

GALVESTON HISTORICAL FOUNDATION, INC.

**COMBINED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
As of and for the Years Ended June 30, 2018 and 2017**

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, 2018 and 2017 and the related combined statements of activities and cash flows for the years then ended, and the related notes to the 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, 2018 and 2017, 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

Other Matters

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, Lang & Bryson, L.L.P.

Houston, Texas
January 14, 2019

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 774,177	\$ 635,107
Receivables:		
Pledges	1,935,500	3,185,000
Hotel occupancy tax	151,998	100,116
Other	100,822	5,456
Inventory	266,055	253,547
Prepaid expenses	1,538	776
	3,230,090	4,180,002
Total current assets		
Property and equipment, net	8,683,398	6,830,318
Historical treasures	6,578,306	6,578,306
Investments, at fair value	4,847,213	3,619,939
Investment properties held for sale	722,041	923,955
	24,061,048	22,132,520
Total assets	\$ 24,061,048	\$ 22,132,520
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 111,454	\$ 122,719
Notes payable, current	925,008	1,278,446
	1,036,462	1,401,165
Total current liabilities		
Rental deposits	138,195	137,290
Notes payable, long term	1,082,557	150,000
	2,257,214	1,688,455
Total liabilities		
Net assets:		
Unrestricted:		
Undesignated	14,329,083	13,275,395
Designated by Board of Directors	1,522,630	1,380,948
Temporarily restricted	2,624,024	3,459,625
Permanently restricted	3,328,097	2,328,097
	21,803,834	20,444,065
Total net assets		
Total liabilities and net assets	\$ 24,061,048	\$ 22,132,520

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

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Contributions and grants	\$ 1,882,673	\$ 824,118	\$ 1,000,000	\$ 3,706,791
Event income	1,199,658	-	-	1,199,658
Admissions and activity fees	975,958	-	-	975,958
Merchandise sales	627,796	-	-	627,796
Membership dues	466,071	-	-	466,071
Rental fee income	153,423	-	-	153,423
Other	242,461	-	-	242,461
Investment income	81,895	15,888	-	97,783
Realized gain on investments, at fair value	101,719	42,618	-	144,337
Realized loss on sale of assets	(10,958)	-	-	(10,958)
Unrealized gain on investments, at fair value	169,370	7,810	-	177,180
	<u>5,890,066</u>	<u>890,434</u>	<u>1,000,000</u>	<u>7,780,500</u>
Total support and revenue				
Net assets released from restriction				
Satisfaction of program restrictions	1,726,035	(1,726,035)	-	-
	<u>1,726,035</u>	<u>(1,726,035)</u>	<u>-</u>	<u>-</u>
Expense:				
Program services:				
Events	1,622,716	-	-	1,622,716
Preservation services	629,369	-	-	629,369
Museums	75,509	-	-	75,509
Texas Seaport Museum	1,136,955	-	-	1,136,955
Seagull	244,636	-	-	244,636
Ashton Villa	145,918	-	-	145,918
Garten Verein	165,114	-	-	165,114
Bishop's Palace	921,963	-	-	921,963
Other historical properties	126,032	-	-	126,032
Strand retail	186,395	-	-	186,395
Galveston Island Tours	-	-	-	-
	<u>5,254,607</u>	<u>-</u>	<u>-</u>	<u>5,254,607</u>
Total program services				
Supporting services:				
Management and general	777,273	-	-	777,273
Membership fundraising	6,319	-	-	6,319
Marketing	382,532	-	-	382,532
	<u>1,166,124</u>	<u>-</u>	<u>-</u>	<u>1,166,124</u>
Total supporting services				
Total expenses	<u>6,420,731</u>	<u>-</u>	<u>-</u>	<u>6,420,731</u>
Changes in net assets	1,195,370	(835,601)	1,000,000	1,359,769
Net assets, beginning of year	<u>14,656,343</u>	<u>3,459,625</u>	<u>2,328,097</u>	<u>20,444,065</u>
Net assets, end of year	<u>\$ 15,851,713</u>	<u>\$ 2,624,024</u>	<u>\$ 3,328,097</u>	<u>\$ 21,803,834</u>

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

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Contributions and grants	\$ 825,396	\$ 3,941,631	\$ -	\$ 4,767,027
Event income	579,785	-	-	579,785
Admissions and activity fees	1,257,033	-	-	1,257,033
Merchandise sales	705,962	-	-	705,962
Membership dues	160,224	-	-	160,224
Rental fee income	403,803	-	-	403,803
Other	105,746	-	-	105,746
Investment income	82,949	-	-	82,949
Realized gain on investments, at fair value	29,050	-	-	29,050
Realized gain on sale of assets	39,247	-	-	39,247
Unrealized gain on investments, at fair value	343,087	-	-	343,087
	<u>4,532,282</u>	<u>3,941,631</u>	<u>-</u>	<u>8,473,913</u>
Total support and revenue				
Net assets released from restriction				
Satisfaction of program restrictions	578,663	(578,663)	-	-
	<u>578,663</u>	<u>(578,663)</u>	<u>-</u>	<u>-</u>
Expense:				
Program services:				
Events	780,803	-	-	780,803
Preservation services	519,364	-	-	519,364
Museums	83,990	-	-	83,990
Texas Seaport Museum	1,056,554	-	-	1,056,554
Seagull	177,927	-	-	177,927
Ashton Villa	166,740	-	-	166,740
Garten Verein	188,930	-	-	188,930
Bishop's Palace	662,082	-	-	662,082
Other historical properties	158,783	-	-	158,783
Strand retail	245,268	-	-	245,268
Galveston Island Tours	3,544	-	-	3,544
	<u>4,043,985</u>	<u>-</u>	<u>-</u>	<u>4,043,985</u>
Total program services				
Supporting services:				
Management and general	848,474	-	-	848,474
Membership fundraising	11,024	-	-	11,024
Marketing	478,141	-	-	478,141
	<u>1,337,639</u>	<u>-</u>	<u>-</u>	<u>1,337,639</u>
Total supporting services				
Total expenses	<u>5,381,624</u>	<u>-</u>	<u>-</u>	<u>5,381,624</u>
Changes in net assets	(270,679)	3,362,968	-	3,092,289
Net assets, beginning of year	<u>14,927,022</u>	<u>96,657</u>	<u>2,328,097</u>	<u>17,351,776</u>
Net assets, end of year	<u>\$ 14,656,343</u>	<u>\$ 3,459,625</u>	<u>\$ 2,328,097</u>	<u>\$ 20,444,065</u>

