

GALVESTON HISTORICAL FOUNDATION, INC.

**COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
WITH INDEPENDENT AUDITOR'S REPORT
As of and for the Years Ended June 30, 2020 and 2019**

GALVESTON HISTORICAL FOUNDATION, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Galveston Historical Foundation, Inc.:

Report of Financial Statements

We have audited the accompanying combined financial statements of Galveston Historical Foundation, Inc., a non-profit organization, its subsidiary, Galveston Island Tours, and GHF Endowment, Inc., a non-profit organization (collectively, the "Foundation"), which comprise the combined statements of financial position as of June 30, 2020 and 2019 and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Foundation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT, continued

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of financial position, combining statements of activities, combining statements of cash flows, and combined statement of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Ham, Logan & Bryson, L.L.P.

Galveston, Texas
February 23, 2021

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 312,368	\$ 584,280
Receivables:		
Pledges	1,340,000	1,500,000
Hotel occupancy tax	79,591	116,758
Other	-	6,955
Inventory	203,144	246,437
Prepaid expenses	36,100	-
Total current assets	1,971,203	2,454,430
Property and equipment, net	9,686,415	8,805,723
Historical treasures	6,578,306	6,578,306
Investments, at fair value	4,792,249	4,966,342
Investment properties held for sale	983,288	718,461
Total assets	\$ 24,011,461	\$ 23,523,262
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 172,351	\$ 124,137
Notes payable, current	1,488,806	319,672
Total current liabilities	1,661,157	443,809
Rental deposits	150,486	134,886
Notes payable, long term	1,554,963	1,461,552
Total liabilities	3,366,606	2,040,247
Net assets:		
Without donor restrictions:		
Undesignated	13,987,426	14,202,782
Designated by Board of Directors	1,513,218	1,629,793
With donor restrictions	5,144,211	5,650,440
Total net assets	20,644,855	21,483,015
Total liabilities and net assets	\$ 24,011,461	\$ 23,523,262

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

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and grants	\$ 1,078,416	\$ 663,128	\$ 1,741,544
Event income	494,827	-	494,827
Admissions and activity fees	730,123	-	730,123
Merchandise sales	444,762	-	444,762
Membership dues	139,522	-	139,522
Rental fee income	369,803	-	369,803
Other	186,961	-	186,961
Investment income	53,186	17,798	70,984
Realized gain on investments, at fair value	48,667	28,664	77,331
Realized gain on sale of assets	9,125	-	9,125
Unrealized loss on investments at fair value	(14,942)	(42,375)	(57,317)
	<u>3,540,450</u>	<u>667,215</u>	<u>4,207,665</u>
Total support and revenue			
Net assets released from restrictions:			
Satisfaction of program restrictions	1,173,444	(1,173,444)	-
	<u>1,173,444</u>	<u>(1,173,444)</u>	<u>-</u>
Expense:			
Program services:			
Events	801,829	-	801,829
Preservation services	416,051	-	416,051
Museums	94,878	-	94,878
Texas Seaport Museum	948,171	-	948,171
Seagull	161,150	-	161,150
Ashton Villa	172,484	-	172,484
Garten Verein	162,006	-	162,006
Bishop's Palace	554,671	-	554,671
Other historical properties	244,153	-	244,153
Strand retail	202,584	-	202,584
	<u>3,757,977</u>	<u>-</u>	<u>3,757,977</u>
Total program services			
Supporting services:			
Management and general	804,085	-	804,085
Membership services - fundraising	186,344	-	186,344
Marketing	297,419	-	297,419
	<u>1,287,848</u>	<u>-</u>	<u>1,287,848</u>
Total supporting services			
Total expenses	<u>5,045,825</u>	<u>-</u>	<u>5,045,825</u>
Changes in net assets	(331,931)	(506,229)	(838,160)
Net assets, beginning of year	15,832,575	5,650,440	21,483,015
Net assets, end of year	<u>\$ 15,500,644</u>	<u>\$ 5,144,211</u>	<u>\$ 20,644,855</u>

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

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions and grants	\$ 662,493	\$ 780,419	\$ 1,442,912
Event income	666,928	-	666,928
Admissions and activity fees	1,169,173	-	1,169,173
Merchandise sales	618,532	-	618,532
Membership dues	147,427	-	147,427
Rental fee income	498,079	-	498,079
Other	142,657	-	142,657
Investment income	77,744	20,397	98,141
Realized gain on investments, at fair value	79,317	46,500	125,817
Realized gain on sale of assets	33,119	-	33,119
Unrealized gain (loss) on investments at fair value	163,654	(5,526)	158,128
Total support and revenue	4,259,123	841,790	5,100,913
Net assets released from restrictions:			
Satisfaction of program restrictions	1,143,471	(1,143,471)	-
Expense:			
Program services:			
Events	807,852	-	807,852
Preservation services	555,738	-	555,738
Museums	99,491	-	99,491
Texas Seaport Museum	1,055,401	-	1,055,401
Seagull	214,628	-	214,628
Ashton Villa	176,163	-	176,163
Garten Verein	169,162	-	169,162
Bishop's Palace	608,210	-	608,210
Other historical properties	307,483	-	307,483
Strand retail	161,596	-	161,596
Total program services	4,155,724	-	4,155,724
Supporting services:			
Management and general	742,145	-	742,145
Membership services - fundraising	195,469	-	195,469
Marketing	328,394	-	328,394
Total supporting services	1,266,008	-	1,266,008
Total expenses	5,421,732	-	5,421,732
Changes in net assets	(19,138)	(301,681)	(320,819)
Net assets, beginning of year	15,851,713	5,952,121	21,803,834
Net assets, end of year	<u>\$ 15,832,575</u>	<u>\$ 5,650,440</u>	<u>\$ 21,483,015</u>

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

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services					
	Events	Preservation Services	Museums	Texas Seaport Museum	Seagull	Ashton Villa
Compensation and related:						
Salaries and wages	\$ 175,404	\$ 234,701	\$ 30,617	\$ 340,986	\$ 92,882	\$ 39,275
Payroll taxes	13,610	18,900	2,401	28,009	8,105	3,140
Employee benefits	29,060	40,918	11,521	53,086	9,470	15,699
Travel and staff development	224	2,978	1,973	3,478	72	-
Cost of sales	-	12,386	-	87,502	-	-
Office operation:						
Office supplies	1,559	-	61	5,036	-	15,597
Postage	16	184	27	121	-	-
Printing	52	71	-	-	-	-
Telephone	-	3,286	-	95	-	-
Computer expenses	-	-	-	2,726	-	-
Dues and publications	1,432	125	979	950	349	-
Bank and credit card fees	-	1,810	-	13,369	-	-
Professional fees	-	938	994	3,583	740	-
Occupancy:						
Utilities and services	-	14,809	-	15,314	101	1,345
Lease payments	-	339	-	78,003	5,410	-
Rentals	-	-	-	-	-	7,661
Advertising	-	77	-	-	-	-
Development and entertainment	-	-	1,041	522	-	-
Insurance	-	3,903	5,431	104,688	15,832	47,964
Repairs and maintenance	-	30,153	6,639	125,108	22,078	-
Miscellaneous	-	-	-	-	-	-
Special projects:						
Special projects	79,291	258	596	9,510	96	-
Special projects - restricted	-	-	-	-	-	-
Commissions and royalties	-	-	-	5,816	-	-
Dickens festival	403,014	-	4,686	-	-	-
Homes tour	13,118	-	-	-	-	-
Tall Ships Galveston	-	-	-	-	-	-
Galveston History Project	85,049	-	-	-	-	-
Museum collection	-	-	-	676	-	-
Loan interest	-	-	-	-	-	-
Investment fees	-	-	-	-	-	-
Depreciation	-	-	27,912	67,968	6,015	41,803
Program expenses	-	50,215	-	1,625	-	-
Total functional expenses	\$ 801,829	\$ 416,051	\$ 94,878	\$ 948,171	\$ 161,150	\$ 172,484

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

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services				Total Program Services
	Garten Verein	Bishops Palace	Other Historical Properties	Strand Retail	
Compensation and related:					
Salaries and wages	\$ 53,721	\$ 178,366	\$ -	\$ 11,592	\$ 1,157,544
Payroll taxes	4,525	15,201	-	1,207	95,098
Employee benefits	1,330	11,616	-	-	172,700
Travel and staff development	-	-	-	-	8,725
Cost of sales	-	87,915	-	49,361	237,164
Office operation:					
Office supplies	-	4,063	-	774	27,090
Postage	-	-	-	174	522
Printing	-	-	-	-	123
Telephone	3,000	4,014	8,386	8,042	26,823
Computer expenses	-	1,431	-	456	4,613
Dues and publications	-	2,131	-	-	5,966
Bank and credit card fees	-	11,956	-	1,646	28,781
Professional fees	-	-	-	-	6,255
Occupancy:					
Utilities and services	14,184	19,843	12,075	18,296	95,967
Lease payments	-	-	-	10,859	94,611
Rentals	10,942	-	2,189	-	20,792
Advertising	-	-	-	-	77
Development and entertainment	-	-	-	-	1,563
Insurance	10,007	42,387	7,300	31,713	269,225
Repairs and maintenance	3,868	-	26,278	46,262	260,386
Miscellaneous	-	-	-	-	-
Special projects:					
Special projects	-	-	-	35	89,786
Special projects - restricted	-	-	-	-	-
Commissions and royalties	-	-	-	-	5,816
Dickens festival	-	-	-	-	407,700
Homes tour	-	-	-	-	13,118
Tall Ships Galveston	-	-	-	-	-
Galveston History Project	-	-	-	-	85,049
Museum collection	-	-	-	-	676
Loan interest	-	-	23,700	21,792	45,492
Investment fees	-	-	-	-	-
Depreciation	15,429	145,748	164,225	375	469,475
Program expenses	45,000	30,000	-	-	126,840
Total functional expenses	<u>\$ 162,006</u>	<u>\$ 554,671</u>	<u>\$ 244,153</u>	<u>\$ 202,584</u>	<u>\$ 3,757,977</u>

