



**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025**



GANNA WALSKA LOTUSLAND

December 31, 2025

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

Audit Committee of the Board of Trustees
Ganna Walska Lotusland
Santa Barbara, California

Opinion

We have audited the accompanying financial statements of Ganna Walska Lotusland (a non-profit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ganna Walska Lotusland as of December 31, 2025, and the change 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 Ganna Walska Lotusland 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.

Management's Responsibility 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 controls 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 Organization'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 controls. 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 controls 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 Ganna Walska Lotusland's internal controls. 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 Ganna Walska Lotusland's ability to continue as a going concern for a reasonable period of time.

Report on Summarized Comparative Information

We have previously audited the Ganna Walska Lotusland 2024 financial statements, and we expressed an unmodified audit opinion on those statements in our report dated June 26, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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.

McGowan Guntermann

Santa Barbara, California
July 6, 2026

GANNA WALSKA LOTUSLAND

STATEMENT OF FINANCIAL POSITION

December 31, 2025

(With Comparative Totals for December 31, 2024)

	ASSETS			(Memo)
	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 9,385,129	\$ 488,736	\$ 9,873,865	\$ 6,206,689
Inventories	116,380	-	116,380	105,343
Pledges receivable, current portion	-	1,306,567	1,306,567	1,241,465
Employee Retention Credit receivable	-	-	-	350,555
Prepaid expenses and deposits	<u>77,440</u>	<u>-</u>	<u>77,440</u>	<u>69,228</u>
 Total Current Assets	 <u>9,578,949</u>	 <u>1,795,303</u>	 <u>11,374,252</u>	 <u>7,973,280</u>
NON-CURRENT ASSETS				
Pledges receivable, net of current portion	-	1,074,559	1,074,559	1,894,663
Investments	6,579,746	26,968,328	33,548,074	28,397,133
Property and equipment, net	12,993,486	-	12,993,486	11,974,920
Operating lease right-of-use assets, net	<u>19,200</u>	<u>-</u>	<u>19,200</u>	<u>37,620</u>
 Total Non-Current Assets	 <u>19,592,432</u>	 <u>28,042,887</u>	 <u>47,635,319</u>	 <u>42,304,336</u>
 TOTAL ASSETS	 <u>\$ 29,171,381</u>	 <u>\$ 29,838,190</u>	 <u>\$ 59,009,571</u>	 <u>\$ 50,277,616</u>
 LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 498,377	\$ -	\$ 498,377	\$ 108,194
Accrued liabilities	645,710	-	645,710	722,413
Operating lease liability, current	<u>18,379</u>	<u>-</u>	<u>18,379</u>	<u>18,406</u>
 Total Current Liabilities	 <u>1,162,466</u>	 <u>-</u>	 <u>1,162,466</u>	 <u>849,013</u>
LONG-TERM LIABILITIES				
Operating lease liability, noncurrent	<u>1,145</u>	<u>-</u>	<u>1,145</u>	<u>19,475</u>
 Total Long-term Liabilities	 <u>1,145</u>	 <u>-</u>	 <u>1,145</u>	 <u>19,475</u>
 Total Liabilities	 <u>1,163,611</u>	 <u>-</u>	 <u>1,163,611</u>	 <u>868,488</u>
NET ASSETS				
Without Donor Restrictions				
Board designated for endowment	922,811	-	922,811	801,613
Board designated for capital	127,737	-	127,737	127,737
Other net assets without donor restrictions	<u>26,957,222</u>	<u>-</u>	<u>26,957,222</u>	<u>22,993,961</u>
Total Without Donor Restrictions	<u>28,007,770</u>	<u>-</u>	<u>28,007,770</u>	<u>23,923,311</u>
 With Donor Restrictions	 <u>-</u>	 <u>29,838,190</u>	 <u>29,838,190</u>	 <u>25,485,817</u>
 Total Net Assets	 <u>28,007,770</u>	 <u>29,838,190</u>	 <u>57,845,960</u>	 <u>49,409,128</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 29,171,381</u>	 <u>\$ 29,838,190</u>	 <u>\$ 59,009,571</u>	 <u>\$ 50,277,616</u>

