

GALVESTON HISTORICAL FOUNDATION, INC.

**COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
WITH INDEPENDENT AUDITOR'S REPORT
As of and for the Years Ended June 30, 2021 and 2020**

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, 2021 and 2020 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, 2021 and 2020, 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.

Hans, Langster & Brejner L.L.P.

Galveston, Texas
June 28, 2022

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,134,303	\$ 312,368
Receivables:		
Pledges	780,000	1,340,000
Hotel occupancy tax	79,005	79,591
Other	30,450	-
Inventory	294,123	203,144
Prepaid expenses and other current assets	250	36,100
	<u>4,318,131</u>	<u>1,971,203</u>
Total current assets		
	4,318,131	1,971,203
Property and equipment, net	19,980,928	9,686,415
Historical treasures	6,578,306	6,578,306
Investments, at fair value	6,110,133	4,792,249
Investment properties held for sale	771,818	983,288
	<u>37,759,316</u>	<u>24,011,461</u>
Total assets		
	\$ 37,759,316	\$ 24,011,461
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 213,039	\$ 172,351
Notes payable, current	1,328,130	1,488,806
	<u>1,541,169</u>	<u>1,661,157</u>
Total current liabilities		
	1,541,169	1,661,157
Rental deposits	150,112	150,486
Notes payable, long term	1,837,623	1,554,963
	<u>3,528,904</u>	<u>3,366,606</u>
Total liabilities		
	3,528,904	3,366,606
Net assets:		
Without donor restrictions:		
Undesignated	27,427,184	13,987,426
Designated by Board of Directors	2,311,525	1,513,218
With donor restrictions	4,491,703	5,144,211
	<u>34,230,412</u>	<u>20,644,855</u>
Total net assets		
	34,230,412	20,644,855
Total liabilities and net assets	<u>\$ 37,759,316</u>	<u>\$ 24,011,461</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions and grants	\$ 11,218,477	\$ 405,228	\$ 11,623,705
Event income	340,367	-	340,367
Admissions and activity fees	2,565,671	-	2,565,671
Merchandise sales	420,783	-	420,783
Membership dues	156,862	-	156,862
Rental fee income	448,406	-	448,406
Other	48,637	-	48,637
Investment income	74,757	16,600	91,357
Realized gain on investments, at fair value	24,892	53,400	78,292
Realized gain on sale of assets	1,046,902		1,046,902
Unrealized loss on investments at fair value	925,382	267,259	1,192,641
Total support and revenue	<u>17,271,136</u>	<u>742,487</u>	<u>18,013,623</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>1,394,995</u>	<u>(1,394,995)</u>	<u>-</u>
Expense:			
Program services:			
Events	248,199	-	248,199
Preservation services	462,157	-	462,157
Museums	96,709	-	96,709
Texas Seaport Museum	973,089	-	973,089
Seagull	163,813	-	163,813
Ashton Villa	174,659	-	174,659
Garten Verein	111,648	-	111,648
Bishop's Palace	429,946	-	429,946
Other historical properties	499,803	-	499,803
Strand retail	163,547	-	163,547
Total program services	<u>3,323,570</u>	<u>-</u>	<u>3,323,570</u>
Supporting services:			
Management and general	850,275		850,275
Membership services - fundraising	3,838		3,838
Marketing	250,383		250,383
Total supporting services	<u>1,104,496</u>	<u>-</u>	<u>1,104,496</u>
Total expenses	<u>4,428,066</u>	<u>-</u>	<u>4,428,066</u>
Changes in net assets	14,238,065	(652,508)	13,585,557
Net assets, beginning of year	<u>15,500,644</u>	<u>5,144,211</u>	<u>20,644,855</u>
Net assets, end of year	<u>\$ 29,738,709</u>	<u>\$ 4,491,703</u>	<u>\$ 34,230,412</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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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)
Total support and revenue	<u>3,540,450</u>	<u>667,215</u>	<u>4,207,665</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<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
Total program services	<u>3,757,977</u>	<u>-</u>	<u>3,757,977</u>
Supporting services:			
Management and general	804,085	-	804,085
Membership services - fundraising	186,344	-	186,344
Marketing	297,419	-	297,419
Total supporting services	<u>1,287,848</u>	<u>-</u>	<u>1,287,848</u>
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	<u>15,832,575</u>	<u>5,650,440</u>	<u>21,483,015</u>
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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services					
	Events	Preservation Services	Museums	Texas Seaport Museum	Seagull	Ashton Villa
Compensation and related:						
Salaries and wages	\$ 75,329	\$ 254,249	\$ 28,931	\$ 242,988	\$ 90,432	\$ 35,096
Payroll taxes	5,916	20,958	2,279	20,798	8,439	2,818
Employee benefits	11,476	40,693	10,614	42,522	9,078	12,798
Travel and staff development	-	-	-	266	-	-
Cost of sales	-	1,196	-	46,219	-	-
Office operation:						
Office supplies	64	-	-	5,299	-	-
Postage	-	-	-	161	-	-
Printing	-	-	-	-	-	-
Telephone	-	3,397	-	222	-	-
Computer expenses	-	-	-	2,115	-	-
Dues and publications	803	-	195	436	950	-
Bank and credit card fees	-	1,118	-	14,649	-	-
Professional fees	-	1,031	605	4,551	-	-
Occupancy:						
Utilities and services	-	17,781	-	22,340	-	7,790
Lease payments	-	(283)	-	83,410	5,410	-
Rentals	-	-	-	-	-	5,901
Advertising	-	-	-	-	-	-
Development and entertainment	-	-	888	26	-	-
Insurance	-	1,409	7,379	141,978	1,166	50,370
Repairs and maintenance	-	24,346	19,531	89,435	29,929	21,286
Miscellaneous	-	-	-	-	-	-
Special projects:						
Special projects	46,491	-	73	38,023	-	-
Dickens festival	28,635	-	2,661	-	-	-
Homes tour	68,379	-	-	-	-	-
Galveston History Project	11,106	-	-	-	-	-
Loan interest	-	-	-	-	-	-
Investment fees	-	-	-	-	-	-
Depreciation	-	-	23,553	80,108	18,409	46,639
Program expenses	-	96,262	-	137,543	-	(8,039)
Total functional expenses	\$ 248,199	\$ 462,157	\$ 96,709	\$ 973,089	\$ 163,813	\$ 174,659