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

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

	Supporting Services			Total Supporting Services	Total Expenses 2020
	Management and General	Membership Services - Fundraising	Marketing		
Compensation and related:					
Salaries and wages	\$ 397,500	\$ 180,000	\$ -	\$ 577,500	\$ 1,735,044
Payroll taxes	29,465	-	14,226	43,691	138,789
Employee benefits	41,183	-	9,988	51,171	223,871
Travel and staff development	-	-	-	-	8,725
Cost of sales	71	-	-	71	237,235
Office operation:					
Office supplies	8,549	22	-	8,571	35,661
Postage	11,241	-	20,955	32,196	32,718
Printing	-	-	19,279	19,279	19,402
Telephone	7,533	-	-	7,533	34,356
Computer expenses	2,227	-	-	2,227	6,840
Dues and publications	948	568	-	1,516	7,482
Bank and credit card fees	27,547	-	-	27,547	56,328
Professional fees	91,395	-	-	91,395	97,650
Occupancy:					
Utilities and services	14,217	-	-	14,217	110,184
Lease payments	-	-	-	-	94,611
Rentals	-	-	-	-	20,792
Advertising	2,780	-	217,036	219,816	219,893
Development and entertainment	-	-	975	975	2,538
Insurance	42,264	-	-	42,264	311,489
Repairs and maintenance	14,736	-	-	14,736	275,122
Miscellaneous	7,599	-	283	7,882	7,882
Special projects:					
Special projects	-	5,754	14,677	20,431	110,217
Special projects - restricted	-	-	-	-	-
Commissions and royalties	-	-	-	-	5,816
Dickens festival	-	-	-	-	407,700
Homes tour	-	-	-	-	13,118
Galveston History Project	-	-	-	-	-
Galveston history project	-	-	-	-	85,049
Museum collection	-	-	-	-	676
Loan interest	36,764	-	-	36,764	82,256
Investment fees	-	-	-	-	-
Depreciation	68,066	-	-	68,066	537,541
Program expenses	-	-	-	-	126,840
Total functional expenses	<u>\$ 804,085</u>	<u>\$ 186,344</u>	<u>\$ 297,419</u>	<u>\$ 1,287,848</u>	<u>\$ 5,045,825</u>

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

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services					
	Events	Preservation Services	Museums	Texas Seaport Museum	Seagull	Ashton Villa
Compensation and related:						
Salaries and wages	\$ 161,962	\$ 221,204	\$ 38,672	\$ 274,000	\$ 130,150	\$ 43,037
Payroll taxes	12,977	17,391	3,036	22,643	11,064	3,564
Employee benefits	15,909	33,776	17,923	44,445	8,586	12,339
Travel and staff development	2,338	3,947	8,343	4,746	-	-
Cost of sales	-	4,533	-	135,210	-	-
Office operation:						
Office supplies	713	7	214	4,211	-	-
Postage	12	73	-	64	-	-
Printing	-	-	-	-	-	-
Telephone	-	2,626	-	5,134	-	387
Computer expenses	3,599	-	-	4,593	-	-
Dues and publications	3,321	149	1,608	3,258	300	-
Bank and credit card fees	-	2,457	-	21,846	-	-
Professional fees	-	6,681	276	4,335	-	-
Occupancy:						
Utilities and services	-	3,037	-	19,527	20	-
Lease payments	-	29,763	-	67,559	5,410	-
Rentals	-	19	-	-	-	8,029
Advertising	-	166	-	-	-	-
Development and entertainment	-	-	239	661	-	-
Insurance	-	15,003	-	127,645	16,552	47,992
Repairs and maintenance	-	31,280	-	72,740	25,847	23,493
Miscellaneous	-	-	-	-	-	-
Special projects:						
Special projects	52,051	354	250	45,525	53	-
Special projects - restricted	-	-	-	-	-	-
Commissions and royalties	-	-	-	4,247	-	-
Dickens festival	470,628	-	1,018	-	-	-
Homes tour	83,713	-	-	-	-	-
Tall Ships Galveston	629	-	-	-	-	-
Galveston History Project	-	-	-	120,052	-	-
Museum collection	-	-	-	1,741	-	-
Loan interest	-	-	-	-	-	-
Investment fees	-	-	-	-	-	-
Depreciation	-	-	27,912	71,219	8,001	37,322
Program expenses	-	183,272	-	-	8,645	-
Total functional expenses	\$ 807,852	\$ 555,738	\$ 99,491	\$ 1,055,401	\$ 214,628	\$ 176,163

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

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services				Total Program Services
	Garten Verein	Bishops Palace	Other Historical Properties	Strand Retail	
Compensation and related:					
Salaries and wages	\$ 51,072	\$ 197,954	\$ 624	\$ 20,387	\$ 1,139,062
Payroll taxes	4,348	16,206	57	1,910	93,196
Employee benefits	1,327	11,367	-	-	145,672
Travel and staff development	-	-	-	-	19,374
Cost of sales	-	101,774	-	36,582	278,099
Office operation:					
Office supplies	-	5,925	-	1,003	12,073
Postage	-	23	-	-	172
Printing	-	-	-	-	-
Telephone	2,124	4,230	5,994	7,188	27,683
Computer expenses	-	1,371	-	456	10,019
Dues and publications	-	3,869	-	-	12,505
Bank and credit card fees	-	14,844	-	2,230	41,377
Professional fees	-	-	-	-	11,292
Occupancy:					
Utilities and services	48,651	14,726	29,257	14,573	129,791
Lease payments	-	-	-	10,859	113,591
Rentals	16,263	-	3,827	-	28,138
Advertising	-	-	-	-	166
Development and entertainment	-	-	-	-	900
Insurance	22,564	41,880	15,280	21,791	308,707
Repairs and maintenance	7,323	12,519	45,023	42,407	260,632
Miscellaneous	-	-	-	-	-
Special projects:					
Special projects	-	526	-	1,100	99,859
Special projects - restricted	-	-	-	-	-
Commissions and royalties	-	-	-	-	4,247
Dickens festival	-	-	-	-	471,646
Homes tour	-	-	-	-	83,713
Tall Ships Galveston	-	-	-	-	629
Galveston History Project	-	-	-	-	120,052
Museum collection	-	163	-	-	1,904
Loan interest	-	-	24,487	-	24,487
Investment fees	-	-	-	-	-
Depreciation	10,670	150,833	182,934	1,110	490,001
Program expenses	4,820	30,000	-	-	226,737
Total functional expenses	<u>\$ 169,162</u>	<u>\$ 608,210</u>	<u>\$ 307,483</u>	<u>\$ 161,596</u>	<u>\$ 4,155,724</u>

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

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

	Supporting Services			Total Supporting Services	Total Expenses 2019
	Management and General	Membership Services - Fundraising	Marketing		
Compensation and related:					
Salaries and wages	\$ 389,385	\$ 184,008	\$ -	\$ 573,393	\$ 1,712,455
Payroll taxes	30,059	-	14,729	44,788	137,984
Employee benefits	46,081	-	10,049	56,130	201,802
Travel and staff development	3,145	-	-	3,145	22,519
Cost of sales	89	-	-	89	278,188
Office operation:					
Office supplies	6,327	-	-	6,327	18,400
Postage	4,635	1,258	49,254	55,147	55,319
Printing	15,439	-	53,555	68,994	68,994
Telephone	9,092	-	-	9,092	36,775
Computer expenses	27,655	-	-	27,655	37,674
Dues and publications	4,211	-	-	4,211	16,716
Bank and credit card fees	22,433	-	-	22,433	63,810
Professional fees	50,716	-	-	50,716	62,008
Occupancy:					
Utilities and services	18,366	-	-	18,366	148,157
Lease payments	-	-	-	-	113,591
Rentals	-	-	-	-	28,138
Advertising	5,094	-	181,615	186,709	186,875
Development and entertainment	-	-	4,755	4,755	5,655
Insurance	12,710	-	-	12,710	321,417
Repairs and maintenance	33,054	-	-	33,054	293,686
Miscellaneous	582	-	-	582	582
Special projects:					
Special projects	-	10,203	14,437	24,640	124,499
Special projects - restricted	-	-	-	-	-
Commissions and royalties	-	-	-	-	4,247
Dickens festival	-	-	-	-	471,646
Homes tour	-	-	-	-	83,713
Galveston History Project	-	-	-	-	629
Galveston history project	-	-	-	-	120,052
Museum collection	-	-	-	-	1,904
Loan interest	13,901	-	-	13,901	38,388
Investment fees	24,121	-	-	24,121	24,121
Depreciation	25,050	-	-	25,050	515,051
Program expenses	-	-	-	-	226,737
Total functional expenses	\$ 742,145	\$ 195,469	\$ 328,394	\$ 1,266,008	\$ 5,421,732