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

GANNA WALSKA LOTUSLAND

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2025
(With Comparative Totals for the Year Ended December 31, 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	(Memo) 2024 Total
REVENUE, GAINS, SUPPORT AND OTHER INCOME				
Revenue and Support				
Contributions and grants	\$ 1,082,810	\$ 4,422,697	\$ 5,505,507	\$ 8,293,873
Membership contributions	821,001	-	821,001	814,099
Admission fees	1,121,687	-	1,121,687	834,985
Garden shop	273,200	-	273,200	211,250
Public programs	81,352	-	81,352	82,482
Other support	39,322	-	39,322	96,755
Special events (net of expenses of \$987,018 and \$1,454,201)	2,797,640	-	2,797,640	1,456,599
Net assets released from restrictions	<u>3,336,529</u>	<u>(3,336,529)</u>	<u>-</u>	<u>-</u>
 Total Revenue and Support	 <u>9,553,541</u>	 <u>1,086,168</u>	 <u>10,639,709</u>	 <u>11,790,043</u>
 EXPENSES				
Garden operations and plant collections	3,799,952	-	3,799,952	3,726,187
Management and general	1,224,855	-	1,224,855	1,059,833
Fundraising	<u>1,241,165</u>	<u>-</u>	<u>1,241,165</u>	<u>1,087,472</u>
 Total Expenses	 <u>6,265,972</u>	 <u>-</u>	 <u>6,265,972</u>	 <u>5,873,492</u>
 Operating Income	 <u>3,287,569</u>	 <u>1,086,168</u>	 <u>4,373,737</u>	 <u>5,916,551</u>
 NON-OPERATING INCOME (EXPENSES)				
Investment income (net of fees of \$160,033 and \$159,112)	<u>796,890</u>	<u>3,266,205</u>	<u>4,063,095</u>	<u>3,562,105</u>
 Total Non-Operating Income (Expenses)	 <u>796,890</u>	 <u>3,266,205</u>	 <u>4,063,095</u>	 <u>3,562,105</u>
 CHANGE IN NET ASSETS	 4,084,459	 4,352,373	 8,436,832	 9,478,656
 NET ASSETS, BEGINNING OF YEAR	 <u>23,923,311</u>	 <u>25,485,817</u>	 <u>49,409,128</u>	 <u>39,930,472</u>
 NET ASSETS, END OF YEAR	 <u>\$ 28,007,770</u>	 <u>\$ 29,838,190</u>	 <u>\$ 57,845,960</u>	 <u>\$ 49,409,128</u>

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

GANNA WALSKA LOTUSLAND

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2025

(With Comparative Totals for the Year Ended December 31, 2024)

	Program Services	Support Services			
	Garden Operations and Plant Collections	Management and General	Fundraising	2025 Total	(Memo) 2024 Total
EXPENSES					
Salaries and wages	\$ 1,740,686	\$ 556,156	\$ 732,644	\$ 3,029,486	\$ 2,812,692
Payroll taxes and benefits	572,712	127,079	226,995	926,786	726,668
Total salaries and benefits	2,313,398	683,235	959,639	3,956,272	3,539,360
Professional services	292,176	166,731	-	458,907	877,596
General administrative expenses	261,674	229,061	64,782	555,517	560,834
Facilities	236,587	3,209	6,800	246,596	73,031
Insurance	59,700	14,323	24,628	98,651	86,846
Agricultural materials and supplies	19,142	-	-	19,142	46,586
Public programs and education	51,428	163	2,028	53,619	18,260
Public relations, advertising and promotion	8,981	48,241	1,078,819	1,136,041	1,393,504
Garden shop	114,973	-	-	114,973	77,064
Depreciation and amortization	441,893	79,892	91,487	613,272	654,612
Total Expenses by Function	3,799,952	1,224,855	2,228,183	7,252,990	7,327,693
Less expenses included with revenues on the statement of activities					
Special event direct expenses	-	-	(987,018)	(987,018)	(1,454,201)
2025 TOTAL EXPENSES	\$ 3,799,952	\$ 1,224,855	\$ 1,241,165	\$ 6,265,972	
2024 TOTAL EXPENSES (MEMO)	\$ 3,726,187	\$ 1,059,833	\$ 1,087,472		\$ 5,873,492