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

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 1,359,769	\$ 3,092,289
Adjustments to reconcile change in net assets to net cash from operating activities:		
Noncash contribution of investments	(12,209)	(10,769)
Noncash contributions of fixed assets	(815,440)	-
Unrealized gain on investments, at fair value	(177,180)	(343,133)
Realized gain on investments, at fair value	(38,753)	(66,753)
Loss (gain) on sale of investment property	10,958	(39,247)
Depreciation expense	538,194	504,890
Changes in operating assets and liabilities:		
Accounts receivable	(147,248)	110,670
Pledges receivable	1,249,500	(3,035,000)
Inventory	(12,508)	18,733
Prepaid expenses	(762)	3,810
Accounts payable and accrued liabilities	(11,265)	(68,449)
Rental deposits	905	60,322
Net cash provided by operating activities	1,943,961	227,363
Cash flows from investing activities:		
Purchase of fixed assets	(1,575,834)	(67,042)
Purchase of investment property	(221,810)	(591,147)
Proceeds from sale of investment property	412,766	168,445
Purchase of investments, at fair value	(3,153,529)	(558,800)
Proceeds from sale of investments, at fair value	2,154,397	707,966
Net cash used in investing activities	(2,384,010)	(340,578)
Cash flows from financing activities:		
Loan proceeds	1,407,039	600,000
Payments on notes payable	(827,920)	(218,445)
Net cash provided by financing activities	579,119	381,555
Net increase in cash and cash equivalents	139,070	268,340
Cash and cash equivalents, beginning of year	635,107	366,767
Cash and cash equivalents, end of year	\$ 774,177	\$ 635,107
Supplemental cash flow disclosures:		
Interest paid	\$ 41,801	\$ 48,358

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, Inc. (“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.

Galveston Island Tours, LLC (“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:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets 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, 2018 and 2017, unrestricted net assets were \$15,851,713 and \$14,656,343, respectively.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that either expire by passage of time or can be fulfilled and removed by actions of the Board of Directors. When a purpose restriction is accomplished, or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets. As of June 30, 2018 and 2017, temporarily restricted net assets were \$2,624,024 and \$3,459,625, respectively.

Permanently restricted net assets – Net assets subject to permanent donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Board of Directors. As of June 30, 2018 and 2017, permanently restricted net assets were \$3,328,097 and \$2,328,097, 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist primarily of obligations due to the Foundation from donors for contribution pledges and 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 donors and 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, 2018 and June 30, 2017, an allowance for doubtful accounts was not deemed necessary.

Pledges Receivable

Contributions 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, 2018 and June 30, 2017, 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 to 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 earnings as a realized investment loss and a new cost basis is established. For the years ended June 30, 2018 and 2017, no impairment losses were recorded on historical treasures.

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.

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, 2018 and 2017, 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.

GALVESTON HISTORICAL FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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, 2018 and 2017, approximately 29% and 37%, respectively, of the Foundation's investment assets were comprised of shares held in a single investment fund.

As of June 30, 2018, approximately 93% of pledges receivable is from one donor. As of June 30, 2017, approximately 97% of pledges receivable are from two donors.

Revenue and Support

Revenues from event income, admissions and activity fees, merchandise sales, and rental fee income are recognized at the time of sale, and membership dues are recognized upon receipt.

Contributions and grants are recorded as revenue at fair value when an unconditional commitment is received from a donor. Contributions and grants are reported as increases in unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor-imposed restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-imposed restriction has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the Statements of Activities. Donor-imposed restrictions whose restrictions are met within the same year as received are reported as unrestricted contributions.

Donations of Assets and Services

In accordance with FASB Accounting Standards Codification 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 (a) create or enhance long-lived assets or (b) 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 unrestricted support 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 restricted support. 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 temporarily restricted net assets to unrestricted net assets at that time.

During the years ended June 30, 2018 and 2017, included in contributions and grants on the combined statements of activities are non-cash donations of material, services, and other items of \$394,032 and \$338,941 respectively, and donated property of \$815,440 and \$0, 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 financial statements as they did not meet the criteria for recognition required by U.S. GAAP. During the years ended June 30, 2018 and 2017, volunteers donated approximately 30,252 and 23,372 hours, respectively, with an estimated value of \$746,917 and \$564,205, respectively.

GALVESTON HISTORICAL FOUNDATION, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement 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, 2018 and 2017 was \$79,659 and \$152,940, 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, 2018 and 2017, 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, 2018 and 2017, 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.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU No. 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU No. 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2017, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU No. 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). In July 2015, the FASB issued ASU No. 2015-14 which delayed the effective date of ASU No. 2014-09 by one year (effective for annual periods beginning after December 15, 2018). Management is currently evaluating the impact of ASU 2014-09 and currently does not anticipate that the standard will have a material impact on the financial statements, other than enhanced disclosures related to the disaggregation of revenues from contracts with customers, performance obligations and any significant judgments. Management is also currently evaluating which transmission method they will use upon adoption in fiscal year ending 2020.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) 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. Management is currently reviewing their various leases to identify those affected by ASU No. 2016-02 for fiscal year ending 2021.

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements, continued

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for not-for-profit entities in order to provide more relevant information about the resources (and changes in those resources) to donors, grantors, creditors, and other users. The changes include more qualitative and quantitative requirements about its liquidity, financial performance, and cash flows. ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early adoption is permitted. Management is currently evaluating the impact that adoption of ASU No. 2016-14 will have on the Foundation's financial statements and disclosures for fiscal year ending 2019.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. The amendments in this ASU provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. ASU No. 2018-08 is effective for annual financial statements issued for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact that adoption of ASU No. 2018-08 will have on the Foundation's financial statements and disclosures.

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation. Such reclassifications have no impact on net assets and changes in net assets as previously reported.

3. Property and Equipment

As of June 30, 2018 and 2017, property and equipment consists of the following:

	<u>2018</u>	<u>2017</u>
Building structures and improvements	\$ 12,291,898	\$ 10,125,974
Equipment	1,835,715	1,835,715
Construction in progress	199,910	-
Land	<u>684,440</u>	<u>659,000</u>
	15,011,963	12,620,689
Accumulated depreciation	<u>(6,328,565)</u>	<u>(5,790,371)</u>
Property and equipment, net	<u>\$ 8,683,398</u>	<u>\$ 6,830,318</u>

For the years ended June 30, 2018 and 2017, depreciation expense was \$538,194 and \$504,890, respectively.