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

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Changes in net assets:	\$ (838,160)	\$ (320,819)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Noncash contribution of investments	-	(6,500)
Noncash contributions of property	(269,520)	-
Unrealized loss (gain) on investments	63,386	(158,414)
Unrealized loss on investment property	-	98,307
Realized gain on sale of investments	(77,331)	(125,817)
Realized gain on sale of investment property	(9,125)	(33,119)
Depreciation expense	537,541	515,051
Changes in operating assets and liabilities:		
Accounts receivable	44,122	129,107
Pledges receivable	160,000	435,500
Inventory	43,293	19,618
Prepaid expenses	(36,100)	1,538
Accounts payable and accrued liabilities	48,214	12,683
Rental deposits	15,600	(3,309)
Net cash (used in) provided by operating activities	(318,080)	563,826
Cash flows from investing activities:		
Purchase of fixed assets	(1,148,713)	(505,150)
Purchase of investment property	(473,649)	(472,290)
Proceeds from sale of investment property	217,947	161,726
Purchase of investments, at fair value	(987,522)	(320,004)
Proceeds from sale of investments, at fair value	1,175,560	491,606
Net cash used in investing activities	(1,216,377)	(644,112)
Cash flows from financing activities:		
Loan proceeds	1,423,400	-
Payments on notes payable	(160,855)	(109,611)
Net cash provided by (used in) financing activities	1,262,545	(109,611)
Net decrease in cash and cash equivalents	(271,912)	(189,897)
Cash and cash equivalents, beginning of year	584,280	774,177
Cash and cash equivalents, end of year	\$ 312,368	\$ 584,280
Supplemental cash flow disclosures:		
Interest paid	\$ 105,144	\$ 96,929
Supplemental disclosure of non-cash activities:		
Payment on notes payable with proceeds from sale of investment properties	\$ -	\$ 248,955
Purchase of fixed assets through issuance of note payable	\$ -	\$ 132,226

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

GALVESTON HISTORICAL FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Organization and Nature of Operations

The combined financial statements of The Galveston Historical Foundation, Inc. (“GHF”) include GHF Endowment, Inc. (the “Endowment”), a corporation under common ownership, and Galveston Island Tours, LLC (“GIT”), a wholly-owned subsidiary (collectively, the “Foundation”).

GHF was originally founded in 1871 as the Galveston Historical Society (the “Society”) and is Texas’ oldest historic preservation group. In 1954, the Society incorporated as a non-profit organization, as described in Section 501(c)(3) of the Internal Revenue Code (“IRC”), to become GHF. The mission of GHF is to preserve and revitalize the architectural, cultural and maritime heritage of Galveston island through community redevelopment, public education and historic preservation. The Foundation operates both museums and historic properties and works in the community to preserve the historic architecture and the cultural and maritime heritage of Galveston Island.

The Endowment was established in 1991 as a non-profit organization, as described in Section 501(c)(3) of the IRC, to operate for the exclusive and sole benefit of GHF. The Endowment holds and invests funds contributed for a permanent endowment and distributes the earnings from those funds, as determined by the Endowment’s Board of Directors, which is separate and apart from that of GHF. The directors of the Endowment are elected by the directors of the Foundation.

GIT is a limited liability corporation organized under the laws of the State of Texas on April 7, 2004 and is a wholly-owned subsidiary of GHF. GIT operates for the exclusive and sole benefit of GHF to market, organize and conduct tours of Galveston Island.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying combined financial statements of the Foundation have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) promulgated by the Financial Accounting Standards Board (“FASB”) related to financial statements of not-for-profit organizations. Accordingly, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. All significant intercompany accounts and transactions have been eliminated. The net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. As of June 30, 2020 and 2019, net assets without donor restrictions were \$15,500,644 and \$15,832,575, respectively.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Net assets with donor restrictions include net assets that are either (i) restricted until the donor-imposed stipulations have been met through the passage of time and/or by actions of the Board of Directors, or (ii) expected to be maintained in perpetuity. When a purpose restriction is accomplished or a time restriction ends, net assets with donor restrictions are released to net assets without donor restrictions. The Foundation had net assets with donor restrictions of \$5,144,211 and \$5,650,440 as of June 30, 2020 and 2019, respectively.

Use of Estimates

The preparation of the Foundation’s combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and the allocation of expenses among various programs. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid short-term investments with original maturities of ninety days or less to be cash equivalents.

GALVESTON HISTORICAL FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist of obligations due to the Foundation from vendors for hotel occupancy tax income. The Foundation uses the allowance method to determine uncollectable receivables. The allowance for doubtful accounts is regularly evaluated by management and is based on management's past experience with vendors. Receivables are considered impaired if payments are not received in accordance with contractual terms. Account balances are charged against the allowance for doubtful accounts after all means for collection have been exhausted and the potential for recovery is considered remote. As of both June 30, 2020 and June 30, 2019, an allowance for doubtful accounts was not deemed necessary.

Pledges Receivable

Pledges are recognized when the donor makes a pledge to give to the Foundation that is, in substance, unconditional. The Foundation uses the allowance method to estimate uncollectible pledges receivable. The allowance is based on collection experience in prior years and management's analysis of specific promises made. As of both June 30, 2020 and June 30, 2019, an allowance for doubtful accounts was not deemed necessary.

Inventory

Inventory consists of items purchased for resale and is valued at the lower of cost or market using the first-in, first-out method.

Property and Equipment

Property and equipment are capitalized at acquisition cost. Donated property and equipment are recorded at their estimated fair value. Maintenance and repair costs of less than \$1,000, other than building restoration and renovation, are charged to expense as incurred.

The Foundation depreciates all classes of property and equipment using the straight-line method over their estimated useful lives, which range from three (3) to forty (40) years.

Historical Treasures

Historical treasures are considered to have a historical value and are preserved by the Foundation. The Foundation has capitalized its historical treasures since its inception and items are capitalized at their fair value on the accession date. The Foundation periodically reviews these items for impairment. When an item is considered to be impaired, the decrease in value is reported in the Combined Statements of Activities as a realized investment loss and a new cost basis is established. For the years ended June 30, 2020 and 2019, no impairment losses were recorded on historical treasures.

Investments

Investment securities, primarily consisting of fixed income securities, equity securities, and mutual funds, are measured at fair value. Fair value is 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. Unrealized and realized gains and losses on investments, dividends and interest income are reported in the Combined Statements of Activities as increases or decreases in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions or by law.

Investment Properties Held for Sale

The Foundation acquires, through gift or purchase, certain property assets with the intent to preserve the historical integrity of these properties, consistent with the policy goals of the Foundation, prior to sale to third parties. The properties are carried at cost plus expenses necessary to prepare them for resale.

GALVESTON HISTORICAL FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Impairment of Long-Lived Assets

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of June 30, 2020 and 2019, and in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

Fair Value of Financial Instruments

Fair value estimates of financial instruments are based on relevant market information and may be subjective in nature and involve uncertainties and matters of significant judgment. The Foundation believes that the carrying value of its assets and liabilities approximates the fair value of such items. The Foundation does not hold or issue financial instruments for trading purposes.

Concentration of Credit and Market Risk

Financial instruments, which subject the Foundation to concentrations of credit risk, consist principally of cash, investments, and pledges receivable. The Foundation maintains its cash and investment balances with high quality financial institutions in the United States. At times, deposits with these financial institutions may exceed the Federal Depository Insurance Corporation limits; however, in monitoring this credit risk, the Foundation periodically evaluates the stability of these financial institutions and has not experienced any losses associated with its deposits.

As of June 30, 2020 and 2019, approximately 29% of the Foundation's investment assets in both years were comprised of shares held in a single investment fund.

At June 30, 2020, \$1,200,000, or 90%, of pledges receivable is from two donors. At June 30, 2019, \$1,400,000, or 93%, of pledges receivable is from one donor.

Revenue and Support

Revenue from event income is recognized at the time the event occurs. Revenues from admissions, activity fees, and merchandise sales are recognized at the time of sale. Rental fee income is recognized at the time the rental period occurs. Membership dues are recognized upon receipt.

Contributions are recorded as contributions without donor restrictions or contributions with donor restrictions. Unconditional contributions, if any, are recorded at their fair market value in the period in which the Foundation was notified of the intent of the contribution. Conditional contributions are not included in contributions until such time as the conditions are substantially met. Expirations of restrictions on net assets (i.e., the donor-restricted purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the Combined Statements of Activities.