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

GANNA WALSKA LOTUSLAND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2025

(With Comparative Totals for the Year Ended December 31, 2024)

		(Memo)
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,436,832	\$ 9,478,656
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	613,272	654,612
Gain on disposition of property and equipment	(500)	-
Unrealized gain on value of securities	(2,763,119)	(1,384,293)
Realized gain on sale of securities	(419,798)	(1,433,207)
Contributions restricted for endowment	(212,722)	(3,845,000)
(Increase) decrease in:		
Inventories	(11,037)	(45,508)
Pledges receivable	755,002	(1,345,569)
Employee Retention Credit receivable	350,555	-
Prepaid expenses and deposits	(8,212)	28,148
Increase (decrease) in:		
Accounts payable	390,183	25,105
Accrued liabilities	(76,703)	102,534
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>7,053,753</u>	<u>2,235,478</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,631,838)	(1,072,789)
Proceeds from disposition of property and equipment	18,920	-
Purchase of securities	(16,676,292)	(21,696,208)
Proceeds from sale of securities	<u>14,708,268</u>	<u>17,621,763</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(3,580,942)</u>	<u>(5,147,234)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment	212,722	3,845,000
Principal payments of operating lease liabilities	<u>(18,357)</u>	<u>(18,334)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>194,365</u>	<u>3,826,666</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,667,176	914,910
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>6,206,689</u>	<u>5,291,779</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,873,865</u>	<u>\$ 6,206,689</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 27	\$ 73
Non-cash transactions consisted of the following:		
In-kind contribution of stock	\$ 287,733	\$ -

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

GANNA WALSKA LOTUSLAND
NOTES TO FINANCIAL STATEMENTS

Note 1 – ORGANIZATION

Ganna Walska Lotusland (the Organization) is a non-profit organization founded by Madame Ganna Walska to assume ownership and operation of her 37-acre estate, known as Lotusland, located in Santa Barbara, California. The Organization's mission is to preserve and enhance the distinctive botanical gardens and estate of Madame Ganna Walska. Lotusland educates and inspires visitors with its collections, sustainable horticulture practices, and plant conservation. The Organization began operations in 1985. The conditional land use permit (CUP) issued by the County of Santa Barbara limits the number of visitors to Lotusland. The Organization's activities are supported by contributions, grants, investment income, admission fees, membership contributions and garden shop sales.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Description of Net Assets

The Organization reports information regarding its financial position and activities in two classes of net assets - with donor restrictions and without donor restrictions - based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions

Net assets without donor restrictions represent net assets that are not subject to donor-imposed time or use restrictions. Net assets without donor restrictions include board designated funds.

With Donor Restrictions

Net assets with donor restrictions represent net assets that are subject to donor-imposed time or use restrictions. Net assets with donor restrictions generally include contributions and bequests receivable and planned gifts. Earnings (losses) on net assets with donor restrictions are reported as an increase (decrease) in net assets with donor restrictions. Earnings (losses) on donor-restricted endowment funds that have not yet been appropriated are also classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as "Net assets released from restrictions". Net assets with donor restrictions include perpetual income trusts for which the related income is reported as contributions without donor restrictions when received on the Statement of Activities. The change in value of the underlying assets is recorded as an unrealized gain or loss in net assets with donor restrictions on the Statement of Activities. Net assets with donor restrictions also consist of those donor-restricted endowments held by the Organization as defined under the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

GANNA WALSKA LOTUSLAND
NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative Amounts

The amounts shown for 2024 in the accompanying financial statements are included to provide a basis for comparison with 2025 and are not intended to present all information necessary for a fair presentation of the 2024 financial statements in conformity with accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures. Those estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. While management believes that these estimates are reasonable as of December 31, 2025, it is possible that actual results can differ from these estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand, amounts in checking, savings and money market accounts.