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, 2021

	Program Services			
	Garten Verein	Bishops Palace	Other Historical Properties	Total Program Services
Compensation and related:				
Salaries and wages	\$ 42,612	\$ 146,639	\$ -	\$ 916,276
Payroll taxes	3,630	13,154	-	77,992
Employee benefits	1,211	3,556	-	131,948
Travel and staff development	-	-	-	266
Cost of sales	-	13,871	-	61,286
Office operation:				
Office supplies	-	5,300	-	10,663
Postage	-	450	563	1,174
Printing	-	-	2,318	2,318
Telephone	2,894	15,000	14,358	35,871
Computer expenses	-	2,108	-	4,223
Dues and publications	-	1,614	-	3,998
Bank and credit card fees	-	14,085	-	29,852
Professional fees	-	-	50,133	56,320
Occupancy:				
Utilities and services	4,561	34,328	15,356	102,156
Lease payments	-	11,569	52,008	152,114
Rentals	9,061	-	1,053	16,015
Advertising	-	-	2,000	2,000
Development and entertainment	-	-	-	914
Insurance	6,028	112,103	67,652	388,085
Repairs and maintenance	96	31,233	40,493	256,349
Miscellaneous	-	-	4,612	4,612
Special projects:				
Special projects	-	-	-	84,587
Dickens festival	-	280	-	31,576
Homes tour	-	-	-	68,379
Galveston History Project	-	-	-	11,106
Loan interest	-	21,792	22,787	44,579
Investment fees	-	-	-	-
Depreciation	12,055	155,201	226,470	562,435
Program expenses	29,500	11,210	-	266,476
Total functional expenses	\$ 111,648	\$ 593,493	\$ 499,803	\$ 3,323,570