Donations of Assets and Services

In accordance with FASB Accounting Standards Codification ("ASC") Topic 958-605, *Not-for-Profit Entities – Accounting for Contributions Received and Contributions Made*, the Foundation recognizes contributed services at their estimated fair value if the services received (i) create or enhance long-lived assets or (ii) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donations of assets and services are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

GALVESTON HISTORICAL FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Donations of Assets and Services, continued

During the years ended June 30, 2020 and 2019, included in contributions and grants in the Combined Statements of Activities are non-cash donations of material, services, and other items totaling \$146,423 and \$198,078 respectively.

The Foundation receives a substantial amount of donated services from volunteers who provide management and program support during each fiscal year. No amounts for contributed services have been reflected in the accompanying combined financial statements as they did not meet the criteria for recognition required by U.S. GAAP. During the years ended June 30, 2020 and 2019, volunteers donated approximately 15,942 and 25,253 hours, respectively, with an estimated value of \$433,609 and \$642,183, respectively.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Combined Statements of Activities and in the Combined Statements of Functional Expenses. Accordingly, certain costs have been allocated to program services, fundraising and administrative expenses based on the level of effort by employees.

Advertising Costs

The Foundation expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2020 and 2019 was \$219,893 and \$186,875, respectively.

Uncertain Tax Positions

The Foundation is exempt from federal and state income taxes under IRC Section 501(c)(3), except for net income derived from unrelated business activities. The Foundation has a wholly-owned for-profit event and tour planning business which is subject to tax on unrelated business activity. At June 30, 2020 and 2019, the Foundation did not incur a tax liability on such unrelated business activity. Additionally, the Foundation operates three gift shops with income generated from merchandise sales which are subject to tax on unrelated business activity. At June 30, 2020 and 2019, the Foundation did not incur a tax liability on this unrelated business activity. The Foundation's most significant tax positions are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business income tax. All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, which creates Topic 606, *Revenue from Contracts with Customers*, and supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU No. 2014-09 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled to those goods or services. Additionally, ASU No. 2014-09 requires enhanced financial statement disclosures over the nature, amount, timing, and uncertainty of revenue recognition as part of the new accounting guidance. Initially, the amendments for ASU No. 2014-09 were effective for annual periods beginning after December 15, 2017, including interim periods within that reporting period, and early application was not permitted. In August 2015, the FASB issued ASU No. 2015-14 and agreed to give companies an extra year to comply with the new standard. In June 2020, the FASB issued ASU No. 2020-05, which provides private companies and non-profit organizations that have not yet applied the new revenue recognition provisions an additional year to comply with the new standard due to unique challenges resulting from the COVID-19 pandemic; thus, ASU No. 2014-09 will be effective for the Foundation for the annual reporting period beginning July 1, 2020. ASU No. 2014-09 may be applied retrospectively to each prior period presented, or retrospectively with the cumulative effect recognized as of the date of adoption. Management does not expect the adoption of ASU No. 2014-09 to have a significant impact on the financial statements.

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Recently Issued Accounting Pronouncements, continued

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under ASU No. 2016-02, lessor accounting is largely unchanged. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019 with early application permitted. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases expiring before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. In July 2019, the FASB approved the delay of the effective date of ASU No. 2016-02 by one year (effective for annual periods beginning after December 15, 2021). In June 2020, the FASB issued ASU No. 2020-05, which allowed certain entities who had not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of ASU No. 2016-02 to defer implementation for one year due to unique challenges resulting from the COVID-19 pandemic. Accordingly, ASU No. 2016-02 is effective for the Foundation for the year beginning July 1, 2022. Management is currently evaluating the effect the provisions of ASU No. 2016-02 will have on the financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which is part of the FASB disclosure framework project to improve the effectiveness of disclosures in the notes to the financial statements. The amendments in the new guidance remove, modify, and add certain disclosure requirements related to fair value measurements covered in FASB ASC Topic 820 ("ASC 820"), *Fair Value Measurements and Disclosures*. The new standard is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for either the entire standard or only the requirements that modify or eliminate the disclosure requirements, with certain requirements applied prospectively, and all other requirements applied retrospectively to all periods presented. Management does not expect the adoption of ASU No. 2018-13 to have a significant impact on the Foundation's financial statements.

In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, to improve the definition of collections in the Master Glossary of the FASB ASC by realigning it with the definition in the Code of Ethics for Museums. ASU No. 2019-03 is effective for fiscal years beginning after December 15, 2019. Early application is permitted. Management is currently evaluating the impact that adoption of ASU No. 2019-03 will have on the Foundation's financial statements and disclosures.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve the presentation of nonfinancial assets by presenting contributed nonfinancial assets as a separate line item in the statement of activities, and to enhance financial statement disclosures by, among other things, (i) disaggregating the amounts of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial asset, and (ii) for each category of contributed nonfinancial asset disclosed, adding additional information about donor-imposed restrictions, fair value measurement techniques and inputs, and other qualitative information. ASU No. 2020-07 is effective for fiscal years beginning after June 15, 2021 and should be applied retrospectively to all periods presented. Early application is permitted. Management is currently evaluating the impact that adoption of ASU No. 2020-07 will have on the Foundation's financial statements and disclosures.

3. Pledges Receivable

Pledges receivable at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 760,000	\$ 670,000
Receivable in one to five years	550,000	830,000
Receivable in more than five years	<u>30,000</u>	<u>-</u>
Total pledges receivable	<u>\$ 1,340,000</u>	<u>\$ 1,500,000</u>

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

4. Property and Equipment

As of June 30, 2020 and 2019, property and equipment consists of the following:

	<u>2020</u>	<u>2019</u>
Building structures and improvements	\$ 13,804,226	\$ 12,927,237
Equipment	2,282,582	2,005,660
Land	782,440	684,440
Construction in progress	<u>198,322</u>	<u>32,000</u>
	17,067,570	15,649,337
Accumulated depreciation	<u>(7,381,155)</u>	<u>(6,843,614)</u>
Property and equipment, net	<u>\$ 9,686,415</u>	<u>\$ 8,805,723</u>

For the years ended June 30, 2020 and 2019, depreciation expense was \$537,541 and \$515,051, respectively.

5. Investment Properties Held for Sale

As of June 30, 2020 and 2019, investment properties held for sale consists of the following:

<u>Property Location</u>	<u>Date Acquired</u>	<u>2020</u>	<u>2019</u>
3801 Winnie	5/30/2006	\$ 25,889	\$ 25,889
3916 Ball	8/11/2006	41,595	41,595
2123 Ave M ½	8/31/2012	14,322	14,322
2620 Ave M ½	12/18/2015	28,643	28,643
1715 Mechanic Street	12/22/2015	-	205,835
1011 36 th HOP House Gift Deed	3/16/2016	323,538	210,646
1723 Mechanic Street	6/30/2017	224,654	130,600
1826 Ave K	3/06/2019	<u>324,647</u>	<u>60,931</u>
		<u>\$ 983,288</u>	<u>\$ 718,461</u>

During the year ended June 30, 2020, the following investment property was sold:

<u>Property Location</u>	<u>Date of Sale</u>	<u>Sales Price</u>	<u>Carrying Value</u>	<u>Net Gain</u>
1715 Mechanic Street	10/30/2019	<u>\$ 217,947</u>	<u>\$ 208,822</u>	<u>\$ 9,125</u>

During the year ended June 30, 2019, the following investment properties were sold:

<u>Property Location</u>	<u>Date of Sale</u>	<u>Sales Price</u>	<u>Carrying Value</u>	<u>Net Gain</u>
1806 Ave M ½	10/9/2019	\$ 39,204	\$ 18,093	\$ 21,111
1719 Mechanic Street	4/22/2019	280,329	268,342	11,987
2107 Ave M ½ HOP House Gift Deed	5/29/2019	<u>91,148</u>	<u>91,127</u>	<u>21</u>
		<u>\$ 410,681</u>	<u>\$ 377,562</u>	<u>\$ 33,119</u>

GALVESTON HISTORICAL FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

6. Endowment Funds

FASB ASC 958-205-45, *Other Presentation Matters*, provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). ASC 958-205-50, *Disclosure*, requires disclosure about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The Foundation’s endowment assets consist of (i) a donor-restricted endowment fund to be held by GHF in perpetuity for a specified purpose, (ii) a donor-restricted endowment fund to be held by the Endowment in perpetuity for the benefit of GHF, and (iii) a board-designated endowment established by the Endowment’s Board of Directors to be held for the benefit of GHF. The Foundation has determined that the donor restricted net assets of the donor-restricted endowments (i) and (ii) meet the definition of endowment funds under UPMIFA. Since the Endowment’s board-designated endowment resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions in accordance with U.S. GAAP.

Interpretation of Relevant Law

The Foundation is subject to UPMIFA and thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets must be held in perpetuity in accordance with the terms of the gift instrument or are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Foundation has interpreted the State of Texas enacted version of the UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (i) the original value of initial and subsequent gift amounts donated to the fund, and (ii) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with the UPMIFA, the Foundation 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 Foundation 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 (depreciation) of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to GHF by its endowment funds, while also attempting to maintain the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve a steady, growing stream of income. Endowment assets are invested in a well-diversified asset mix, including equity and fixed income securities and mutual funds, which are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of more than 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

GHF – Donor-Restricted Endowments

The Foundation has a policy of distributing from GHF’s donor-restricted endowment assets an amount as determined by the Board of Directors and in accordance with donor stipulations. Generally, an annual spending rate of 5% of endowment funds is utilized; however, such amount is based on current market conditions and takes into account the components of total investment return.