Allowance for Credit Losses

The Organization has previously adopted FASB ASC 326, Allowance for Credit Losses. The standard significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

Employee Retention Credit Receivable

Employee Retention Credit (ERC) receivable consists of amounts receivable from the government grant Employee Retention Credit Program and are considered fully collectible. Laws and regulations concerning government programs, including the Employee Retention Credit established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization. During the year and as of December 31, 2025, the ERC receivable was paid in full.

GANNA WALSKA LOTUSLAND
NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories consist primarily of books as well as other items available for sale to the general public in the gift shop. Inventories are valued at cost on a first-in, first-out basis. The cost at December 31, 2025, is not in excess of market value.

Investments

Investments in marketable securities with readily determinable fair values and all investments in marketable debt securities are valued at their fair values in the Statement of Financial Position. Realized and unrealized gains and losses are included in the change in net assets. Donated securities are recorded at their estimated value at date of receipt.

Collections

In accordance with GAAP, the Organization does not capitalize donated or purchased collections or recognize donated collections as revenues or gains. GAAP provides that such donations need not be recognized if they are added to collections that are held for public exhibition, education, or research in furtherance of public service, rather than financial gain, and are protected, kept unencumbered, cared for and preserved, and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Property and Equipment

Property and Equipment are recorded at cost or, if donated, at fair market value at the time of the donation. Expenditures for land improvements and major renewals that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. It is management's policy to capitalize certain purchases and donations with a useful life greater than one year and a value greater than \$2,500.

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

Land Improvements	10-40 years
Buildings and structures	10-40 years
Furniture and equipment	3-20 years

Leases

The Organization has previously adopted FASB ASC 842, Leases. For the year ended December 31, 2025, the Organization had two noncancellable operating leases and no finance leases. Further, the Organization elected a short-term lease exclusion policy, permitting the Organization to not apply the recognition requirements of this standard to short-term leases (i.e., leases with terms of 12 months or less) and an accounting policy to account for lease and non-lease components as a single component for certain classes of net assets.

GANNA WALSKA LOTUSLAND
NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases this net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as assets without donor restrictions.

Membership Contributions

Membership contributions are recorded as revenue at the beginning of the membership period.

Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization's programs as docents, in the gift shop and several other areas. In 2025, approximately 200 volunteers donated over 13,900 hours in support of the Organization's program services and fundraising activities, valued at approximately \$420,000 (which is based on the value of volunteer time as calculated annually by the Independent Sector). No amounts have been recorded in these financial statements for volunteer services, as they do not meet the criteria requisite under GAAP.

Contributed Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Tax Exempt Status

The Organization is a California nonprofit public benefit corporation, which is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and State of California Revenue and Taxation Code Section 23701(d); therefore, no provision for income taxes is required. The Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization that is not a private foundation under Section 509(a) (1).

The Organization evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2025, the Organization had no uncertain tax positions requiring accrual.

The Organization files tax returns in California and U.S. federal jurisdictions. The Organization is no longer subject to U.S. federal and state examinations by tax authorities for years before 2022 and 2021, respectively.

GANNA WALSKA LOTUSLAND
NOTES TO FINANCIAL STATEMENTS

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The Organization allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly, according to their expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

Subsequent Events

The Organization has evaluated subsequent events through July 6, 2026, the date the financial statements were available to be issued.

Note 3 – PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. As of December 31, 2025, no reserve has been recorded or included in the net pledges receivable presented below. All pledges are deemed fully collectible.

Pledges receivable are recorded at the present value of estimated future cash flows using a risk-free rate of return for the year the pledge is recorded. The present value discount is amortized to contribution revenue over the terms of the pledges receivable.

Pledges receivable typically consist of promises from individuals and organizations within Southern California.