4. Investment Properties Held for Sale

As of June 30, 2018 and 2017, investment properties held for sale consist of the following:

<u>Property Location</u>	<u>Date Acquired</u>	<u>2018</u>	<u>2017</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
1806 Ave M ½	5/28/2014	14,789	13,324
2612 Ave M ½	12/18/2015	-	172,763
2620 Ave M ½	12/18/2015	26,709	24,861
1715 Mechanic Street	12/22/2015	118,802	96,744
1719 Mechanic Street	12/22/2015	129,104	71,426
1011 36 th HOP House Gift Deed	3/16/2016	101,204	99,365
3624 Ave R ½ HOP House Gift Deed	3/16/2016	-	215,895
2107 Ave M ½ HOP House Gift Deed	4/22/2016	146,738	112,354
1723 Mechanic Street	6/30/2017	<u>102,889</u>	<u>35,417</u>
		<u>\$ 722,041</u>	<u>\$ 923,955</u>

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

4. Investment Properties Held for Sale

During the year ended June 30, 2018, 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 (Loss)</u>
2612 Ave M ½	7/24/2017	\$ 168,212	\$ 172,763	\$ (4,551)
3624 Ave R ½ HOP House Gift Deed	10/24/2017	\$ 244,554	\$ 250,961	\$ (6,407)
		<u>\$ 412,766</u>	<u>\$ 423,724</u>	<u>\$ (10,958)</u>

During the year ended June 30, 2017, 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 (Loss)</u>
2616 Ave M ½	2/17/2017	\$ 168,445	\$ 129,198	\$ 39,247

5. Endowment Funds

FASB Accounting Standards Codification (“ASC”) No. 958-210-45-9, *Other Presentation Matters*, provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). FASB No. 958-210-45-9 also requires additional disclosures about an organization’s endowment funds (both donor-restricted and board-designated), 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 Endowment in perpetuity for the benefit of GHF, and (iii) a board-designated endowment established by Endowment’s Board of Directors to be held for the benefit of GHF. The Foundation has determined that the permanently 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 unrestricted net assets in accordance with U.S. GAAP.

The Foundation’s Board of Trustees has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets or temporarily restricted net assets, dependent upon the existence of donor-imposed restrictions. Donor-restricted endowment funds do not include board-designated endowment funds. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the various funds, the purpose of the donor-restricted endowment funds, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Foundation, and the Foundation’s investment policies.

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 debt 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, if possible. 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

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

5. Endowment Funds, continued

Investment Return Objectives, Risk Parameters and Strategies, continued

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 Endowment

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 will be based on current market conditions and shall take into account the components of total investment return.

Endowment – Donor-Restricted and Board-Designated Endowment

In accordance with donor stipulations, all investment income from the donor-restricted endowment is distributed to 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 Trustee members, and three of the five Board of Directors of 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 real growth through new gifts and investment return.

As of June 30, 2018 and 2017, endowment fund net assets were as follows:

	Endowment Fund Net Assets at June 30, 2018			
	Unrestricted Board- Designated	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	\$ -	\$ 76,395	\$ 3,328,097	\$ 3,404,492
Board-designated endowment funds	1,522,630	-	-	1,522,630
Total	\$ 1,522,630	\$ 76,395	\$ 3,328,097	\$ 4,927,122
Endowment net assets, beginning of year	\$ 1,380,948	\$ 10,079	\$ 2,328,097	\$ 3,719,124
Contributions	-	-	1,000,000	1,000,000
Transfers	(174,296)	-	-	(174,296)
Investment income	75,613	15,888	-	91,501
Realized gain	101,719	42,618	-	144,337
Net appreciation	165,944	7,810	-	173,754
Amounts appropriated for expenditure	(27,298)	-	-	(27,298)
Endowment net assets, end of year	\$ 1,522,630	\$ 76,395	\$ 3,328,097	\$ 4,927,122

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

5. Endowment Funds, continued

	Endowment Fund Net Assets at June 30, 2017			
	Unrestricted Board- Designated	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	\$ -	\$ 10,079	\$ 2,328,097	\$ 2,338,176
Board-designated endowment funds	1,380,948	-	-	1,380,948
Total	<u>\$ 1,380,948</u>	<u>\$ 10,079</u>	<u>\$ 2,328,097</u>	<u>\$ 3,719,124</u>
Endowment net assets beginning of year	\$ 1,120,274	\$ 10,079	\$ 2,328,097	\$ 3,458,450
Transfers	(171,785)	-	-	(171,785)
Investment income	82,478	-	-	82,478
Realized gain	29,050	-	-	29,050
Net appreciation	343,087	-	-	343,087
Amounts appropriated for expenditure	(22,156)	-	-	(22,156)
Endowment net assets, end of year	<u>\$ 1,380,948</u>	<u>\$ 10,079</u>	<u>\$ 2,328,097</u>	<u>\$ 3,719,124</u>

Investments Held for Endowment Purposes

Investments held for endowment purposes are held in various financial institutions and brokerage firms. As of June 30, 2018 and 2017, investments held for endowment purposes consist of the following:

	2018	2017
Mutual funds	\$ 3,614,127	\$ 2,642,123
Fixed income securities	1,093,117	858,587
Money market funds	109,878	108,414
	<u>\$ 4,817,122</u>	<u>\$ 3,609,124</u>

6. Fair Value Measurements

The FASB Accounting Standards Codification ("ASC") 820-10, *Fair Value Measurements and Disclosures*, 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 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.

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

6. Fair Value Measurements, continued

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 investment. 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 Plan to acquire a substitute asset.

Following is a description of the valuation methodology used for assets measured at fair value. There were no changes in the methodologies used at June 30, 2018 and 2017.

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 NAV and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded. (Market approach)

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)

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, 2018 and 2017:

Investments at Fair Value at June 30, 2018				
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,238,770	\$ 1,375,357	\$ -	\$ 3,614,127
Fixed income securities	-	1,093,117	-	1,093,117
Money markets	109,878	-	-	109,878
Common stock	20,748	-	-	20,748
Limited partnerships	9,343	-	-	9,343
Total investments at fair value	<u>\$ 2,378,739</u>	<u>\$ 2,468,474</u>	<u>\$ -</u>	<u>\$ 4,847,213</u>

Investments at Fair Value at June 30, 2017				
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 2,642,123	\$ -	\$ -	\$ 2,642,123
Fixed income securities	-	858,587	-	858,587
Money markets	108,414	-	-	108,414
Common stock	10,815	-	-	10,815
Total investments at fair value	<u>\$ 2,761,352</u>	<u>\$ 858,587</u>	<u>\$ -</u>	<u>\$ 3,619,939</u>

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

7. Notes Payable

Notes payable consist of financing arrangements for the purchase of property, vehicles and equipment. As of June 30, 2018 and 2017, notes payable consist of the following:

