

**GALVESTON HISTORICAL FOUNDATION, INC.**

**COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES  
WITH INDEPENDENT AUDITOR'S REPORT  
As of and for the Years Ended June 30, 2023 and 2022**

**GALVESTON HISTORICAL FOUNDATION, INC.**  
**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1
Combined Financial Statements:	
Combined Statements of Financial Position As of June 30, 2023 and 2022	3
Combined Statement of Activities For the Year Ended June 30, 2023	4
Combined Statement of Activities For the Year Ended June 30, 2022	5
Combined Statement of Functional Expenses For the Year Ended June 30, 2023	6
Combined Statement of Functional Expenses For the Year Ended June 30, 2022	9
Combined Statements of Cash Flows For the Years Ended June 30, 2023 and 2022	12
Notes to Combined Financial Statements	13
Supplemental Schedules:	
Combining Statements of Financial Position As of June 30, 2023	30
Combining Statements of Financial Position As of June 30, 2022	31
Combining Statements of Activities For the Year Ended June 30, 2023	32
Combining Statements of Activities For the Year Ended June 30, 2022	33
Combining Statements of Cash Flows For the Year Ended June 30, 2023	34
Combining Statements of Cash Flows For the Year Ended June 30, 2022	35

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinion**

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, 2023 and 2022, 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 (collectively, the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

## **INDEPENDENT AUDITOR'S REPORT, CONTINUED**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

### **Report on 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, and combining statements of cash flows 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, Langston & Brezina, L.L.P.*

Galveston, Texas  
February 22, 2024

**GALVESTON HISTORICAL FOUNDATION, INC.**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,290,842	\$ 2,683,422
Receivables:		
Pledges	45,000	62,500
Other	-	29,890
Inventory	340,626	382,298
Prepaid expenses and other current assets	67,301	23,278
Total current assets	1,743,769	3,181,388
Property and equipment, net	20,605,277	20,113,368
Operating lease right-of-use assets	738,947	-
Historical treasures	6,578,307	6,578,306
Investments, at fair value	5,284,239	4,928,991
Investment properties held for sale	673,352	804,453
Total assets	\$ 35,623,891	\$ 35,606,506
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 295,026	\$ 136,091
Line of credit	-	201,403
Operating lease liabilities, current	8,817	-
Notes payable, current	1,009,603	1,041,399
Total current liabilities	1,313,446	1,378,893
Rental deposits	149,587	145,637
Operating lease liabilities, long-term	739,212	-
Notes payable, long term	1,049,435	734,577
Total liabilities	3,251,680	2,259,107
Net assets:		
Without donor restrictions:		
Undesignated	26,956,895	28,304,304
Designated by Board of Directors	1,760,102	1,492,887
With donor restrictions	3,655,214	3,550,208
Total net assets	32,372,211	33,347,399
Total liabilities and net assets	\$ 35,623,891	\$ 35,606,506

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, 2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Support and revenue:			
Contributions and grants of cash and other financial assets	\$ 1,507,456	\$ 899,766	\$ 2,407,222
Event income	915,927	-	915,927
Admissions and activity fees	1,139,581	-	1,139,581
Merchandise sales	524,677	-	524,677
Membership dues	165,235	-	165,235
Rental fee income	1,133,443	-	1,133,443
Other	284,891	-	284,891
Investment income, net	142,419	5,824	148,243
Realized gain on investments, net	100,939	(2,054)	98,885
Unrealized gain on investments, net	256,202	107,591	363,793
Realized gain on sale of assets	47,454	-	47,454
	<b>6,218,224</b>	<b>1,011,127</b>	<b>7,229,351</b>
Net assets released from restrictions:			
Satisfaction of program restrictions	906,121	(906,121)	-
Expense:			
Program services:			
Events	803,520	-	803,520
Preservation services	714,754	-	714,754
Museums	290,220	-	290,220
Texas Seaport Museum	1,680,926	-	1,680,926
Seagull	176,920	-	176,920
Ashton Villa	228,352	-	228,352
Garten Verein	246,060	-	246,060
Bishop's Palace	670,152	-	670,152
Shearn Moody Plaza	1,387,797	-	1,387,797
Other historical properties	59,595	-	59,595
	<b>6,258,296</b>	<b>-</b>	<b>6,258,296</b>
Supporting services:			
Management and general	1,549,427		1,549,427
Membership services - fundraising	241,564		241,564
Marketing	155,252		155,252
	<b>1,946,243</b>	<b>-</b>	<b>1,946,243</b>
Total expenses	<b>8,204,539</b>	<b>-</b>	<b>8,204,539</b>
Changes in net assets	(1,080,194)	105,006	(975,188)
Net assets, beginning of year	29,797,191	3,550,208	33,347,399
Net assets, end of year	<b>\$ 28,716,997</b>	<b>\$ 3,655,214</b>	<b>\$ 32,372,211</b>