Pledges receivable are due in each future respective year as follows:

2026	\$ 1,306,567
2027	529,304
2028	401,163
2029	289,031
2030 and thereafter	-
	<u>2,526,065</u>
Less unamortized discount	<u>(144,939)</u>
	<u>\$ 2,381,126</u>

Note 4 – INVESTMENTS

Investments are presented in the financial statements at fair market value, which is derived from quoted market prices at year end. At December 31, 2025, investments consist of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Cash held for investment	\$ 116,397	\$ 116,397	\$ -
Fixed income	8,353,584	8,508,131	154,547
Equities and mutual funds	<u>18,274,121</u>	<u>24,923,546</u>	<u>6,649,425</u>
Total	<u>\$ 26,744,102</u>	<u>\$33,548,074</u>	<u>\$ 6,803,972</u>

GANNA WALSKA LOTUSLAND
NOTES TO FINANCIAL STATEMENTS

Note 4 – INVESTMENTS (continued)

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

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Balance at December 31, 2025	\$ 26,744,102	\$ 33,548,074	\$ 6,803,972
Balance at December 31, 2024	24,356,280	28,397,133	<u>4,040,853</u>
Change in unrealized gain			<u>\$ 2,763,119</u>

The following summarizes the investment return included in the Statement of Activities and Changes in Net Assets for the year ended December 31, 2025:

Investment and dividend income	\$ 1,040,211
Unrealized gain on value of securities	2,763,119
Realized gain on value of securities	419,798
Investment fees	<u>(160,033)</u>
 Net Investment Return	 <u>\$ 4,063,095</u>

Note 5 – FAIR VALUE MEASUREMENT

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

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: Unobservable inputs that are supported by little or no market activity;

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

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. As of December 31, 2025, there were no Level 2 or Level 3 investments.

GANNA WALSKA LOTUSLAND
NOTES TO FINANCIAL STATEMENTS

Note 5 – FAIR VALUE MEASUREMENT (continued)

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

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

Fixed income – Corporate bonds and bond funds provide a hedge against deflation, provide a stable return, and serve to minimize the overall volatility of the investment portfolio. They are valued utilizing quoted market prices available in active markets for identical investments at the reporting date.

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

The following table presents assets and liabilities recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and the level in which the fair value measurements fall at December 31, 2025:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash held for investment	\$ 116,397	\$ -	\$ -	\$ 116,397
Fixed Income				
Domestic fixed income	8,508,131	-	-	8,508,131
Total Fixed Income	8,508,131	-	-	8,508,131
Equities				
Domestic mutual funds	24,923,546	-	-	24,923,546
Total Equities	24,923,546	-	-	24,923,546
Total assets measured at fair value	\$ 33,548,074	\$ -	\$ -	\$ 33,548,074

Note 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2025, is as follows:

Land	\$ 3,418,370
Land improvements	13,444,138
Buildings and structures	3,823,249
Furniture and equipment	1,199,006
	21,884,763
Less: accumulated depreciation	(8,891,277)
	<u>\$ 12,993,486</u>

Depreciation expense for the year ended December 31, 2025, totaled \$613,272.

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NOTES TO FINANCIAL STATEMENTS

Note 7 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets are released from donor restrictions when the restricted purposes specified by donors are satisfied. When a donor restricts a contribution to the construction of a specific long-lived asset, the donor's restriction is fulfilled in the period in which that long-lived asset is constructed or placed in service. For the year ended December 31, 2025, net assets released from restrictions amounted to \$3,336,529.

Note 8 – ENDOWMENT FUNDS

The Organization's endowment funds consist of eight funds established to support a variety of purposes. Endowment funds include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees 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 Trustees of the Organization has interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the value of the original gift, as of the gift date. As a result of this interpretation, the Organization has classified, with the explicit designation directive by the donor, as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the donor at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard for prudence prescribed by UPMIFA.

In accordance with California UPMIFA, the Organization considers the following factors in making a determination to appropriate or invest donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization 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 Organization
- (7) The investment policies of the Organization

Endowment Investment and Spending Policies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by endowments, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

GANNA WALSKA LOTUSLAND
NOTES TO FINANCIAL STATEMENTS

Note 8 – ENDOWMENT FUNDS (continued)

Endowment Investment and Spending Policies (continued)

The Organization expects its endowment funds, over time, to provide an average annual rate of return of approximately seven percent. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy of appropriating for distribution each year five percent of its endowment fund's average fair value over the prior twelve quarters through the calendar yearend preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of approximately two percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2025.