	2018	2017
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
Note payable to a financial institution, bearing interest at the prime rate as published in The Wall Street Journal (5.00% at June 30, 2018), interest is due and payable monthly, principal is due at maturity. The note was renewed effective September 2017, matures in October 2018, and is secured by property.	145,000	145,000
Note payable to a financial institution, bearing interest at the prime rate as published in The Wall Street Journal (5.00% at June 30, 2018), interest is due and payable monthly, principal is due at maturity. The note was renewed effective June 2017, matures in June 2018, and is secured by property. The note was renewed again effective July 2018 and matures in July 2028.	205,526	205,526
Revolving line of credit payable to a financial institution, bearing interest at the prime rate as published in The Wall Street Journal (5.00% at June 30, 2018), interest is due and payable monthly, principal is due at maturity. The line of credit was renewed effective September 2017, matures in October 2018, and is secured by property.	100,000	100,000
Revolving line of credit payable to a financial institution, bearing interest at the prime rate as published in The Wall Street Journal (5.00% at June 30, 2018), interest is due and payable monthly, principal is due at maturity. The line of credit was renewed effective September 2017, matures in October 2018 and is secured by property. The note was renewed again effective July 2018 and matures in July 2028.	400,000	496,365
Revolving line of credit payable to a financial institution, bearing interest at 4.50% per year, interest is due and payable quarterly, principal is due at maturity. The note was renewed effective December 2017, matures in June 2019, and is secured by property.	247,909	331,555
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.	259,130	-
Note payable to a financial institution, bearing interest at a variable rate of 5.00%, principal and interest are due and payable monthly, balloon payment is due at maturity. The note was originated in June 2018, matures in June 2023, and is secured by property.	500,000	-
	\$ 2,007,565	\$ 1,428,446

For the Year Ending June 30,

2019	\$ 925,008
2020	24,144
2021	25,380
2022	26,678
2023	400,828
Thereafter	605,527
	\$ 2,007,565

For the years ended June 30, 2018 and 2017, interest expense was \$41,801 and \$36,717, respectively.

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

8. Operating Leases

Effective January 1, 2014, the Foundation extended an agreement to lease a dock and certain property adjacent to the Barque Elissa in Galveston, Texas, for an additional 10 years, expiring on December 31, 2023. Lease payments are due monthly.

Effective September 1, 2014, the Foundation entered into a 58-month lease for approximately 9,000 square feet of commercial space in Galveston, Texas, expiring on June 30, 2019. The Foundation has the option to extend the lease for an additional 60 months upon written request. Lease payments are due monthly.

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, 2018 and 2017, lease expense was \$121,231 and \$101,458, respectively.

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

For the Year Ending June 30,

2019		\$ 106,371
2020		72,159
2021		73,503
2022		53,846
2023		33,741
Thereafter		<u>50,611</u>
		<u>\$ 390,231</u>

9. 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.

10. Hotel Occupancy Tax Allocation

During the years ended June 30, 2018 and 2017, the Foundation was the recipient of hotel occupancy tax allocated from the City of Galveston totaling \$478,384 and \$413,212, respectively, and was used for the following expenditures:

	<u>2018</u>	<u>2017</u>
Advertising and marketing	\$ 148,299	\$ 128,096
Special events	<u>330,085</u>	<u>285,116</u>
	<u>\$ 478,384</u>	<u>\$ 413,212</u>

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

11. Net Assets

Permanently Restricted Net Assets

For the years ended June 30, 2018 and 2017, permanently restricted net assets were restricted for the following purpose:

	<u>2018</u>	<u>2017</u>
General endowment to fulfill the purposes of GHF	\$ 2,328,097	\$ 2,328,097
Bishop's Palace	<u>1,000,000</u>	<u>-</u>
	<u>\$ 3,328,097</u>	<u>\$ 2,328,097</u>

Temporarily Restricted Net Assets

Temporarily restricted net assets are donor-restricted contributions for a specified program or project. Temporarily restricted net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by satisfaction of other restrictions specified by the donors. For the years ended June 30, 2018 and 2017, temporarily restricted net assets were restricted for the following programs or projects:

	<u>2018</u>	<u>2017</u>
GHF Endowment, Inc.		
Customs House maintenance	\$ 10,079	\$ 10,079
Galveston Historical Foundation, Inc.		
Galveston History Project	2,369,786	3,400,000
Affordable Rent Program	118,866	-
Bishop's Palace	66,316	-
Paint Partnership, Pals and Plus	17,800	13,470
Gartein Verein maintenance	39,938	36,076
Hendley Green	<u>1,239</u>	<u>-</u>
	<u>\$ 2,624,024</u>	<u>\$ 3,459,625</u>

Unrestricted Net Assets

Unrestricted net assets are contributions without donor restrictions. For the years ended June 30, 2018 and 2017, the Endowment's Boards of Directors have designated a portion of unrestricted net assets to be used for the following purpose:

	<u>2018</u>	<u>2017</u>
GHF Endowment, Inc.:		
Designated for future benefit of GHF, as appropriated by the Endowment's Board of Directors	<u>\$ 1,522,630</u>	<u>\$ 1,380,948</u>

GALVESTON HISTORICAL FOUNDATION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS

12. Historic Property Management

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

- Ashton Villa: During the year ended June 30, 2017, and for the period July 1, 2017 through October 1, 2017, the Foundation leased and operated Ashton Villa, a house museum used in the Foundation's operations, from its owner, the City of Galveston, for \$10 annually. Effective October 2, 2017, the City of Galveston gifted Ashton Villa to the Foundation.
- St. Joseph Church: During the years ended June 30, 2018 and 2017, 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, 2018 and 2017, the Foundation leased operated Garten Verein Pavilion from its owner, the City of Galveston, for \$10 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 temporarily restricted contributions, and related expenditures are recorded as program expenses.

13. Garten Verein

The following is a summary of activity for Garten Verein for the years ended June 30, 2018 and 2017:

	2018	2017
Revenue:		
Rentals income	\$ 211,540	\$ 197,635
Expenses:		
Compensation and related expenses	50,872	61,634
Office operations	1,705	1,663
Occupancy expenses	69,227	60,318
Insurance expenses	19,172	23,836
Repairs and maintenance	23,298	3,871
Depreciation expense	7,295	12,608
Program expenses	840	25,000
	172,409	188,930
Garten Verein net income	\$ 39,131	\$ 8,705

14. Subsequent Events

The Foundation has evaluated subsequent events through January 14, 2019, 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
FOR THE YEAR ENDED JUNE 30, 2018