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, 2021

	Supporting Services				
	Management and General	Membership Services - Fundraising	Marketing	Total Supporting Services	Total Expenses 2021
Compensation and related:					
Salaries and wages	\$ 423,677	\$ 170,834	\$ -	\$ 594,511	\$ 1,510,787
Payroll taxes	33,589	-	12,856	46,445	124,437
Employee benefits	45,922	-	10,498	56,420	188,368
Travel and staff development	-	-	-	-	266
Cost of sales	19,224	-	-	19,224	80,510
Office operation:					
Office supplies	2,172	-	-	2,172	12,835
Postage	11,608	-	53	11,661	12,835
Printing	-	-	7,412	7,412	9,730
Telephone	4,473	-	-	4,473	40,344
Computer expenses	12,603	-	-	12,603	16,826
Dues and publications	947	268	-	1,215	5,213
Bank and credit card fees	16,934	-	-	16,934	46,786
Professional fees	50,261	-	-	50,261	106,581
Occupancy:					
Utilities and services	2,690	-	-	2,690	104,846
Lease payments	-	-	-	-	152,114
Rentals	-	-	-	-	16,015
Advertising	3,135	-	45,143	48,278	50,278
Development and entertainment	-	-	3,587	3,587	4,501
Insurance	41,516	-	-	41,516	429,601
Repairs and maintenance	50,152	-	-	50,152	306,501
Miscellaneous	(27,186)	-	-	(27,186)	(22,574)
Special projects:					
Special projects	-	3,570	-	3,570	88,157
Dickens festival	-	-	-	-	31,576
Homes tour	-	-	-	-	68,379
Galveston History Project	-	-	-	-	11,106
Loan interest	28,864	-	-	28,864	73,443
Investment fees	27,206	-	-	27,206	27,206
Depreciation	102,488	-	-	102,488	664,923
Program expenses	-	-	-	-	266,476
Total functional expenses	<u>\$ 850,275</u>	<u>\$ 174,672</u>	<u>\$ 79,549</u>	<u>\$ 1,104,496</u>	<u>\$ 4,428,066</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				
	Garten Verein	Bishops Palace	Other Historical Properties	Strand Retail	Total Program Services
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	\$ 162,006	\$ 554,671	\$ 244,153	\$ 202,584	\$ 3,757,977

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				
	Management and General	Membership Services - Fundraising	Marketing	Total Supporting Services	Total Expenses 2020
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 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Changes in net assets:	\$ 13,585,557	\$ (838,160)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Noncash contributions of property	(10,491,430)	(269,520)
Unrealized loss (gain) on investments	(1,192,642)	63,386
Realized gain on sale of investments	(78,382)	(77,331)
Realized gain on sale of investment property	(108,983)	(9,125)
Realized gain on sale of property and equipment	(937,919)	-
Depreciation expense	664,923	537,541
Changes in operating assets and liabilities:		
Accounts receivable	(29,864)	44,122
Pledges receivable	560,000	160,000
Inventory	(90,979)	43,293
Prepaid expenses and other	35,850	(36,100)
Accounts payable and accrued liabilities	40,688	48,214
Rental deposits	(374)	15,600
Net cash (used in) provided by operating activities	<u>1,956,445</u>	<u>(318,080)</u>
Cash flows from investing activities:		
Purchase of fixed assets	(928,935)	(1,148,713)
Proceeds from sale of property and equipment	1,398,848	-
Purchase of investment property	(155,131)	(473,649)
Proceeds from sale of investment property	475,584	217,947
Purchase of investments, at fair value	(326,430)	(987,522)
Proceeds from sale of investments, at fair value	<u>279,570</u>	<u>1,175,560</u>
Net cash used in investing activities	<u>743,506</u>	<u>(1,216,377)</u>
Cash flows from financing activities:		
Loan proceeds	424,200	1,423,400
Payments on notes payable	<u>(302,216)</u>	<u>(160,855)</u>
Net cash provided by (used in) financing activities	<u>121,984</u>	<u>1,262,545</u>
Net decrease in cash and cash equivalents	2,821,935	(271,912)
Cash and cash equivalents, beginning of year	<u>312,368</u>	<u>584,280</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,134,303</u></u>	<u><u>\$ 312,368</u></u>
Supplemental cash flow disclosures:		
Interest paid	<u><u>\$ 76,627</u></u>	<u><u>\$ 105,144</u></u>

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") and follows the guidance of 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, 2021 and 2020, net assets without donor restrictions were \$29,738,709 and \$15,500,644, 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 \$4,491,703 and \$5,144,211 as of June 30, 2021 and 2020, 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, 2021 and June 30, 2020, 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, 2021 and June 30, 2020, 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. Expenditures for substantial renewals or betterments exceeding \$1,000 are capitalized, while maintenance and repair costs, 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, 2021 and 2020, 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 its investments in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were evaluated for impairment as of June 30, 2021 and 2020, 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 is defined 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 a specified measurement date. Fair value measurements are derived using inputs and assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. U.S. GAAP establishes a valuation hierarchy for disclosure of the inputs used to measure fair value. This three-tier hierarchy classifies fair value amounts recognized or disclosed in the financial statements based on the observability of inputs used to estimate fair values. The classification within the hierarchy of a financial asset or liability is determined based on the lowest level input that is significant to the fair value measurement. The hierarchy considers fair value amounts based on observable inputs (Levels 1 and 2) to be more reliable and predictable than those based primarily on unobservable inputs (Level 3) (see Note 7).

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's financial instruments consist mainly of cash and cash equivalents, receivables, investments, accounts payable and accrued liabilities and notes payable. The Foundation believes that the carrying value of its assets and liabilities approximates the fair value of such items due to the short-term nature of these accounts and the notes payable carries a market rate of interest. 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, 2021 and 2020, approximately 29% of the Foundation's investment assets in both years were comprised of shares held in a single investment fund.