Endowment net assets with donor restrictions totaled \$18,131,291, consisting of total original gift endowment contributions of \$12,650,176 and accumulated earnings of \$5,481,115 as of December 31, 2025. In addition, the board has designated \$922,811 for endowment as of December 31, 2025.

Note 9 – LEASES

At the inception or modification of a contract, the Organization assesses whether the contract is, or contains, a lease. The assessment is based on (1) whether the contract involves the use of a distinct identified asset, (2) whether the Organization obtains the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether the Organization has the right to direct the use of the asset.

The accounting standard establishes a right-of-use (ROU) model requiring a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term of longer than 12 months. ROU assets represent the Organization's right to use an underlying asset during the reasonably certain lease term, and lease liabilities represent its obligation to make lease payments arising from the lease. Leases are now classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of income. Lease terms may include options to extend or terminate the lease when it is reasonably certain the option will be exercised.

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NOTES TO FINANCIAL STATEMENTS

Note 9 – LEASES (continued)

ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of all minimum lease payments over the term of the lease. The initial measurement of ROU assets also includes any prepaid lease payments and are reduced by any previously accrued deferred rent. Lease terms include options to extend or terminate the lease when it is reasonably certain that such option will be exercised. For operating leases, lease expense is recognized on a straight line basis over the term of the lease. Management will periodically review the carrying value of ROU assets to determine if impairment may exist.

The Organization leases office equipment under two operating leases which are payable in minimum monthly installments of \$1,406 and \$128 through 2026 and 2027, respectively. The implementation of the new standard in prior years resulted in recording a non-cash transitional adjustment to operating lease ROU asset and operating lease liabilities of \$92,100 and \$92,100, respectively. The Organization has elected to use the risk-free rate to discount the lease payments.

The Organization recognized \$18,420 of amortization on right-of-use assets, as well as \$27 of interest on operating lease liabilities for the year ended December 31, 2025.

Additionally, \$18,379 of operating cash outflows was related to principal payments on operating lease liabilities. The weighted-average of remaining lease term is 1.08 years, and the weighted-average discount rate used is .691%.

The following is a schedule of future operating lease payments, as of December 31:

2026	\$ 18,405
2027	<u>1,152</u>
Total minimum lease payments	19,557
Less imputed interest	<u>(33)</u>
Present value of minimum lease payments	<u>\$ 19,524</u>

Note 10 – COLLECTIONS

The Organization's botanical collections are made up of rare and unusual plant specimens assembled in numerous themed gardens that are open to visitors of Lotusland. The Organization employs horticultural professionals to maintain the gardens and to propagate plants for the collections.

Expenditures for botanical collections were approximately \$9,757 for the year ended December 31, 2025, and are included in facilities expenses in the accompanying Statement of Functional Expenses.

Other collections include books, art, artifacts and various personal effects of Madame Ganna Walska.

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NOTES TO FINANCIAL STATEMENTS

Note 11 – RETIREMENT PLANS

Flexible Benefit Plan

The Organization has a flexible benefit plan (Plan) that permits participants to elect to receive benefits for themselves and their eligible dependents under various component plans, which provide health, dental, life insurance, disability and cancer benefits. It is intended that the Plan qualify under Section 125 of the IRC as a cafeteria plan. The Plan includes a flexible spending account option that allows employee contributions through compensation reduction payments. The Organization pays all administrative costs of the Plan.

Retirement Plan

The Organization has a Retirement Plan (403(b) Plan) which allows employees to participate in the salary reduction purchase of tax-sheltered annuities and investments as described in Section 403(b) of the IRC. Employees may contribute up to the maximum as determined by IRC limits. All non-temporary employees are eligible to participate in the 403(b) Plan after their probationary period. After two years of employment of at least 1,000 hours per year, the Organization matches 50% of the eligible employee's contributions to the 403(b) Plan up to a maximum of 5% of their compensation. Employer contributions were \$122,883 for the year ended December 31, 2025.