	Galveston Historical Foundation, Inc.	GHF Endowment Inc.	Galveston Island Tours	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 772,084	\$ -	\$ 2,093	\$ -	\$ 774,177
Receivables:					
Pledges	1,935,500	-	-	-	1,935,500
Hotel occupancy tax	151,998	-	-	-	151,998
Other	100,822	-	-	-	100,822
Inventory	266,055	-	-	-	266,055
Prepaid expenses	1,538	-	-	-	1,538
Total current assets	<u>3,227,997</u>	<u>-</u>	<u>2,093</u>	<u>-</u>	<u>3,230,090</u>
Building structures and improvements	12,291,898	-	-	-	12,291,898
Equipment	1,830,355	-	5,360	-	1,835,715
Construction in progress	199,910	-	-	-	199,910
Land	684,440	-	-	-	684,440
	<u>15,006,603</u>	<u>-</u>	<u>5,360</u>	<u>-</u>	<u>15,011,963</u>
Accumulated depreciation	(6,323,205)	-	(5,360)	-	(6,328,565)
Total property and equipment	<u>8,683,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,683,398</u>
Other assets:					
Historical treasures	6,578,306	-	-	-	6,578,306
Investments, at fair value	1,096,407	3,750,806	-	-	4,847,213
Investment properties for sale	722,041	-	-	-	722,041
Notes receivable	-	110,000	-	(110,000)	-
Total other assets	<u>8,396,754</u>	<u>3,860,806</u>	<u>-</u>	<u>(110,000)</u>	<u>12,147,560</u>
Total assets	<u>\$ 20,308,149</u>	<u>\$ 3,860,806</u>	<u>\$ 2,093</u>	<u>\$ (110,000)</u>	<u>\$ 24,061,048</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and accrued liabilities	111,454	-	-	-	111,454
Notes payable, current	925,008	-	-	-	925,008
Total current liabilities	<u>1,036,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,036,462</u>
Other liabilities:					
Deposits	138,195	-	-	-	138,195
Notes payable, long-term	1,192,557	-	-	(110,000)	1,082,557
Total other liabilities	<u>1,330,752</u>	<u>-</u>	<u>-</u>	<u>(110,000)</u>	<u>1,220,752</u>
Total liabilities	<u>2,367,214</u>	<u>-</u>	<u>-</u>	<u>(110,000)</u>	<u>2,257,214</u>
Net assets:					
Unrestricted:					
Undesignated	14,326,990	-	2,093	-	14,329,083
Designated by Board of Directors	-	1,522,630	-	-	1,522,630
Temporarily restricted	2,613,945	10,079	-	-	2,624,024
Permanently restricted	1,000,000	2,328,097	-	-	3,328,097
Total net assets	<u>17,940,935</u>	<u>3,860,806</u>	<u>2,093</u>	<u>-</u>	<u>21,803,834</u>
Total liabilities and net assets	<u>\$ 20,308,149</u>	<u>\$ 3,860,806</u>	<u>\$ 2,093</u>	<u>\$ (110,000)</u>	<u>\$ 24,061,048</u>

See Independent Auditor's Report

GALVESTON HISTORICAL FOUNDATION, INC.
COMBINING STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	<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	\$ 631,181	\$ -	\$ 3,926	\$ -	\$ 635,107
Receivables:					
Pledges	3,185,000	-	-	-	3,185,000
Hotel occupancy tax	100,116	-	-	-	100,116
Other	5,456	-	-	-	5,456
Inventory	253,547	-	-	-	253,547
Prepaid expenses	776	-	-	-	776
Total current assets	<u>4,176,076</u>	<u>-</u>	<u>3,926</u>	<u>-</u>	<u>4,180,002</u>
Building structures and improvements	10,120,614	-	5,360	-	10,125,974
Equipment	1,835,715	-	-	-	1,835,715
Land	659,000	-	-	-	659,000
	<u>12,615,329</u>	<u>-</u>	<u>5,360</u>	<u>-</u>	<u>12,620,689</u>
Accumulated depreciation	(5,785,011)	-	(5,360)	-	(5,790,371)
Total property and equipment	<u>6,830,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,830,318</u>
Other assets:					
Historical treasures	6,578,306	-	-	-	6,578,306
Investments, at fair value	10,815	3,609,124	-	-	3,619,939
Investment properties for sale	923,955	-	-	-	923,955
Notes receivable	-	110,000	-	(110,000)	-
Total other assets	<u>7,513,076</u>	<u>3,719,124</u>	<u>-</u>	<u>(110,000)</u>	<u>11,122,200</u>
Total assets	<u>\$ 18,519,470</u>	<u>\$ 3,719,124</u>	<u>\$ 3,926</u>	<u>\$ (110,000)</u>	<u>\$ 22,132,520</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and accrued liabilities	120,886	-	1,833	-	122,719
Notes payable, current	1,278,446	-	-	-	1,278,446
Total current liabilities	<u>1,399,332</u>	<u>-</u>	<u>1,833</u>	<u>-</u>	<u>1,401,165</u>
Other liabilities:					
Deposits	137,290	-	-	-	137,290
Notes payable, long-term	260,000	-	-	(110,000)	150,000
Total other liabilities	<u>397,290</u>	<u>-</u>	<u>-</u>	<u>(110,000)</u>	<u>287,290</u>
Total liabilities	<u>1,796,622</u>	<u>-</u>	<u>1,833</u>	<u>(110,000)</u>	<u>1,688,455</u>
Net assets:					
Unrestricted:					
Undesignated	13,273,302	-	2,093	-	13,275,395
Designated by Board of Directors	-	1,380,948	-	-	1,380,948
Temporarily restricted	3,449,546	10,079	-	-	3,459,625
Permanently restricted	-	2,328,097	-	-	2,328,097
Total net assets	<u>16,722,848</u>	<u>3,719,124</u>	<u>2,093</u>	<u>-</u>	<u>20,444,065</u>
Total liabilities and net assets	<u>\$ 18,519,470</u>	<u>\$ 3,719,124</u>	<u>\$ 3,926</u>	<u>\$ (110,000)</u>	<u>\$ 22,132,520</u>