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

6. Endowment Funds, continued

Spending Policy, continued

Endowment – Board-Designated Endowment

In accordance with donor stipulations, all investment income from the donor-restricted endowment is distributed to the Endowment’s board-designated endowment. The Foundation has a policy to distribute board-designated income to GHF in such amounts as the Board of Directors, in their sole discretion, may determine. Such distribution policy is currently 5% of its endowment funds. Income from endowments not distributed during the current period is classified as unrestricted net assets.

No distribution of corpus is allowed except when a request is received from GHF, as approved by two-thirds of GHF’s voting Board of Trustees, and three of the five Board of Directors of the Endowment. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds (many of which must be maintained in perpetuity because of donor-restrictions), and the possible effects of inflation.

The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate annually, which is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets, as well as to provide additional growth through new gifts and investment return.

As of June 30, 2020 and 2019, endowment fund net assets are composed of the following:

	<u>Endowment Fund Net Assets at June 30, 2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Donor-restricted endowment funds	\$ -	\$ 3,364,289	\$ 3,364,289
Board-designated endowment funds	<u>1,513,218</u>	<u>-</u>	<u>1,513,218</u>
Total	<u>\$ 1,513,218</u>	<u>\$ 3,364,289</u>	<u>\$ 4,877,507</u>
Endowment net assets, beginning of year	\$ 1,629,793	\$ 3,405,762	\$ 5,035,555
Transfers	(187,671)	-	(187,671)
Investment return, net	95,893	4,087	99,980
Amounts appropriated for expenditure	<u>(24,797)</u>	<u>(45,560)</u>	<u>(70,357)</u>
Endowment net assets, end of year	<u>\$ 1,513,218</u>	<u>\$ 3,364,289</u>	<u>\$ 4,877,507</u>

	<u>Endowment Fund Net Assets at June 30, 2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Donor-restricted endowment funds	\$ -	\$ 3,405,762	\$ 3,405,762
Board-designated endowment funds	<u>1,629,793</u>	<u>-</u>	<u>1,629,793</u>
Total	<u>\$ 1,629,793</u>	<u>\$ 3,405,762</u>	<u>\$ 5,035,555</u>
Endowment net assets, beginning of year	\$ 1,522,630	\$ 3,404,492	\$ 4,927,122
Transfers	(177,515)	-	(177,515)
Investment return, net	308,799	61,371	370,170
Amounts appropriated for expenditure	<u>(24,121)</u>	<u>(60,101)</u>	<u>(84,222)</u>
Endowment net assets, end of year	<u>\$ 1,629,793</u>	<u>\$ 3,405,762</u>	<u>\$ 5,035,555</u>

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

6. Endowment Funds, continued

Investments Held for Endowment Purposes

Investments held for endowment purposes are held in various financial institutions and brokerage firms. As of June 30, 2020 and 2019, investments held for endowment purposes consist of the following:

	<u>2020</u>	<u>2019</u>
Mutual funds	\$ 3,610,285	\$ 3,739,229
Fixed income securities	890,855	1,061,157
Money market funds	<u>266,367</u>	<u>131,954</u>
	<u>\$ 4,767,507</u>	<u>\$ 4,932,340</u>

7. Fair Value Measurements

ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

In determining fair value, the Foundation uses the market, cost, or income approach, depending on the nature of the assets and liabilities. The market approach uses quoted prices and other relevant data based on market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount, with the measurement based on the value indicated by current market expectations about those future amounts. The cost approach is the amount that would be currently required to replace an asset and indicates the cost to the Foundation to acquire a substitute asset.

Following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used at June 30, 2020 and 2019.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded. (Market approach)

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

7. Fair Value Measurements, continued

Fixed income securities (corporate, foreign, and municipal bonds): Valued based on an evaluated price from a compilation of primarily observable market information or a broker quote in a non-active market. (Income approach)

Money market funds: Valued at amortized cost, which approximates fair value. (Cost approach)

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded. (Market approach)

Limited partnerships: Valued at NAV, as reported by the manager of the limited partnership, and includes the impact of partners' contributions and withdrawals. The NAV is based on the fair value of the underlying investments held by the limited partnership, less liabilities. (Market approach)

Pledges receivable: Valued using the discounted cash flow methodology, of which the significant unobservable inputs are the discount rates, ranging from 0.66% - 2.73%, based upon on the future pledge payment date. (Income approach)

The following tables set forth by level, within the fair value hierarchy, the Foundation's investments at fair value, on a recurring basis, as of June 30, 2020 and 2019:

	Investments at Fair Value at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,245,972	\$ 1,364,313	\$ -	\$ 3,610,285
Fixed income securities	-	890,855	-	890,855
Money market funds	266,462	-	-	266,462
Common stock	24,647	-	-	24,647
Pledges receivable	-	-	1,340,000	1,340,000
Total	\$ 2,537,081	\$ 2,255,168	\$ 1,340,000	\$ 6,132,249

	Investments at Fair Value at June 30, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,307,992	\$ 1,431,237	\$ -	\$ 3,739,229
Fixed income securities	-	1,061,157	-	1,061,157
Money market funds	131,954	-	-	131,954
Common stock	20,542	-	-	20,542
Limited partnerships	13,460	-	-	13,460
Pledges receivable	-	-	1,500,000	1,500,000
Total	\$ 2,473,948	\$ 2,492,394	\$ 1,500,000	\$ 6,466,342

The carrying value of cash and cash equivalents, hotel occupancy tax and other receivables, accounts payable, and accrued liabilities approximate their respective fair values due to their relative short nature.

The following is a reconciliation of GHF's Level 3 assets for which significant unobservable inputs were used to determine fair value for the years ended June 30, 2020 and 2019:

	2020	2019
Balance, beginning of year	\$ 1,500,000	\$ 1,935,500
Pledges received	417,500	170,000
Pledge payments collected	(577,500)	(605,500)
Balance, end of year	\$ 1,340,000	\$ 1,500,000

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

8. Notes Payable

Notes payable consist of financing arrangements for the purchase of property, vehicles and equipment. As of June 30, 2020 and 2019, notes payable consist of the following:

	<u>2020</u>	<u>2019</u>
Unsecured note payable to a third party, bearing no interest, not to be used for redevelopment purposes, originated in February 1980, callable at the discretion of the third party.	\$ 150,000	\$ 150,000
Revolving line of credit payable to a financial institution, bearing interest at 4.75% per year, interest is due and payable monthly, principal is due on demand or if no demand is made, payable in monthly installments beginning January 2019. The note was originated in July 2017, matures in December 2021, if not demanded earlier and is unsecured.	213,558	327,465
Note payable to a financial institution, bearing interest at 5.00% per year, principal and interest are due and payable monthly; however, effective for the period August 2020 through October 2020, the financial institution granted a deferral of principal and interest payments due to COVID-19. Deferred principal and interest, along with balloon payment, are due at maturity. The note was originated in June 2018, matures in June 2023, and is secured by property.	453,291	477,039
Note payable to a financial institution, bearing interest at 4.99% per year, principal and interest are due and payable monthly; however, effective for the period May 2020 through October 2020, the financial institution granted a deferral of principal and interest payments due to COVID-19. Deferred principal and interest, along with balloon payment, are due at maturity. The note was originated in December 2018, matures in December 2028, and is secured by property.	228,667	237,854
Note payable to a financial institution, bearing interest at 4.99% per year, principal and interest are due and payable monthly; however, effective for the period June 2020 through November 2020, the financial institution granted a deferral of principal and interest payments due to COVID-19. Deferred principal and interest, along with balloon payment, are due at maturity. The note was originated in July 2018, matures in July 2028, and is secured by property.	574,853	588,866
Note payable to a financial institution, with a variable interest rate equal to the average prime lending rate of large money center commercial banks as published in the Wall Street Journal. Such interest rate was 5.00% per year at June 30, 2020. Interest is due and payable in quarterly installments, principal and any accrued interest is due at maturity. The note was originated in October 2019, matures in April 2021, and is secured by property.	500,000	-
Note payable to a financial institution, with a variable interest rate equal to the prime rate as published in the Wall Street Journal. Such interest rate was 3.25% per year at June 30, 2020. Interest is due and payable in monthly installments, principal and any accrued interest is due at maturity. The note was originated in December 2019, matures in December 2021, and is unsecured.	500,000	-

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

8. Notes Payable, continued

	2020	2019
Note payable to a financial institution, bearing interest at 1.00% per year. Principal and interest is due and payable in monthly installments of \$17,827 beginning in September 2021. See Note 9.	423,400	-
	3,043,769	1,781,224
Less current portion	1,488,806	319,672
	\$ 1,554,963	\$ 1,461,552

Future maturities of notes payable at June 30, 2020 are as follows:

<u>For the Year Ending June 30,</u>	
2021	\$ 1,488,806
2022	341,164
2023	466,064
2024	23,595
2025	24,801
Thereafter	699,339
	\$ 3,043,769

For the years ended June 30, 2020 and 2019, interest expense was \$82,256 and \$61,407, respectively.