At June 30, 2021, \$700,000, or 90%, of pledges receivable is from two donors. At June 30, 2020, \$1,200,000, or 90%, of pledges receivable is from two donors.

Revenue and Support

On July 1, 2020, the Foundation adopted ASU No. 2014-09, *Revenues from Contracts with Customers: Topic 606*, which requires revenue recognized to represent the transfer of goods or services to customers at an amount that reflects the consideration that a company expects to receive in exchange for those goods or services. The Foundation adopted ASU No. 2014-09 using the modified retrospective method and accordingly, the Foundation did not retrospectively adjust prior periods. The Foundation applied the modified retrospective method only to incomplete contracts upon adoption and there was no material impact to the nature and timing of revenue recognition.

The Foundation generates revenue through a variety of sources including donor contributions, event income, admissions, activity fees, merchandise sales, membership dues and rental fee income.

The Foundation accounts for a contract with a customer under ASC 606 and determines its revenue recognition through the following steps: i) identification of the contract or contracts with a customer; ii) identification of the performance obligations within the contract; iii) determination of the transaction price; iv) allocation of the transaction price to the performance obligation(s) within the contract; and v) recognition of revenue when, or as the performance obligation has been satisfied.

GALVESTON HISTORICAL FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue and Support, continued

Revenue from donor contributions does not fall under the scope of ASC 606, as clarified through the issuance of ASU No. 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Such revenue follows the accounting guidance of ASC 958-605, *Not-for-Profit Entities-Revenue Recognition*.

Rental fee income falls under the scope of ASC 840, *Leases*, and is recognized on a straight-line basis over the term of the lease.

Revenue from event income, admissions and product sales follow the guidance of ASU No. 2014-09 and are recognized at the point in time the services or goods are provided and represent a single performance obligation with a fixed transaction price.

Contributions

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.

During the years ended June 30, 2021 and 2020, included in contributions and grants in the Combined Statements of Activities are non-cash donations of material, services, and other items totaling \$32,550 and \$146,423 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, 2021 and 2020, volunteers donated approximately 7,900 hours and 15,942 hours, respectively, with an estimated value of \$221,677 and \$433,609, 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, 2021 and 2020 was \$50,278 and \$219,893, respectively.

GALVESTON HISTORICAL FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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, 2021 and 2020, 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, 2021 and 2020, 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 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 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, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 517,500	\$ 760,000
Receivable in one to five years	240,000	550,000
Receivable in more than five years	<u>22,500</u>	<u>30,000</u>
Total pledges receivable	<u>\$ 780,000</u>	<u>\$ 1,340,000</u>

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

4. Property and Equipment

As of June 30, 2021 and 2020, property and equipment consists of the following:

	<u>2021</u>	<u>2020</u>
Building structures and improvements	\$ 22,676,860	\$ 13,804,226
Equipment	2,353,106	2,282,582
Construction in progress	319,057	198,322
Land	<u>565,350</u>	<u>782,440</u>
	25,914,373	17,067,570
Less: accumulated depreciation	<u>(7,665,667)</u>	<u>(7,381,155)</u>
Property and equipment, net	<u>\$ 18,248,706</u>	<u>\$ 9,686,415</u>

For the years ended June 30, 2021 and 2020, depreciation expense was \$664,923 and \$537,541, respectively.

On June 30, 2021, the Foundation was donated the Shearn Moody Plaza, an eleven-story office building that houses the Galveston Railroad Museum. The Foundation recognized the contributed asset at its estimated fair value on the date of the gift totaling approximately \$10.5 million as contributions and grants without donor restrictions in the accompanying combined statement of activities and a corresponding increase in property and equipment in the combined statements of financial position.

5. Investment Properties Held for Sale

As of June 30, 2021 and 2020, investment properties held for sale consists of the following:

<u>Property Location</u>	<u>Date Acquired</u>	<u>2021</u>	<u>2020</u>
3801 Winnie	5/30/2006	\$ 39,145	\$ 25,889
3916 Ball	8/11/2006	42,650	41,595
2123 Ave M ½	8/31/2012	14,566	14,322
2620 Ave M ½	12/18/2015	30,415	28,643
1011 36 th HOP House Gift Deed	3/16/2016	323,538	323,538
1723 Mechanic Street	6/30/2017	321,503	224,654
1826 Ave K	3/06/2019	<u>-</u>	<u>324,647</u>
		<u>\$ 771,817</u>	<u>\$ 983,288</u>