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GALVESTON HISTORICAL FOUNDATION, INC.
COMBINING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Galveston Historical Foundation				GHF Endowment, Inc.				Galveston Island Tours			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Total	Eliminations	
Support and revenue:												
Contributions and grants	\$ 1,882,673	\$ 824,118	\$ 1,000,000	\$ 3,706,791	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,706,791
Event income	1,199,658	-	-	1,199,658	-	-	-	-	-	-	-	1,199,658
Admissions and activity fees	975,958	-	-	975,958	-	-	-	-	-	-	-	975,958
Merchandise sales	627,796	-	-	627,796	-	-	-	-	-	-	-	627,796
Membership dues	466,071	-	-	466,071	-	-	-	-	-	-	-	466,071
Rental fee income	153,423	-	-	153,423	-	-	-	-	-	-	-	153,423
Other	242,461	-	-	242,461	-	-	-	-	-	-	-	242,461
Investment income	6,282	15,888	-	22,170	75,613	-	-	75,613	-	-	-	97,783
Realized gain on investments, at fair value	-	42,618	-	42,618	101,719	-	-	101,719	-	-	-	144,337
Realized loss on sale of assets	(10,958)	-	-	(10,958)	-	-	-	-	-	-	-	(10,958)
Unrealized gain on investments at fair value	3,426	7,810	-	11,236	165,944	-	-	165,944	-	-	-	177,180
Income distributions	174,296	-	-	174,296	(174,296)	-	-	(174,296)	-	-	-	-
Total support and Revenue	<u>5,721,086</u>	<u>890,434</u>	<u>1,000,000</u>	<u>7,611,520</u>	<u>168,980</u>	<u>-</u>	<u>-</u>	<u>168,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,780,500</u>
Net assets released from restrictions	1,726,035	(1,726,035)	-	-	-	-	-	-	-	-	-	-
Total	<u>7,447,121</u>	<u>(835,601)</u>	<u>1,000,000</u>	<u>7,611,520</u>	<u>168,980</u>	<u>-</u>	<u>-</u>	<u>168,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,780,500</u>
Expenses:												
Program services:												
Events	1,622,716	-	-	1,622,716	-	-	-	-	-	-	-	1,622,716
Preservation services	629,369	-	-	629,369	-	-	-	-	-	-	-	629,369
Museums	75,509	-	-	75,509	-	-	-	-	-	-	-	75,509
Texas Seaport Museum	1,136,955	-	-	1,136,955	-	-	-	-	-	-	-	1,136,955
Seagull	244,636	-	-	244,636	-	-	-	-	-	-	-	244,636
Ashton Villa	145,918	-	-	145,918	-	-	-	-	-	-	-	145,918
Garten Verein	165,114	-	-	165,114	-	-	-	-	-	-	-	165,114
Bishop's Palace	921,963	-	-	921,963	-	-	-	-	-	-	-	921,963
Other historical properties	126,032	-	-	126,032	-	-	-	-	-	-	-	126,032
Strand retail	186,395	-	-	186,395	-	-	-	-	-	-	-	186,395
Galveston Island Tours	-	-	-	-	-	-	-	-	-	-	-	-
Total program services	<u>5,254,607</u>	<u>-</u>	<u>-</u>	<u>5,254,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,254,607</u>
Supporting services:												
Management and general	749,975	-	-	749,975	27,298	-	-	27,298	-	-	-	777,273
Membership fundraising	6,319	-	-	6,319	-	-	-	-	-	-	-	6,319
Marketing	382,532	-	-	382,532	-	-	-	-	-	-	-	382,532
Total supporting services	<u>1,138,826</u>	<u>-</u>	<u>-</u>	<u>1,138,826</u>	<u>27,298</u>	<u>-</u>	<u>-</u>	<u>27,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,166,124</u>
Total expenses	<u>6,393,433</u>	<u>-</u>	<u>-</u>	<u>6,393,433</u>	<u>27,298</u>	<u>-</u>	<u>-</u>	<u>27,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,420,731</u>
Changes in net assets	1,053,688	(835,601)	1,000,000	1,218,087	141,682	-	-	141,682	-	-	-	1,359,769
Net assets, beginning of year	13,273,302	3,449,546	-	16,722,848	1,380,948	10,079	2,328,097	3,719,124	2,093	2,093	-	20,444,065
Net assets, end of year	<u>\$ 14,326,990</u>	<u>\$ 2,613,945</u>	<u>\$ 1,000,000</u>	<u>\$ 17,940,935</u>	<u>\$ 1,522,630</u>	<u>\$ 10,079</u>	<u>\$ 2,328,097</u>	<u>\$ 3,860,806</u>	<u>\$ 2,093</u>	<u>\$ 2,093</u>	<u>\$ -</u>	<u>\$ 21,803,834</u>

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GALVESTON HISTORICAL FOUNDATION, INC.
COMBINING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Galveston Historical Foundation				GHF Endowment, Inc.				Galveston Island Tours		Eliminations	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Total		
Support and revenue:												
Contributions and grants	\$ 825,396	\$ 3,941,631	\$ -	\$ 4,767,027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,767,027
Event income	579,785	-	-	579,785	-	-	-	-	-	-	-	579,785
Admissions and activity fees	1,257,033	-	-	1,257,033	-	-	-	-	-	-	-	1,257,033
Merchandise sales	705,962	-	-	705,962	-	-	-	-	-	-	-	705,962
Membership dues	160,224	-	-	160,224	-	-	-	-	-	-	-	160,224
Rental fee income	398,174	-	-	398,174	-	-	-	-	5,629	5,629	-	403,803
Other	105,746	-	-	105,746	-	-	-	-	-	-	-	105,746
Investment income	471	-	-	471	82,478	-	-	82,478	-	-	-	82,949
Realized gain on investments, at fair value	-	-	-	-	29,050	-	-	29,050	-	-	-	29,050
Realized gain on sale of assets	39,247	-	-	39,247	-	-	-	-	-	-	-	39,247
Unrealized gain on investments at fair value	-	-	-	-	343,087	-	-	343,087	-	-	-	343,087
Income distributions	171,785	-	-	171,785	(171,785)	-	-	(171,785)	-	-	-	-
Total support and Revenue	<u>4,243,823</u>	<u>3,941,631</u>	<u>-</u>	<u>8,185,454</u>	<u>282,830</u>	<u>-</u>	<u>-</u>	<u>282,830</u>	<u>5,629</u>	<u>5,629</u>	<u>-</u>	<u>8,473,913</u>
Net assets released from restrictions	578,663	(578,663)	-	-	-	-	-	-	-	-	-	-
Total	<u>4,822,486</u>	<u>3,362,968</u>	<u>-</u>	<u>8,185,454</u>	<u>282,830</u>	<u>-</u>	<u>-</u>	<u>282,830</u>	<u>5,629</u>	<u>5,629</u>	<u>-</u>	<u>8,473,913</u>
Expenses:												
Program services:												
Events	780,803	-	-	780,803	-	-	-	-	-	-	-	780,803
Preservation services	519,364	-	-	519,364	-	-	-	-	-	-	-	519,364
Museums	83,990	-	-	83,990	-	-	-	-	-	-	-	83,990
Texas Seaport Museum	1,056,554	-	-	1,056,554	-	-	-	-	-	-	-	1,056,554
Seagull	177,927	-	-	177,927	-	-	-	-	-	-	-	177,927
Ashton Villa	166,740	-	-	166,740	-	-	-	-	-	-	-	166,740
Garten Verein	188,930	-	-	188,930	-	-	-	-	-	-	-	188,930
Bishop's Palace	662,082	-	-	662,082	-	-	-	-	-	-	-	662,082
Other historical properties	158,783	-	-	158,783	-	-	-	-	-	-	-	158,783
Strand retail	245,268	-	-	245,268	-	-	-	-	-	-	-	245,268
Galveston Island Tours	-	-	-	-	-	-	-	-	3,544	3,544	-	3,544
Total program services	<u>4,040,441</u>	<u>-</u>	<u>-</u>	<u>4,040,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,544</u>	<u>3,544</u>	<u>-</u>	<u>4,043,985</u>
Supporting services:												
Management and general	826,318	-	-	826,318	22,156	-	-	22,156	-	-	-	848,474
Membership fundraising	11,024	-	-	11,024	-	-	-	-	-	-	-	11,024
Marketing	478,141	-	-	478,141	-	-	-	-	-	-	-	478,141
Total supporting services	<u>1,315,483</u>	<u>-</u>	<u>-</u>	<u>1,315,483</u>	<u>22,156</u>	<u>-</u>	<u>-</u>	<u>22,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,337,639</u>
Total expenses	<u>5,355,924</u>	<u>-</u>	<u>-</u>	<u>5,355,924</u>	<u>22,156</u>	<u>-</u>	<u>-</u>	<u>22,156</u>	<u>3,544</u>	<u>3,544</u>	<u>-</u>	<u>5,381,624</u>
Changes in net assets	(533,438)	3,362,968	-	2,829,530	260,674	-	-	260,674	2,085	2,085	-	3,092,289
Net assets, beginning of year	13,806,740	86,578	-	13,893,318	1,120,274	10,079	2,328,097	3,458,450	8	8	-	17,351,776
Net assets, end of year	<u>\$ 13,273,302</u>	<u>\$ 3,449,546</u>	<u>\$ -</u>	<u>\$ 16,722,848</u>	<u>\$ 1,380,948</u>	<u>\$ 10,079</u>	<u>\$ 2,328,097</u>	<u>\$ 3,719,124</u>	<u>\$ 2,093</u>	<u>\$ 2,093</u>	<u>\$ -</u>	<u>\$ 20,444,065</u>