9. Paycheck Protection Program Loan

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which, among other things, includes the Paycheck Protection Program (the "PPP"). On April 17, 2020, pursuant to the PPP, the Organization received proceeds from an unsecured loan with a financial institution in the amount of \$423,400, bearing interest at a rate of 1.00% per year, and maturing April 17, 2022. The CARES Act allows principal, interest, and fees to be deferred for six months ("deferral period"), and accordingly, interest and principal is due and payable in monthly installments of \$17,827 originally beginning September 17, 2021. Under the CARES Act, loan forgiveness may be available for certain qualifying expenses as defined in the CARES Act. On June 5, 2020, the President of the United States signed into law the PPP Flexibility Act, which, among other things, extended the deferral period for all entities that have applied for forgiveness from six months to the date that the financial institution receives the approved loan forgiveness funds from the Small Business Administration. Management has applied for forgiveness of the loan and believes it has expended the loan proceeds in accordance with the provisions of the PPP, which should allow for full forgiveness of the loan. If forgiveness is not granted, principal and interest are due and payable in equal monthly installments on the 15th day of each month subsequent to the date that a final determination is made that no portion of the loan will be forgiven.

10. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019 are available for the following purposes:

	2020	2019
Subject to Foundation spending policy and appropriation:		
Investment in perpetuity which, once appropriated, is expendable to support:		
General endowment to fulfill the purposes of GHF	\$ 2,328,097	\$ 2,328,097
Bishop's Palace	1,000,000	1,000,000
	\$ 3,328,097	\$ 3,328,097

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

10. Net Assets with Donor Restrictions, continued

	2020	2019
Subject to satisfaction of donor restrictions:		
GHF Endowment, Inc.:		
Customs House maintenance	\$ 10,079	\$ 10,079
Galveston Historical Foundation, Inc.:		
Galveston History Project	1,485,859	2,090,124
Edward L Protz internship program	75,000	-
Texas Storm Museum	50,000	50,000
Historic house restoration	50,000	-
Rosewood cemetery	30,948	-
Bishop's Palace	26,113	67,586
Elissa dry dock	25,375	25,000
Hendley Green	20,000	20,000
Gartein Verein maintenance	18,587	35,401
Paint Partnership, Pals and Plus	17,800	17,800
Other	6,353	6,353
	\$ 1,816,114	\$ 2,322,343
Total net assets with donor restrictions	\$ 5,144,211	\$ 5,650,440

Net assets without donor restrictions are contributions without donor-imposed stipulations. For the years ended June 30, 2020 and 2019, the Endowment's Board of Directors has designated a portion of net assets without donor restrictions to be used for the following purpose:

	2020	2019
GHF Endowment, Inc.:		
Designated for future benefit of GHF, as appropriated by the Endowment's Board of Directors	\$ 1,513,218	\$ 1,629,793

11. Liquidity

The following reflects the Foundation's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial position date.

	2020	2019
Financial assets, at year-end	\$ 5,944,208	\$ 6,344,335
Less those unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	1,816,114	2,322,343
Investments held in perpetuity	3,328,097	3,328,097
Board Designations:		
Quasi-endowment funds, primarily for long-term investing	1,513,218	1,629,793
Financial assets available to meet cash needs for general expenditures within one year	\$ (713,221)	\$ (935,898)

The Foundation is substantially supported by contributions without donor restrictions, and event, admissions, merchandise, and rental fee income, which are used to support the Foundation's general operations. A significant portion of the Foundation's liquid assets are held in perpetuity or are to be used for a particular purpose in accordance with donor stipulations; thus, these financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, however, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due through the availability of several lines of credit and board designated endowment funds, used at the discretion of the Board of Directors.

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

12. Operating Leases

Effective January 1, 2015, the Foundation extended an agreement to lease a dock and certain property adjacent to the Barque Elissa in Galveston, Texas, for an additional 50 years, expiring on May 30, 2065. Base lease payments are due monthly and escalate every ten years over the term of the lease.

Effective March 16, 2017, the Foundation entered into a 60-month lease for 1,787 square feet of commercial space in Galveston, Texas, that commenced on January 1, 2017 and expires on December 31, 2021. Base lease payments are due monthly and escalate annually over the term of the lease. Additional base rent, related to the Foundation's pro rata share of taxes and other land and building costs, is due monthly.

For the years ended June 30, 2020 and 2019, lease expense related to the aforementioned operating leases was \$73,455 and \$97,231, respectively.

Future minimum lease payments under the operating leases are as follows:

<u>For the Year Ending June 30,</u>	
2021	\$ 71,718
2022	52,061
2023	31,956
2024	31,956
2025	31,956
Thereafter	<u>1,275,563</u>
	<u>\$ 1,495,210</u>

13. Hotel Occupancy Tax Allocation

During the years ended June 30, 2020 and 2019, the Foundation was the recipient of hotel occupancy tax allocated from the City of Galveston totaling \$361,413 and \$487,480, respectively, and was used for the following expenditures:

	<u>2020</u>	<u>2019</u>
Advertising and marketing	\$ 112,038	\$ 151,119
Special events	<u>249,375</u>	<u>336,361</u>
	<u>\$ 361,413</u>	<u>\$ 487,480</u>

14. Retirement Plan

Effective October 1, 2003, GHF adopted a 403(b) plan covering substantially all full-time employees. Under the terms of the plan, employees who have completed at least one year of service, as defined by the plan, may contribute to the plan portions of their annual salary up to the maximum amount allowed by law. Such contributions are available for employer matching contributions of 100% of elective deferrals up to 2% of each participant's compensation. During the years ended June 30, 2020 and 2019, GHF recorded employer matching contributions of \$22,258 and \$20,228.

15. Compensated Absences

Employees earn vacation pay which may be carried over until December 31 following the fiscal year-end. One week per year of unused sick leave may be carried forward up to a maximum of five weeks. The Foundation's policy is to recognize these costs when actually paid.

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

16. Historic Property Management

The Foundation manages certain historic properties owned by the City of Galveston and the Catholic Archdiocese of Galveston-Houston as detailed below:

- St. Joseph Church: During the years ended June 30, 2020 and 2019, the Foundation operated St. Joseph Church in accordance with a long-term agreement with its owner, the Catholic Archdiocese of Galveston-Houston.
- Garten Verein Pavilion: During the years ended June 30, 2020 and 2019, the Foundation leased Garten Verein Pavilion from its owner, the City of Galveston, for \$50 annually and \$10 annually, respectively, to be used for rentals and special events.

Maintenance of these properties is consistent with the purpose of the Foundation. Consequently, contributions for restoration and maintenance of these properties are treated as contributions with donor-imposed restrictions, and related expenditures are recorded as program expenses.

17. Garten Verein

The following is a summary of activity for Garten Verein for the years ended June 30, 2020 and 2019:

	2020	2019
Revenue:		
Rental income	\$ 129,795	\$ 180,128
Expenses:		
Compensation and related expenses	59,576	56,747
Office operations	3,000	2,124
Occupancy expenses	25,126	64,914
Insurance expenses	10,007	22,564
Repairs and maintenance	18,868	31,118
Depreciation expense	15,429	10,670
Program expenses	30,000	4,820
	162,006	192,957
Garten Verein net loss	\$ (32,211)	\$ (12,829)

18. Subsequent Events

The Foundation has evaluated subsequent events through February 23, 2021, which is the date the financial statements were available to be issued, and has concluded that there were no significant events requiring additional disclosure in the financial statements.

SUPPLEMENTAL SCHEDULES

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINING STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020