During the year ended June 30, 2021, 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>
1826 Ave K	9/15/2020	\$ 475,560	\$ 366,577	\$ 108,983

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	\$ 217,947	\$ 208,822	\$ 9,125

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, 2021 and 2020, endowment fund net assets are composed of the following:

	<u>Endowment Fund Net Assets at June 30, 2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Donor-restricted endowment funds	\$ -	\$ 3,640,173	\$ 3,640,173
Board-designated endowment funds	<u>2,311,525</u>	<u>-</u>	<u>2,311,525</u>
Total	<u>\$ 2,311,525</u>	<u>\$ 3,640,173</u>	<u>\$ 5,951,698</u>
Endowment net assets, beginning of year	\$ 1,513,218	\$ 3,364,289	\$ 4,877,507
Transfers	(143,784)	-	(143,784)
Investment return, net	969,297	337,259	1,306,556
Amounts appropriated for expenditure	<u>(27,206)</u>	<u>(61,375)</u>	<u>(88,581)</u>
Endowment net assets, end of year	<u>\$ 2,311,525</u>	<u>\$ 3,640,173</u>	<u>\$ 5,951,698</u>

	<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>

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, 2021 and 2020, investments held for endowment purposes consist of the following:

	<u>2021</u>	<u>2020</u>
Mutual funds	\$ 4,735,280	\$ 3,610,285
Fixed income securities	965,051	890,855
Money market funds	<u>85,763</u>	<u>266,367</u>
	<u>\$ 5,786,094</u>	<u>\$ 4,767,507</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, 2021 and 2020.

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)

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, 2021 and 2020:

Investments at Fair Value at June 30, 2021				
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,945,779	\$ 1,789,501	\$ -	\$ 4,735,280
Fixed income securities	-	965,051	-	965,051
Money market funds	85,763	-	-	85,763
Common stock	55,585	-	-	55,585
Total	\$ 3,087,127	\$ 2,754,552	\$ -	\$ 5,841,678

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	266,367	-	-	266,367
Common stock	24,742	-	-	24,742
Total	\$ 2,537,081	\$ 2,255,168	\$ -	\$ 4,792,249

8. Notes Payable

Notes payable consist of financing arrangements for the purchase of property, vehicles and equipment. As of June 30, 2021 and 2020 notes payable consist of the following:

	2021	2020
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 paid-in-full on June 30, 2021.	-	213,558
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.	440,493	453,291

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

8. Notes Payable, continued

	<u>2021</u>	<u>2020</u>
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.	\$ 220,500	\$ 228,667
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.	560,218	574,853
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	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.	446,942	500,000
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	423,400
Note payable to a financial institution, bearing interest at 1.00% per year. Principal and interest is due and payable in monthly installments of \$9,856 beginning in June 2022. See Note 9.	424,200	-
	3,165,753	3,043,769
Less current portion	<u>1,328,130</u>	<u>1,488,806</u>
	<u>\$ 1,837,623</u>	<u>\$ 1,554,963</u>

Future maturities of notes payable at June 30, 2021 are as follows:

<u>For the Year Ending June 30,</u>	
2022	\$ 1,328,130
2023	763,642
2024	174,962
2025	141,745
2026	94,827
Thereafter	<u>662,447</u>
	<u>\$ 3,165,753</u>

For the years ended June 30, 2021 and 2020, interest expense was \$73,443 and \$82,256, respectively.

GALVESTON HISTORICAL FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

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 Foundation 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.

During January 2021, the Foundation entered into an unsecured loan with Frost Bank under the second round of the PPP in the amount of \$424,200, bearing interest at a rate of 1.00% per year with a maturity date of January 27, 2026. The principal, interest and fees are deferred for a period of 10 months after the end of the loan forgiveness covered period. Accordingly, principal and interest is due and payable in monthly installments of \$9,856 beginning in June 2022. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements.

10. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2021 and 2020 are available for the following purposes:

	<u>2021</u>	<u>2020</u>
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	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 3,328,097</u>	<u>\$ 3,328,097</u>
Subject to satisfaction of donor restrictions:		
GHF Endowment, Inc.:		
Customs House maintenance	\$ 10,079	\$ 10,079
Galveston Historical Foundation, Inc.:		
Galveston History Project	662,746	1,485,859
Edward L Protz internship program	75,000	75,000
Texas Storm Museum	20,000	50,000
Historic house restoration	-	50,000
Rosewood cemetery	27,448	30,948
Bishop's Palace	301,997	26,113
Elissa dry dock	-	25,375
Hendley Green	20,000	20,000
Gartein Verein maintenance	22,183	18,587
Paint Partnership, Pals and Plus	17,800	17,800
Other	<u>6,353</u>	<u>6,353</u>
	<u>\$ 1,163,606</u>	<u>\$ 1,816,114</u>
Total net assets with donor restrictions	<u>\$ 4,491,703</u>	<u>\$ 5,144,211</u>