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GALVESTON HISTORICAL FOUNDATION, INC.
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Galveston Historical Foundation, Inc.</u>	<u>GHF Endowment Inc.</u>	<u>Galveston Island Tours</u>	<u>Total</u>
Cash flows from operating activities:				
Change in net assets	\$ 1,218,087	\$ 141,682	\$ -	\$ 1,359,769
Adjustments to reconcile change in net assets to net cash from operating activities:				
Noncash contribution of investments	(12,209)	-	-	(12,209)
Noncash contribution of fixed assets	(815,440)	-	-	(815,440)
Unrealized gain on investments, at fair value	(11,236)	(165,944)	-	(177,180)
Realized (gain) loss on investments, at fair value	(42,618)	3,865	-	(38,753)
Loss on sale of investment property	10,958	-	-	10,958
Depreciation expense	538,194	-	-	538,194
Changes in operating assets and liabilities:				
Accounts receivable	(147,248)	-	-	(147,248)
Pledges receivable	1,249,500	-	-	1,249,500
Inventory	(12,508)	-	-	(12,508)
Prepaid expenses	(762)	-	-	(762)
Accounts payable and accrued liabilities	(9,432)	-	(1,833)	(11,265)
Rental deposits	905	-	-	905
Net cash provided by (used in) operating activities	<u>1,966,191</u>	<u>(20,397)</u>	<u>(1,833)</u>	<u>1,943,961</u>
Cash flows from investing activities:				
Purchase of fixed assets	(1,575,834)	-	-	(1,575,834)
Purchase of investment property	(221,810)	-	-	(221,810)
Proceeds from sale of investment property	412,766	-	-	412,766
Purchase of investments, at fair value	(2,060,469)	(1,093,060)	-	(3,153,529)
Proceeds from sale of investments, at fair value	<u>1,040,940</u>	<u>1,113,457</u>	<u>-</u>	<u>2,154,397</u>
Net cash provided by (used in) investing activities	<u>(2,404,407)</u>	<u>20,397</u>	<u>-</u>	<u>(2,384,010)</u>
Cash flows from financing activities:				
Loan proceeds	1,407,039	-	-	1,407,039
Payments on notes payable	<u>(827,920)</u>	<u>-</u>	<u>-</u>	<u>(827,920)</u>
Net cash provided by financing activities	<u>579,119</u>	<u>-</u>	<u>-</u>	<u>579,119</u>
Net increase in cash and cash equivalents	140,903	-	(1,833)	139,070
Cash and cash equivalents, beginning of year	<u>631,181</u>	<u>-</u>	<u>3,926</u>	<u>635,107</u>
Cash and cash equivalents, end of year	<u>\$ 772,084</u>	<u>\$ -</u>	<u>\$ 2,093</u>	<u>\$ 774,177</u>
Supplemental cash flow disclosures:				
Interest paid	<u>\$ 41,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,801</u>

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GALVESTON HISTORICAL FOUNDATION, INC.
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Galveston Historical Foundation, Inc.</u>	<u>GHF Endowment Inc.</u>	<u>Galveston Island Tours</u>	<u>Total</u>
Cash flows from operating activities:				
Change in net assets	\$ 2,829,530	\$ 260,674	\$ 2,085	\$ 3,092,289
Adjustments to reconcile change in net assets to net cash from operating activities:				
Noncash contribution of investments	(10,769)	-	-	(10,769)
Unrealized gain on investments held for endowment	-	(343,087)	-	(343,087)
Unrealized gain on investments	(46)	-	-	(46)
Gain on investments held for endowment	-	(66,753)	-	(66,753)
Gain on sale of investment property	(39,247)	-	-	(39,247)
Depreciation expense	504,890	-	-	504,890
Changes in operating assets and liabilities:				-
Accounts receivable	110,670	-	-	110,670
Pledges receivable	(3,035,000)	-	-	(3,035,000)
Inventory	18,733	-	-	18,733
Prepaid expenses	3,810	-	-	3,810
Accounts payable and accrued liabilities	(68,449)	-	-	(68,449)
Rental deposits	60,322	-	-	60,322
Net cash provided by (used in) operating activities	<u>374,444</u>	<u>(149,166)</u>	<u>2,085</u>	<u>227,363</u>
Cash flows from investing activities:				
Purchase of fixed assets	(67,042)	-	-	(67,042)
Purchase of investment property	(591,147)	-	-	(591,147)
Proceeds from sale of investment property	168,445	-	-	168,445
Purchase of investments held for endowment	-	(558,800)	-	(558,800)
Proceeds from sale of investments held for endowment	-	707,966	-	707,966
Net cash provided by (used in) investing activities	<u>(489,744)</u>	<u>149,166</u>	<u>-</u>	<u>(340,578)</u>
Cash flows from financing activities:				
Loan proceeds	600,000	-	-	600,000
Payments on notes payable	(218,445)	-	-	(218,445)
Net cash provided by financing activities	<u>381,555</u>	<u>-</u>	<u>-</u>	<u>381,555</u>
Net increase in cash and cash equivalents	266,255	-	2,085	268,340
Cash and cash equivalents, beginning of year	<u>364,926</u>	<u>-</u>	<u>1,841</u>	<u>366,767</u>
Cash and cash equivalents, end of year	<u>\$ 631,181</u>	<u>\$ -</u>	<u>\$ 3,926</u>	<u>\$ 635,107</u>
Supplemental cash flow disclosures:				
Interest paid	<u>\$ 48,358</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,358</u>