	<u>Galveston Historical Foundation, Inc.</u>	<u>GHF Endowment Inc.</u>	<u>Galveston Island Tours</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 242,787	\$ 68,175	\$ 1,406	\$ -	\$ 312,368
Receivables:					
Pledges	1,340,000	-	-	-	1,340,000
Hotel occupancy tax	79,591	-	-	-	79,591
Other	68,175	-	-	(68,175)	-
Inventory	203,144	-	-	-	203,144
Prepaid expenses	36,100	-	-	-	36,100
Total current assets	<u>1,969,797</u>	<u>68,175</u>	<u>1,406</u>	<u>(68,175)</u>	<u>1,971,203</u>
Building structures and improvements	13,804,226	-	-	-	13,804,226
Equipment	2,277,222	-	5,360	-	2,282,582
Construction in progress	198,322	-	-	-	198,322
Land	782,440	-	-	-	782,440
	<u>17,062,210</u>	<u>-</u>	<u>5,360</u>	<u>-</u>	<u>17,067,570</u>
Accumulated depreciation	(7,375,796)	-	(5,360)	-	(7,381,156)
Total property and equipment	<u>9,686,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,686,414</u>
Other assets:					
Historical treasures	6,578,307	-	-	-	6,578,307
Investments, at fair value	1,050,855	3,741,394	-	-	4,792,249
Investment properties for sale	983,288	-	-	-	983,288
Notes receivable	-	110,000	-	(110,000)	-
Total other assets	<u>8,612,450</u>	<u>3,851,394</u>	<u>-</u>	<u>(110,000)</u>	<u>12,353,844</u>
Total assets	<u>\$ 20,268,661</u>	<u>\$ 3,919,569</u>	<u>\$ 1,406</u>	<u>\$ (178,175)</u>	<u>\$ 24,011,461</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and accrued liabilities	172,351	68,175	-	(68,175)	172,351
Notes payable, current	1,488,806	-	-	-	1,488,806
Total current liabilities	<u>1,661,157</u>	<u>68,175</u>	<u>-</u>	<u>(68,175)</u>	<u>1,661,157</u>
Other liabilities:					
Deposits	150,486	-	-	-	150,486
Notes payable, long-term	1,664,963	-	-	(110,000)	1,554,963
Total other liabilities	<u>1,815,449</u>	<u>-</u>	<u>-</u>	<u>(110,000)</u>	<u>1,705,449</u>
Total liabilities	<u>3,476,606</u>	<u>68,175</u>	<u>-</u>	<u>(178,175)</u>	<u>3,366,606</u>
Net assets:					
Without donor restrictions:					
Undesignated	13,986,020	-	1,406	-	13,987,426
Designated by Board of Directors	-	1,513,218	-	-	1,513,218
With donor restrictions	2,806,035	2,338,176	-	-	5,144,211
Total net assets	<u>16,792,055</u>	<u>3,851,394</u>	<u>1,406</u>	<u>-</u>	<u>20,644,855</u>
Total liabilities and net assets	<u>\$ 20,268,661</u>	<u>\$ 3,919,569</u>	<u>\$ 1,406</u>	<u>\$ (178,175)</u>	<u>\$ 24,011,461</u>

See Independent Auditor's Report.

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINING STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019

	<u>Galveston Historical Foundation, Inc.</u>	<u>GHF Endowment Inc.</u>	<u>Galveston Island Tours</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 582,874	\$ -	\$ 1,406	\$ -	\$ 584,280
Receivables:					
Pledges	1,500,000	-	-	-	1,500,000
Hotel occupancy tax	116,758	-	-	-	116,758
Other	6,955	-	-	-	6,955
Inventory	246,437	-	-	-	246,437
Total current assets	<u>2,453,024</u>	<u>-</u>	<u>1,406</u>	<u>-</u>	<u>2,454,430</u>
Building structures and improvements	12,927,237	-	-	-	12,927,237
Equipment	2,000,300	-	5,360	-	2,005,660
Construction in progress	32,000	-	-	-	32,000
Land	684,440	-	-	-	684,440
	<u>15,643,977</u>	<u>-</u>	<u>5,360</u>	<u>-</u>	<u>15,649,337</u>
Accumulated depreciation	(6,838,254)	-	(5,360)	-	(6,843,614)
Total property and equipment	<u>8,805,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,805,723</u>
Other assets:					
Historical treasures	6,578,306	-	-	-	6,578,306
Investments, at fair value	1,108,373	3,857,969	-	-	4,966,342
Investment properties for sale	718,461	-	-	-	718,461
Notes receivable	-	110,000	-	(110,000)	-
Total other assets	<u>8,405,140</u>	<u>3,967,969</u>	<u>-</u>	<u>(110,000)</u>	<u>12,263,109</u>
Total assets	<u>\$ 19,663,887</u>	<u>\$ 3,967,969</u>	<u>\$ 1,406</u>	<u>\$ (110,000)</u>	<u>\$ 23,523,262</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and accrued liabilities	124,137	-	-	-	124,137
Notes payable, current	319,672	-	-	-	319,672
Total current liabilities	<u>443,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>443,809</u>
Other liabilities:					
Deposits	134,886	-	-	-	134,886
Notes payable, long-term	1,571,552	-	-	(110,000)	1,461,552
Total other liabilities	<u>1,706,438</u>	<u>-</u>	<u>-</u>	<u>(110,000)</u>	<u>1,596,438</u>
Total liabilities	<u>2,150,247</u>	<u>-</u>	<u>-</u>	<u>(110,000)</u>	<u>2,040,247</u>
Net assets:					
Without donor restrictions:					
Undesignated	14,201,376	-	1,406	-	14,202,782
Designated by Board of Directors	-	1,629,793	-	-	1,629,793
With donor restrictions	3,312,264	2,338,176	-	-	5,650,440
Total net assets	<u>17,513,640</u>	<u>3,967,969</u>	<u>1,406</u>	<u>-</u>	<u>21,483,015</u>
Total liabilities and net assets	<u>\$ 19,663,887</u>	<u>\$ 3,967,969</u>	<u>\$ 1,406</u>	<u>\$ (110,000)</u>	<u>\$ 23,523,262</u>

See Independent Auditor's Report.

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Galveston Historical Foundation			GHF Endowment, Inc.			Galveston Island Tours		Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total		
Support and revenue:										
Contributions and grants	\$ 1,078,416	\$ 663,128	\$ 1,741,544	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,741,544
Event income	494,827	-	494,827	-	-	-	-	-	-	494,827
Admissions and activity fees	730,123	-	730,123	-	-	-	-	-	-	730,123
Merchandise sales	444,762	-	444,762	-	-	-	-	-	-	444,762
Membership dues	139,522	-	139,522	-	-	-	-	-	-	139,522
Rental fee income	369,803	-	369,803	-	-	-	-	-	-	369,803
Other	186,961	-	186,961	-	-	-	-	-	-	186,961
Investment income	1,624	17,798	19,422	51,562	-	51,562	-	-	-	70,984
Realized gain on investments, at fair value	-	28,664	28,664	48,667	-	48,667	-	-	-	77,331
Realized gain on sale of assets	9,125	-	9,125	-	-	-	-	-	-	9,125
Unrealized loss on investments at fair value	(10,606)	(42,375)	(52,981)	(4,336)	-	(4,336)	-	-	-	(57,317)
Income distributions	187,671	-	187,671	(187,671)	-	(187,671)	-	-	-	-
Total support and revenue	<u>3,632,228</u>	<u>667,215</u>	<u>4,299,443</u>	<u>(91,778)</u>	<u>-</u>	<u>(91,778)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,207,665</u>
Net assets released from restrictions	<u>1,173,444</u>	<u>(1,173,444)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>4,805,672</u>	<u>(506,229)</u>	<u>4,299,443</u>	<u>(91,778)</u>	<u>-</u>	<u>(91,778)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,207,665</u>
Expenses:										
Program services:										
Events	801,829	-	801,829	-	-	-	-	-	-	801,829
Preservation services	416,051	-	416,051	-	-	-	-	-	-	416,051
Museums	94,878	-	94,878	-	-	-	-	-	-	94,878
Texas Seaport Museum	948,171	-	948,171	-	-	-	-	-	-	948,171
Seagull	161,150	-	161,150	-	-	-	-	-	-	161,150
Ashton Villa	172,484	-	172,484	-	-	-	-	-	-	172,484
Garten Verein	162,006	-	162,006	-	-	-	-	-	-	162,006
Bishop's Palace	554,671	-	554,671	-	-	-	-	-	-	554,671
Other historical properties	244,153	-	244,153	-	-	-	-	-	-	244,153
Strand retail	202,584	-	202,584	-	-	-	-	-	-	202,584
Total program services	<u>3,757,977</u>	<u>-</u>	<u>3,757,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,757,977</u>
Supporting services:										
Management and general	779,288	-	779,288	24,797	-	24,797	-	-	-	804,085
Membership services - fundraising	186,344	-	186,344	-	-	-	-	-	-	186,344
Marketing	297,419	-	297,419	-	-	-	-	-	-	297,419
Total supporting services	<u>1,263,051</u>	<u>-</u>	<u>1,263,051</u>	<u>24,797</u>	<u>-</u>	<u>24,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,287,848</u>
Total expenses	<u>5,021,028</u>	<u>-</u>	<u>5,021,028</u>	<u>24,797</u>	<u>-</u>	<u>24,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,045,825</u>
Changes in net assets	(215,356)	(506,229)	(721,585)	(116,575)	-	(116,575)	-	-	-	(838,160)
Net assets, beginning of year	<u>14,201,376</u>	<u>3,312,264</u>	<u>17,513,640</u>	<u>1,629,793</u>	<u>2,338,176</u>	<u>3,967,969</u>	<u>1,406</u>	<u>1,406</u>	<u>-</u>	<u>21,483,015</u>
Net assets, end of year	<u>\$ 13,986,020</u>	<u>\$ 2,806,035</u>	<u>\$ 16,792,055</u>	<u>\$ 1,513,218</u>	<u>\$ 2,338,176</u>	<u>\$ 3,851,394</u>	<u>\$ 1,406</u>	<u>\$ 1,406</u>	<u>\$ -</u>	<u>\$ 20,644,855</u>

See Independent Auditor's Report.