Note 12 – RECLASSIFICATION

Certain amounts from the December 31, 2024, financial statements have been reclassified to conform to the December 31, 2025, financial statement presentation.

Note 13 – CREDIT RISK AND MARKET RISK

Credit Risk

The Organization maintains cash balances insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. As of December 31, 2025, the Organization had uninsured cash and cash equivalent balances of \$821,000.

Market Risk

The Organization holds its investments in a diversified portfolio. Nevertheless, these investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

GANNA WALSKA LOTUSLAND

NOTES TO FINANCIAL STATEMENTS

Note 14 – LIQUIDITY

Financial assets available to meet cash needs for general expenditure for the following year are comprised of current assets and investments, adjusted for amounts unavailable due to illiquidity, endowments and other funds spending policy appropriations beyond one year, and current liabilities payable to vendors, financial institutions, and nonprofit organizations.

Financial assets available to meet cash needs for general expenditures within one year of December 31, 2025, are as follows:

Current assets	
Cash and cash equivalents available within one year	\$ 9,873,865
Pledges and grants receivable, current portion	<u>1,306,567</u>
Total Current Assets	<u>11,180,432</u>
Investments	33,548,074
Less investments unavailable for general expenditures within one year:	
Endowments and other funds subject to spending policy appropriations beyond one year:	
With donor restrictions	<u>(18,131,291)</u>
Total Investments	<u>15,416,783</u>
Current liabilities	<u>(1,162,466)</u>
Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2025	<u>\$ 25,434,749</u>

Note 15 – NET ASSETS

Net Assets Without Donor Restrictions

As of December 31, 2025, net assets without donor restrictions consist of the following:

Operating net assets	\$ 13,963,736
Board designated for endowment	922,811
Board designated for capital purchases	127,737
Property and equipment, net	<u>12,993,486</u>
Total Net Assets Without Donor Restrictions	<u>\$ 28,007,770</u>

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NOTES TO FINANCIAL STATEMENTS

Note 15 – NET ASSETS (continued)

Net Assets With Donor Restrictions

As of December 31, 2025, net assets with donor restrictions consist of the following:

Japanese Garden endowment	\$ 3,838,707
Lotus Society general endowment	5,743,828
Topiary Garden endowment	1,526,319
Blue Garden endowment	1,839,300
Cactus Garden endowment	461,869
Theatre Garden endowment	145,741
Lotus Garden endowment	90,108
Timbrook Intern Fellowship endowment	27,040
EAP Endowment	3,588,098
Water Garden Endowment	129,620
Rose Garden Endowment	129,726
Cycad Endowment	400,000
Capital campaign	6,824,926
Water infrastructure	2,507,572
Cycad Garden, Renovation and Remediation	255,702
Visitor Center renovation	19,138
Tropical Garden renovation	1,223,813
Work experience and internship	80,466
Education	224,338
CEO Action fund	85,182
Archives	74,872
CUP/Master plan	197,031
Japanese Garden Maintenance	289,678
Storm Response	28,375
Other	<u>106,741</u>
Total Net Assets With Donor Restrictions	<u>\$ 29,838,190</u>

Note 16 – CAPITAL AND ENDOWMENT CAMPAIGN

During 2021, the Organization increased staff and organizational resources in order to embark on a capital campaign to raise funds for garden and historical building renovation projects and sustainability initiatives. As of December 31, 2025, the campaign had raised \$11,788,340, including pledges of \$3,146,120.

Note 17 – SUBSEQUENT EVENT

In July 2026, Lotusland has increased its letter of credit with its investment banker. This will provide Lotusland with flexibility in funding future capital improvements or operational needs. The Board has endorsed this extension of Lotusland's letter of credit. The line of credit is for \$10,000,000 and is secured by cash and securities held by its investment banker. The Interest rate is SOFR (Secured Overnight Financing Rate) plus 125 basis points.

It is intended that any borrowings under the letter of credit be short-term in nature.