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GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services					
	Events	Preservation Services	Museums	Texas Seaport Museum	Seagull	Ashton Villa
Compensation and related:						
Salaries and wages	\$ 153,510	\$ 229,440	\$ 39,625	\$ 242,644	\$ 105,598	\$ 49,192
Payroll taxes	11,947	17,905	3,062	19,559	8,845	3,909
Employee benefits	18,562	34,233	16,779	33,996	6,793	12,972
Travel and staff development	785	3,081	9,513	4,659	-	-
Cost of sales	-	7,619	-	110,019	-	-
Office operation:						
Office supplies	16	983	188	2,583	-	-
Postage	70	203	-	-	-	-
Printing	72	352	-	29	-	-
Telephone	-	1,791	-	4,603	-	2,022
Computer expenses	115	872	-	4,598	-	-
Dues and publications	1,420	55	374	1,341	-	-
Bank and credit card fees	-	2,080	-	14,478	-	-
Professional fees	-	33,502	2,014	3,725	-	-
Occupancy:						
Utilities and services	-	2,623	-	29,471	64	5,179
Lease payments	-	36,000	-	85,231	5,410	-
Rentals	-	-	-	-	-	5,167
Advertising	15	4	-	-	-	-
Development and entertainment	-	-	97	1,205	-	-
Insurance	-	16,933	-	132,417	16,552	48,381
Repairs and maintenance	-	36,056	-	78,935	30,553	18,974
Miscellaneous	-	-	-	-	-	-
Special projects:						
Special projects	17,060	371	539	134,717	1,194	-
Special projects - restricted	-	-	504	-	-	-
Commissions and royalties	-	-	-	11,200	-	-
Dickens festival	455,085	-	2,814	-	-	-
Homes tour	162,919	-	-	-	-	-
Tall Ships Galveston	700,173	-	-	-	-	-
Galveston History Project	100,967	-	-	-	-	-
Museum collection	-	-	-	3,889	-	-
Loan interest	-	3,361	-	-	-	-
Investment fees	-	-	-	-	-	-
Depreciation	-	-	-	66,004	-	-
Program expenses	-	201,905	-	151,652	69,627	122
Total functional expenses	<u>\$ 1,622,716</u>	<u>\$ 629,369</u>	<u>\$ 75,509</u>	<u>\$ 1,136,955</u>	<u>\$ 244,636</u>	<u>\$ 145,918</u>

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GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services					Total Program Services
	Garten Verein	Bishops Palace	Other Historical Properties	Strand Retail	Galveston Island Tours	
Compensation and related:						
Salaries and wages	\$ 46,093	192,094	450	28,537	\$ -	\$ 1,087,183
Payroll taxes	3,652	15,497	43	2,638	-	87,057
Employee benefits	1,127	10,723	-	-	-	135,185
Travel and staff development	-	-	-	-	-	18,038
Cost of sales	-	96,577	-	34,304	-	248,519
Office operation:						
Office supplies	-	4,249	-	798	-	8,817
Postage	-	20	-	-	-	293
Printing	-	-	-	-	-	453
Telephone	1,705	3,674	4,824	6,836	-	25,455
Computer expenses	-	1,299	-	456	-	7,340
Dues and publications	-	3,869	-	-	-	7,059
Bank and credit card fees	-	12,518	-	1,888	-	30,964
Professional fees	-	-	-	-	-	39,241
Occupancy:						
Utilities and services	53,392	19,356	30,553	13,608	-	154,246
Lease payments	-	-	-	10,859	-	137,500
Rentals	15,835	-	2,408	-	-	23,410
Advertising	-	-	-	-	-	19
Development and entertainment	-	-	-	-	-	1,302
Insurance	19,172	40,090	15,156	37,749	-	326,450
Repairs and maintenance	23,298	44,723	40,293	48,422	-	321,254
Miscellaneous	-	-	-	-	-	-
Special projects:						
Special projects	-	602	16	300	-	154,799
Special projects - restricted	-	-	-	-	-	504
Commissions and royalties	-	-	-	-	-	11,200
Dickens festival	-	-	-	-	-	457,899
Homes tour	-	-	-	-	-	162,919
Tall Ships Galveston	-	-	-	-	-	700,173
Galveston History Project	-	-	-	-	-	100,967
Museum collection	-	473	-	-	-	4,362
Loan interest	-	-	19,799	-	-	23,160
Investment fees	-	-	-	-	-	-
Depreciation	-	453,151	-	-	-	519,155
Program expenses	840	23,048	12,490	-	-	459,684
Total functional expenses	<u>\$ 165,114</u>	<u>\$ 921,963</u>	<u>\$ 126,032</u>	<u>\$ 186,395</u>	<u>\$ -</u>	<u>\$ 5,254,607</u>

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GALVESTON HISTORICAL FOUNDATION, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Supporting Services			Total Supporting Services	Total Expenses 2018
	Management and General	Member Services	Marketing		
Compensation and related:					
Salaries and wages	\$ 374,478	\$ -	\$ 205,648	\$ 580,126	\$ 1,667,309
Payroll taxes	28,306	-	16,164	44,470	131,527
Employee benefits	43,686	-	10,142	53,828	189,013
Travel and staff development	1,174	-	-	1,174	19,212
Cost of sales	-	-	-	-	248,519
Office operation:					
Office supplies	12,867	18	-	12,885	21,702
Postage	8,229	-	23,745	31,974	32,267
Printing	25,326	-	32,382	57,708	58,161
Telephone	10,221	-	-	10,221	35,676
Computer expenses	30,707	-	-	30,707	38,047
Dues and publications	1,370	-	-	1,370	8,429
Bank and credit card fees	28,210	-	-	28,210	59,174
Professional fees	49,514	-	-	49,514	88,755
Occupancy:					
Utilities and services	27,264	-	-	27,264	181,510
Lease payments	-	-	-	-	137,500
Rentals	-	-	-	-	23,410
Advertising	3,645	-	75,995	79,640	79,659
Development and entertainment	-	-	6,509	6,509	7,811
Insurance	41,553	-	-	41,553	368,003
Repairs and maintenance	25,745	-	-	25,745	346,999
Miscellaneous	-	-	-	-	-
Special projects:					
Special projects	-	6,301	11,947	18,248	173,047
Special projects - restricted	-	-	-	-	504
Commissions and royalties	-	-	-	-	11,200
Dickens festival	-	-	-	-	457,899
Homes tour	-	-	-	-	162,919
Galveston History Project	-	-	-	-	700,173
Galveston history project	-	-	-	-	100,967
Museum collection	-	-	-	-	4,362
Loan interest	18,641	-	-	18,641	41,801
Investment fees	27,298	-	-	27,298	27,298
Depreciation	19,039	-	-	19,039	538,194
Program expenses	-	-	-	-	459,684
	-	-	-	-	-
Total functional expenses	\$ 777,273	\$ 6,319	\$ 382,532	\$ 1,166,124	\$ 6,420,731

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