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Galveston Historical Foundation			GHF Endowment, Inc.			Galveston Island Tours		Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total		
Support and revenue:										
Contributions and grants	\$ 662,493	\$ 780,419	\$ 1,442,912	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,442,912
Event income	666,928	-	666,928	-	-	-	-	-	-	666,928
Admissions and activity fees	1,169,173	-	1,169,173	-	-	-	-	-	-	1,169,173
Merchandise sales	618,532	-	618,532	-	-	-	-	-	-	618,532
Membership dues	147,427	-	147,427	-	-	-	-	-	-	147,427
Rental fee income	498,079	-	498,079	-	-	-	-	-	-	498,079
Other	142,657	-	142,657	-	-	-	-	-	-	142,657
Investment income	9,300	20,397	29,697	68,444	-	68,444	-	-	-	98,141
Realized gain on investments, at fair value	-	46,500	46,500	79,317	-	79,317	-	-	-	125,817
Realized gain on sale of assets	33,119	-	33,119	-	-	-	-	-	-	33,119
Unrealized gain (loss) on investments at fair value	2,616	(5,526)	(2,910)	161,038	-	161,038	-	-	-	158,128
Income distributions	177,515	-	177,515	(177,515)	-	(177,515)	-	-	-	-
Total support and revenue	<u>4,127,839</u>	<u>841,790</u>	<u>4,969,629</u>	<u>131,284</u>	<u>-</u>	<u>131,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,100,913</u>
Net assets released from restrictions	1,143,471	(1,143,471)	-	-	-	-	-	-	-	-
Total	<u>5,271,310</u>	<u>(301,681)</u>	<u>4,969,629</u>	<u>131,284</u>	<u>-</u>	<u>131,284</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,100,913</u>
Expenses:										
Program services:										
Events	807,852	-	807,852	-	-	-	-	-	-	807,852
Preservation services	555,738	-	555,738	-	-	-	-	-	-	555,738
Museums	99,491	-	99,491	-	-	-	-	-	-	99,491
Texas Seaport Museum	1,055,401	-	1,055,401	-	-	-	-	-	-	1,055,401
Seagull	214,628	-	214,628	-	-	-	-	-	-	214,628
Ashton Villa	176,163	-	176,163	-	-	-	-	-	-	176,163
Garten Verein	169,162	-	169,162	-	-	-	-	-	-	169,162
Bishop's Palace	608,210	-	608,210	-	-	-	-	-	-	608,210
Other historical properties	307,483	-	307,483	-	-	-	-	-	-	307,483
Strand retail	161,596	-	161,596	-	-	-	-	-	-	161,596
Total program services	<u>4,155,724</u>	<u>-</u>	<u>4,155,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,155,724</u>
Supporting services:										
Management and general	717,337	-	717,337	24,121	-	24,121	687	687	-	742,145
Membership services - fundraising	195,469	-	195,469	-	-	-	-	-	-	195,469
Marketing	328,394	-	328,394	-	-	-	-	-	-	328,394
Total supporting services	<u>1,241,200</u>	<u>-</u>	<u>1,241,200</u>	<u>24,121</u>	<u>-</u>	<u>24,121</u>	<u>687</u>	<u>687</u>	<u>-</u>	<u>1,266,008</u>
Total expenses	<u>5,396,924</u>	<u>-</u>	<u>5,396,924</u>	<u>24,121</u>	<u>-</u>	<u>24,121</u>	<u>687</u>	<u>687</u>	<u>-</u>	<u>5,421,732</u>
Changes in net assets	(125,614)	(301,681)	(427,295)	107,163	-	107,163	(687)	(687)	-	(320,819)
Net assets, beginning of year	14,326,990	3,613,945	17,940,935	1,522,630	2,338,176	3,860,806	2,093	2,093	-	21,803,834
Net assets, end of year	<u>\$ 14,201,376</u>	<u>\$ 3,312,264</u>	<u>\$ 17,513,640</u>	<u>\$ 1,629,793</u>	<u>\$ 2,338,176</u>	<u>\$ 3,967,969</u>	<u>\$ 1,406</u>	<u>\$ 1,406</u>	<u>\$ -</u>	<u>\$ 21,483,015</u>

See Independent Auditor's Report.

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Galveston Historical Foundation, Inc.</u>	<u>GHF Endowment Inc.</u>	<u>Galveston Island Tours</u>	<u>Total</u>
Cash flows from operating activities:				
Changes in net assets:	\$ (721,585)	\$ (116,575)	\$ -	\$ (838,160)
Adjustments to reconcile changes in net assets to net cash from operating activities:				
Noncash contribution of property	(269,520)	-	-	(269,520)
Unrealized loss on investments	59,049	4,337	-	63,386
Realized gain on sale of investments	(28,664)	(48,667)	-	(77,331)
Realized gain on sale of investment property	(9,125)	-	-	(9,125)
Depreciation expense	537,541	-	-	537,541
Changes in operating assets and liabilities:				
Accounts receivable	44,122	-	-	44,122
Pledges receivable	160,000	-	-	160,000
Inventory	43,293	-	-	43,293
Prepaid expenses	(36,100)	-	-	(36,100)
Accounts payable and accrued liabilities	48,214	-	-	48,214
Rental deposits	15,600	-	-	15,600
Net cash used in operating activities	<u>(157,175)</u>	<u>(160,905)</u>	<u>-</u>	<u>(318,080)</u>
Cash flows from investing activities:				
Purchase of fixed assets	(1,148,713)	-	-	(1,148,713)
Purchase of investment property	(473,649)	-	-	(473,649)
Proceeds from sale of investment property	217,947	-	-	217,947
Purchase of investments, at fair value	(23,866)	(963,656)	-	(987,522)
Proceeds from sale of investments, at fair value	50,999	1,124,561	-	1,175,560
Net cash (used in) provided by investing activities	<u>(1,377,282)</u>	<u>160,905</u>	<u>-</u>	<u>(1,216,377)</u>
Cash flows from financing activities:				
Proceeds from notes payable	1,423,400	-	-	1,423,400
Payments on notes payable	(160,855)	-	-	(160,855)
Net cash provided by financing activities	<u>1,262,545</u>	<u>-</u>	<u>-</u>	<u>1,262,545</u>
Net decrease in cash and cash equivalents	(271,912)	-	-	(271,912)
Cash and cash equivalents, beginning of year	<u>582,874</u>	<u>-</u>	<u>1,406</u>	<u>584,280</u>
Cash and cash equivalents, end of year	<u>\$ 310,962</u>	<u>\$ -</u>	<u>\$ 1,406</u>	<u>\$ 312,368</u>
Supplemental cash flow disclosures:				
Interest paid	<u>\$ 105,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,144</u>

See Independent Auditor's Report.

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Galveston Historical Foundation, Inc.</u>	<u>GHF Endowment Inc.</u>	<u>Galveston Island Tours</u>	<u>Total</u>
Cash flows from operating activities:				
Changes in net assets:	\$ (427,295)	\$ 107,163	\$ (687)	\$ (320,819)
Adjustments to reconcile changes in net assets to net cash from operating activities:				
Noncash contribution of investments	(6,500)	-	-	(6,500)
Unrealized loss (gain) on investments	2,624	(161,038)	-	(158,414)
Unrealized loss on investment property	98,307	-	-	98,307
Realized gain on sale of investments	(46,500)	(79,317)	-	(125,817)
Realized gain on sale of investment property	(33,119)	-	-	(33,119)
Depreciation expense	515,051	-	-	515,051
Changes in operating assets and liabilities:				
Accounts receivable	129,107	-	-	129,107
Pledges receivable	435,500	-	-	435,500
Inventory	19,618	-	-	19,618
Prepaid expenses	1,538	-	-	1,538
Accounts payable and accrued liabilities	12,683	-	-	12,683
Rental deposits	(3,309)	-	-	(3,309)
Net cash provided by (used in) operating activities	<u>697,705</u>	<u>(133,192)</u>	<u>(687)</u>	<u>563,826</u>
Cash flows from investing activities:				
Purchase of fixed assets	(505,150)	-	-	(505,150)
Purchase of investment property	(472,290)	-	-	(472,290)
Proceeds from sale of investment property	161,726	-	-	161,726
Purchase of investments, at fair value	(166,684)	(153,320)	-	(320,004)
Proceeds from sale of investments, at fair value	205,094	286,512	-	491,606
Net cash (used in) provided by investing activities	<u>(777,304)</u>	<u>133,192</u>	<u>-</u>	<u>(644,112)</u>
Cash flows from financing activities:				
Payments on notes payable	(109,611)	-	-	(109,611)
Net cash used in financing activities	<u>(109,611)</u>	<u>-</u>	<u>-</u>	<u>(109,611)</u>
Net decrease in cash and cash equivalents	(189,210)	-	(687)	(189,897)
Cash and cash equivalents, beginning of year	<u>772,084</u>	<u>-</u>	<u>2,093</u>	<u>774,177</u>
Cash and cash equivalents, end of year	<u>\$ 582,874</u>	<u>\$ -</u>	<u>\$ 1,406</u>	<u>\$ 584,280</u>
Supplemental cash flow disclosures:				
Interest paid	<u>\$ 96,929</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,929</u>
Supplemental disclosure of non-cash activities:				
Payment on notes payable with proceeds from sale of investment properties	<u>\$ 248,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,956</u>
Purchase of fixed assets through issuance of note payable	<u>\$ 132,226</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,226</u>

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