GALVESTON HISTORICAL FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

10. Net Assets with Donor Restrictions, continued

Net assets without donor restrictions are contributions without donor-imposed stipulations. For the years ended June 30, 2021 and 2020, the Endowment's Board of Directors has designated a portion of net assets without donor restrictions to be used for the following purpose:

	<u>2021</u>	<u>2020</u>
GHF Endowment, Inc.:		
Designated for future benefit of GHF, as appropriated by the Endowment's Board of Directors	\$ <u>2,311,525</u>	\$ <u>1,513,218</u>

11. Liquidity

The following reflects the Foundation's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial position date.

	<u>2021</u>	<u>2020</u>
Financial assets, at year-end, less long-term receivables	\$ 9,871,391	\$ 5,944,208
Less those unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	1,163,606	1,816,114
Investments held in perpetuity	3,328,097	3,328,097
Board Designations:		
Quasi-endowment funds, primarily for long-term investing	<u>2,311,525</u>	<u>1,513,218</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>3,068,163</u>	\$ <u>(713,221)</u>

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.

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, 2021 and 2020, lease expense related to the aforementioned operating leases was \$83,410 and \$73,455, respectively.

GALVESTON HISTORICAL FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

12. Operating Leases, continued

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

<u>For the Year Ending June 30,</u>	
2022	\$ 52,061
2023	31,956
2024	31,956
2025	31,956
2026	31,956
Thereafter	<u>1,243,607</u>
	<u>\$ 1,423,492</u>

13. Hotel Occupancy Tax Allocation

During the years ended June 30, 2021 and 2020, the Foundation was the recipient of hotel occupancy tax allocated from the City of Galveston totaling \$352,454 and \$361,413, respectively, and was used for the following expenditures:

	<u>2021</u>	<u>2020</u>
Advertising and marketing	\$ 109,261	\$ 112,038
Special events	<u>243,193</u>	<u>249,375</u>
	<u>\$ 352,454</u>	<u>\$ 361,413</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, 2021 and 2020, GHF recorded employer matching contributions of \$19,810 and \$22,258.

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.

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, 2021 and 2020, 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 both the years ended June 30, 2021 and 2020, the Foundation leased Garten Verein Pavilion from its owner, the City of Galveston, for \$50 annually 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.

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

17. Garten Verein

The following is a summary of activity for Garten Verein for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Revenue:		
Rental income	\$ 115,010	\$ 129,795
Expenses:		
Compensation and related expenses	47,453	59,576
Office operations	2,894	3,000
Occupancy expenses	13,622	25,126
Insurance expenses	6,028	10,007
Repairs and maintenance	96	18,868
Depreciation expense	12,055	15,429
Program expenses	<u>29,500</u>	<u>30,000</u>
	<u>111,648</u>	<u>162,006</u>
Garten Verein net loss	<u>\$ 3,362</u>	<u>\$ (32,211)</u>

18. Subsequent Events

In July 2021, the Foundation received notice that both PPP loans had been forgiven. The total balances forgiven totaled \$847,600.

In December 2021, the Foundation renewed a \$500,000 note payable to a financial institution. The renewed note bears interest at the Wall Street Journal prime rate plus 0.75%, subject to minimum rate of 3.50%. Interest is due in monthly payments with all principal and unpaid interest due at maturity, December 2023. The note is secured by all assets and securities held in a certain trust account in the name of GHF Endowment Inc. held at the financial institution.

The Foundation has evaluated subsequent events through June 28, 2022, 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, 2021

