMPLE (Savings Incentive Match Plan for Employees) IRA (the Plan) for all employees who are reasonably expected to receive \$5,000 of compensation in the current year.

Employees may make voluntary tax-deferred contribution up to limits specified by federal income tax regulations. Bi-weekly employer matches to the Plan are required up to 3 percent of the employee's annual compensation; employees are fully vested in employer matches. All contributions into the Plan are credited to individual accounts maintained by the Plan's trustee for each participating employee. Total contributions made by the Friends of the Museum for the years ended September 30, 2024 and 2023 amounted to \$14,684 and \$9,869, respectively.

Note 10 – CONTRIBUTED NONFINANCIAL ASSETS

For the years ended September 30, 2024 and 2023 unrestricted contributed nonfinancial assets recognized within the statement of activities included:

| | <u>SEPTEMBER 30,</u> | |
|--|---------------------------|---------------------------|
| | <u>2024</u> | <u>2023</u> |
| Facility Repairs & Maintenance | 298,846 | 242,356 |
| Utilities | 178,888 | 182,945 |
| Insurance | 140,784 | 129,288 |
| Information Technology | 67,243 | 50,787 |
| Special Event Auction Items | <u>37,623</u> | <u>21,116</u> |
| TOTAL CONTRIBUTED NONFINANCIAL ASSETS | <u><u>723,384</u></u> | <u><u>626,492</u></u> |

Note 10 – CONTRIBUTED NONFINANCIAL ASSETS – (CONTINUATION)

The Friends of the Museum recognized contributed nonfinancial assets within revenue, including City funded facility repairs and maintenance, utilities, insurance and information technology. Also recognized contributed nonfinancial assets are items donated to the Friends of the Museum such as auction items for special events.

In valuing the contributed facility repairs and maintenance, utilities, insurance, and information technology, the Friends of the Museum estimated the fair value on the basis of the historic cost incurred or allocated to provide the respective benefit.

When items, such as contributed special event auction items are donated, they are utilized to support the organization's overall operations. In valuing such items, the Friends of the Museum estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Note 11 – EMPLOYEE RETENTION TAX CREDIT

In 2022, the Company filed Form 941-X: Adjusted Employer's Quarterly Federal Tax Return of Claim for Refund for the fourth quarter of 2020 and the first quarter of 2021. This Form 941-X was filed to claim the employee retention tax credit (ERTC) under Section 2301 of the CARES Act as amended by Section 206 of the Taxpayer Certainty and Disaster Tax Relief Act of 2020 in the amount of \$157,858.

In August 2023, the Friends of the Museum received payment of the fourth quarter 2020 ERTC in the amount of \$101,071, including credited interest. As of September 30, 2024, the first quarter 2021 ERTC amounting to \$67,448 remains outstanding and is included in accounts receivable in the statements of financial position. In August 2023, the Friends of the Museum issued a resubmission of the appeal regarding the first quarter 2021 ERTC. Fulfillment of this receivable is expected during fiscal year 2025.

Note 12 – SUBSEQUENT EVENT AND CORRECTION

In December 2024, the Friend of the Museum received a lump-sum payment of \$175,476 from an oil and gas operator for past due royalties related to production periods spanning from June 2019 through November 2024. Of this amount, \$1,043 will be recorded as revenue in the fiscal year ending September 30, 2025, \$12,314 was recorded as revenue in the fiscal year ended September 30, 2024, and \$16,896 was recognized as revenue in the fiscal year ended September 30, 2023. The remaining \$145,223 pertains to royalty income attributable to fiscal years 2022 and prior. The allocation of this payment across fiscal years is based on production dates and is consistent with the Friend's of the Museum's revenue recognition policies. Recognition of the \$145,223 attributable to earlier periods required a restatement of beginning net assets for the earliest comparative year presented in the financial statements. In addition, the recognition of \$16,896 in royalty revenue and an accounts receivable balance of \$162,119 as of September 30, 2023, resulted in a restatement of the 2023 financial statements.

SUPPLEMENTAL SCHEDULE

FRIENDS OF THE CORPUS CHRISTI MUSEUM OF SCIENCE & HISTORY

SCHEDULE OF REVENUES & EXPENSES -
BUDGET TO ACTUAL

YEAR ENDED SEPTEMBER 30, 2024

| | <u>ORIGINAL AND FINAL BUDGET</u> | <u>FINANCIAL STATEMENT ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|---------------------------------|---|--|--|
| Revenues: | | | |
| Revenue - Unrestricted | 1,293,448 | 1,130,963 | (162,485) |
| Miscellaneous Revenue | 5,000 | 362 | (4,638) |
| Grant Restricted Revenues | 320,200 | 263,170 | (57,030) |
| Exhibit Revenues | 12,800 | 5,074 | (7,726) |
| Education Revenues | 272,000 | 168,966 | (103,034) |
| Special Events Revenues | 390,000 | 181,294 | (208,706) |
| In-Kind Revenue | -- | 723,384 | 723,384 |
| Total Revenue | 2,293,448 | 2,473,213 | 179,765 |
| Expenses: | | | |
| Cost of Goods Sold | 50,000 | 49,054 | 946 |
| Payroll Gross Wages Expense | 1,500,000 | 1,204,380 | 295,620 |
| Grant Restricted Costs Expense | 317,200 | 153,876 | 163,324 |
| Utilities Expense | 10,000 | 11,204 | (1,204) |
| Insurance Expense | 30,500 | 24,621 | 5,879 |
| Exhibit Costs Expense | 26,500 | 60,902 | (34,402) |
| Education Costs Expense | 24,000 | 28,507 | (4,507) |
| Special Events Expense | 51,000 | 55,903 | (4,903) |
| Repairs and Maintenance Expense | 28,500 | 19,302 | 9,198 |
| Administrative Costs Expense | 246,682 | 237,495 | 9,187 |
| In-Kind Expense | -- | 685,761 | (685,761) |
| Total Expenses | 2,284,382 | 2,531,005 | (246,623) |
| Change in Net Assets | 9,066 | (57,792) | (66,858) |