	Galveston Historical Foundation, Inc.	GHF Endowment Inc.	Galveston Island Tours	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,132,897	\$ -	\$ 1,406	\$ -	\$ 3,134,303
Receivables:					
Pledges	780,000	-	-	-	780,000
Hotel occupancy tax	79,005	-	-	-	79,005
Other	30,450	-	-	-	30,450
Inventory	294,123	-	-	-	294,123
Prepaid expenses and other	250	-	-	-	250
Total current assets	<u>4,316,725</u>	<u>-</u>	<u>1,406</u>	<u>-</u>	<u>4,318,131</u>
Building structures and improvements	23,978,179	-	-	-	23,978,179
Equipment	2,664,919	-	-	-	2,664,919
Construction in progress	319,057	-	-	-	319,057
Land	684,440	-	-	-	684,440
	<u>27,646,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,646,595</u>
Accumulated depreciation	(7,665,667)	-	-	-	(7,665,667)
Total property and equipment	<u>19,980,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,980,928</u>
Other assets:					
Historical treasures	6,578,306	-	-	-	6,578,306
Investments, at fair value	1,545,540	4,564,593	-	-	6,110,133
Investment properties for sale	771,818	-	-	-	771,818
Notes receivable	-	110,000	-	(110,000)	-
Total other assets	<u>8,895,664</u>	<u>4,674,593</u>	<u>-</u>	<u>(110,000)</u>	<u>13,460,257</u>
Total assets	<u>\$ 33,193,317</u>	<u>\$ 4,674,593</u>	<u>\$ 1,406</u>	<u>\$ (110,000)</u>	<u>\$ 37,759,316</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and accrued liabilities	213,039	-	-	-	213,039
Notes payable, current	1,328,130	-	-	-	1,328,130
Total current liabilities	<u>1,541,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,541,169</u>
Other liabilities:					
Deposits	150,112	-	-	-	150,112
Notes payable, long-term	1,947,623	-	-	(110,000)	1,837,623
Total other liabilities	<u>2,097,735</u>	<u>-</u>	<u>-</u>	<u>(110,000)</u>	<u>1,987,735</u>
Total liabilities	<u>3,638,904</u>	<u>-</u>	<u>-</u>	<u>(110,000)</u>	<u>3,528,904</u>
Net assets:					
Without donor restrictions:					
Undesignated	27,400,886	-	1,406	-	27,402,292
Designated by Board of Directors	-	2,336,417	-	-	2,336,417
With donor restrictions	2,153,527	2,338,176	-	-	4,491,703
Total net assets	<u>29,554,413</u>	<u>4,674,593</u>	<u>1,406</u>	<u>-</u>	<u>34,230,412</u>
Total liabilities and net assets	<u>\$ 33,193,317</u>	<u>\$ 4,674,593</u>	<u>\$ 1,406</u>	<u>\$ (110,000)</u>	<u>\$ 37,759,316</u>

See Independent Auditor's Report.

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

	Galveston Historical Foundation, Inc.	GHF Endowment Inc.	Galveston Island Tours	Eliminations	Total
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 ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Galveston Historical Foundation			GHF Endowment, Inc.			Galveston Island Tours			
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total	Eliminations	Total
Support and revenue:										
Contributions and grants	\$ 11,218,477	\$ 405,228	\$ 11,623,705	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,623,705
Event income	340,367	-	340,367	-	-	-	-	-	-	340,367
Admissions and activity fees	2,565,671	-	2,565,671	-	-	-	-	-	-	2,565,671
Merchandise sales	420,783	-	420,783	-	-	-	-	-	-	420,783
Membership dues	156,862	-	156,862	-	-	-	-	-	-	156,862
Rental fee income	448,406	-	448,406	-	-	-	-	-	-	448,406
Other	48,637	-	48,637	-	-	-	-	-	-	48,637
Investment income	30,842	16,600	47,442	43,915	-	43,915	-	-	-	91,357
Realized gain on investments, at fair value	-	53,400	53,400	24,892	-	24,892	-	-	-	78,292
Realized gain on sale of assets	1,046,902	-	1,046,902	-	-	-	-	-	-	1,046,902
Unrealized gain on investments at fair value	-	267,259	267,259	925,382	-	925,382	-	-	-	1,192,641
Income distributions	143,784	-	143,784	(143,784)	-	(143,784)	-	-	-	-
Total support and revenue	<u>16,420,731</u>	<u>742,487</u>	<u>17,163,218</u>	<u>850,405</u>	<u>-</u>	<u>850,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,013,623</u>
Net assets released from restrictions	<u>1,394,995</u>	<u>(1,394,995)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>17,815,726</u>	<u>(652,508)</u>	<u>17,163,218</u>	<u>850,405</u>	<u>-</u>	<u>850,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,013,623</u>
Expenses:										
Program services:										
Events	248,199	-	248,199	-	-	-	-	-	-	248,199
Preservation services	462,157	-	462,157	-	-	-	-	-	-	462,157
Museums	96,709	-	96,709	-	-	-	-	-	-	96,709
Texas Seaport Museum	973,089	-	973,089	-	-	-	-	-	-	973,089
Seagull	163,813	-	163,813	-	-	-	-	-	-	163,813
Ashton Villa	174,659	-	174,659	-	-	-	-	-	-	174,659
Garten Verein	111,648	-	111,648	-	-	-	-	-	-	111,648
Bishop's Palace	429,946	-	429,946	-	-	-	-	-	-	429,946
Other historical properties	499,803	-	499,803	-	-	-	-	-	-	499,803
Strand retail	163,547	-	163,547	-	-	-	-	-	-	163,547
Total program services	<u>3,323,570</u>	<u>-</u>	<u>3,323,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,323,570</u>
Supporting services:										
Management and general	823,069	-	823,069	27,206	-	27,206	-	-	-	850,275
Membership services - fundraising	3,838	-	3,838	-	-	-	-	-	-	3,838
Marketing	250,383	-	250,383	-	-	-	-	-	-	250,383
Total supporting services	<u>1,077,290</u>	<u>-</u>	<u>1,077,290</u>	<u>27,206</u>	<u>-</u>	<u>27,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,104,496</u>
Total expenses	<u>4,400,860</u>	<u>-</u>	<u>4,400,860</u>	<u>27,206</u>	<u>-</u>	<u>27,206</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,428,066</u>
Changes in net assets	13,414,866	(652,508)	12,762,358	823,199	-	823,199	-	-	-	13,585,557
Net assets, beginning 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>
Net assets, end of year	<u>\$ 27,400,886</u>	<u>\$ 2,153,527</u>	<u>\$ 29,554,413</u>	<u>\$ 2,336,417</u>	<u>\$ 2,338,176</u>	<u>\$ 4,674,593</u>	<u>\$ 1,406</u>	<u>\$ 1,406</u>	<u>\$ -</u>	<u>\$ 34,230,412</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			
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total	Eliminations	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 CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Galveston Historical Foundation, Inc.	GHF Endowment Inc.	Galveston Island Tours	Total
Cash flows from operating activities:				
Changes in net assets:	\$ 12,762,358	\$ 823,199	\$ -	\$ 13,585,557
Adjustments to reconcile changes in net assets to net cash from operating activities:				
Noncash contribution of property	(10,491,430)	-	-	(10,491,430)
Unrealized gain on investments	(267,259)	(925,383)	-	(1,192,642)
Realized gain on sale of investments	(53,400)	(24,982)	-	(78,382)
Realized gain on sale of investment property	(108,983)	-	-	(108,983)
Realized gain on sale of property and equipment	(937,919)	-	-	(937,919)
Depreciation expense	664,923	-	-	664,923
Changes in operating assets and liabilities:				
Accounts receivable	(29,864)	-	-	(29,864)
Pledges receivable	560,000	-	-	560,000
Inventory	(90,979)	-	-	(90,979)
Prepaid expenses and other	35,850	-	-	35,850
Accounts payable and accrued liabilities	40,688	-	-	40,688
Rental deposits	(374)	-	-	(374)
Net cash used in operating activities	<u>2,083,611</u>	<u>(127,166)</u>	<u>-</u>	<u>1,956,445</u>
Cash flows from investing activities:				
Purchase of fixed assets	(928,935)	-	-	(928,935)
Proceeds from sale of property and equipment	1,398,848	-	-	1,398,848
Purchase of investment property	(155,131)	-	-	(155,131)
Proceeds from sale of investment property	475,584	-	-	475,584
Purchase of investments, at fair value	(235,399)	(91,031)	-	(326,430)
Proceeds from sale of investments, at fair value	<u>61,373</u>	<u>218,197</u>	<u>-</u>	<u>279,570</u>
Net cash (used in) provided by investing activities	<u>616,340</u>	<u>127,166</u>	<u>-</u>	<u>743,506</u>
Cash flows from financing activities:				
Proceeds from notes payable	424,200	-	-	424,200
Payments on notes payable	<u>(302,216)</u>	<u>-</u>	<u>-</u>	<u>(302,216)</u>
Net cash provided by financing activities	<u>121,984</u>	<u>-</u>	<u>-</u>	<u>121,984</u>
Net decrease in cash and cash equivalents	2,821,935	-	-	2,821,935
Cash and cash equivalents, beginning of year	<u>310,962</u>	<u>-</u>	<u>1,406</u>	<u>312,368</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,132,897</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,406</u></u>	<u><u>\$ 3,134,303</u></u>
Supplemental cash flow disclosures:				
Interest paid	<u><u>\$ 76,627</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 76,627</u></u>

See Independent Auditor's Report.

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

	Galveston Historical Foundation, Inc.	GHF Endowment Inc.	Galveston Island Tours	Total
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><u>\$ 310,962</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,406</u></u>	<u><u>\$ 312,368</u></u>
Supplemental cash flow disclosures:				
Interest paid	<u><u>\$ 105,144</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 105,144</u></u>

See Independent Auditor's Report.