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, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions and grants of cash and other financial assets	\$ 384,854	\$ 463,992	\$ 848,846
Contributions of nonfinancial assets	113,323	-	113,323
Event income	977,829	-	977,829
Admissions and activity fees	2,145,362	-	2,145,362
Merchandise sales	609,073	-	609,073
Membership dues	164,719	-	164,719
Rental fee income	1,179,166	-	1,179,166
Other	110,989	-	110,989
Investment income, net	58,913	24,685	83,598
Realized gain on investments, net	167,079	60,238	227,317
Unrealized gain on investments, net	(860,206)	(167,327)	(1,027,533)
Realized gain on sale of assets, net	98,520	-	98,520
PPP loan forgiveness	847,600	-	847,600
	<u>5,997,221</u>	<u>381,588</u>	<u>6,378,809</u>
Total support and revenue			
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>1,323,083</u>	<u>(1,323,083)</u>	<u>-</u>
Expense:			
Program services:			
Events	812,869	-	812,869
Preservation services	662,931	-	662,931
Museums	248,344	-	248,344
Texas Seaport Museum	1,055,396	-	1,055,396
Seagull	183,546	-	183,546
Ashton Villa	230,385	-	230,385
Garten Verein	275,921	-	275,921
Bishop's Palace	609,265	-	609,265
Other historical properties	59,078	-	59,078
Shearn Moody Plaza	1,377,095	-	1,377,095
	<u>5,514,830</u>	<u>-</u>	<u>5,514,830</u>
Total program services			
Supporting services:			
Management and general	1,226,407	-	1,226,407
Membership services - fundraising	233,179	-	233,179
Marketing	287,406	-	287,406
	<u>1,746,992</u>	<u>-</u>	<u>1,746,992</u>
Total supporting services			
Total expenses	<u>7,261,822</u>	<u>-</u>	<u>7,261,822</u>
Changes in net assets	58,482	(941,495)	(883,013)
Net assets, beginning of year	<u>29,738,709</u>	<u>4,491,703</u>	<u>34,230,412</u>
Net assets, end of year	<u>\$ 29,797,191</u>	<u>\$ 3,550,208</u>	<u>\$ 33,347,399</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, 2023**

	Program Services					
	Events	Preservation Services	Museums	Texas Seaport Museum	Seagull	Ashton Villa
Compensation and related:						
Salaries and wages	\$ 184,820	\$ 339,732	\$ 71,888	\$ 315,014	\$ 100,794	\$ 59,609
Payroll taxes	14,142	27,754	5,855	25,891	8,856	5,251
Employee benefits	18,778	26,197	13,146	30,544	6,924	10,445
Travel and staff development	1,398	-	2,434	1,569	480	-
Cost of sales	10	2,838	-	92,350	-	1,314
Office operation:						
Office supplies	4,628	-	249	5,089	-	-
Postage	497	-	-	-	-	-
Printing	-	-	-	-	-	-
Telephone	-	-	21,097	-	-	-
Computer expenses	-	9,564	-	4,556	-	1,969
Dues and publications	1,504	355	-	2,471	-	-
Bank and credit card fees	6,791	2,184	-	16,189	-	355
Professional fees	4,659	-	1,095	1,410	-	-
Occupancy:						
Utilities and services	-	4,019	29,653	5,415	-	21,270
Lease payments	-	26,826	-	33,764	6,938	-
Rentals	-	800	3,498	-	-	6,519
Advertising	-	-	-	-	-	-
Development and entertainment	46	99	2,126	1,790	-	-
Insurance	-	2,092	15,614	235,511	-	45,278
Repairs and maintenance	-	138,643	42,406	110,282	28,863	28,443
Miscellaneous	-	-	-	-	-	-
Special projects:						
Special projects	106,854	725	252	100,424	-	-
Dickens festival	357,989	-	2,169	-	-	-
Homes tour	101,404	-	-	-	-	-
Tall ships Galveston	-	-	-	561,794	-	-
Museum collection	-	-	-	2,438	-	-
Loan interest	-	-	18,726	-	-	-
Bad debt expense	-	-	-	-	-	-
Investment fees	-	-	-	-	-	-
Depreciation	-	132,926	60,012	134,425	24,065	47,899
<b>Total functional expenses</b>	<b>\$ 803,520</b>	<b>\$ 714,754</b>	<b>\$ 290,220</b>	<b>\$ 1,680,926</b>	<b>\$ 176,920</b>	<b>\$ 228,352</b>

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, 2023**

	Program Services				
	Garten	Bishops	Shearn	Other	Total
	Verein	Palace	Moody Plaza	Historical Properties	Program Services
Compensation and related:					
Salaries and wages	\$ 70,195	\$ 226,953	\$ 145,150	\$ -	\$ 1,514,155
Payroll taxes	6,127	20,756	11,701	-	126,333
Employee benefits	2,099	9,550	20,680	-	138,363
Travel and staff development	-	-	68	-	5,949
Cost of sales	-	108,930	-	-	205,442
Office operation:					
Office supplies	28	6,301	3,645	-	19,940
Postage	-	1,427	-	3,405	5,329
Printing	-	-	-	-	-
Telephone	12,502	4,529	8,411	-	46,539
Computer expenses	-	2,154	94	-	18,337
Dues and publications	-	7,577	-	-	11,907
Bank and credit card fees	-	17,292	12,259	-	55,070
Professional fees	-	-	25,480	-	32,644
Occupancy:					
Utilities and services	44,686	17,674	551,870	-	674,587
Lease payments	7,219	-	-	-	74,747
Rentals	10,230	-	-	158	21,205
Advertising	-	-	-	-	-
Development and entertainment	-	-	1,309	-	5,370
Insurance	27,805	37,770	111,596	12,844	488,510
Repairs and maintenance	43,544	44,661	225,021	12,398	674,261
Miscellaneous	-	-	3,119	-	3,119
Special projects:					
Special projects	-	-	-	-	208,255
Dickens festival	-	-	-	-	360,158
Homes tour	-	-	-	-	101,404
Tall ships Galveston	-	-	-	-	561,794
Museum collection	-	-	-	-	2,438
Loan interest	-	-	-	-	18,726
Bad debt expense	-	-	-	-	-
Investment fees	-	-	-	-	-
Depreciation	21,625	164,578	267,394	30,790	883,714
Total functional expenses	<u>\$ 246,060</u>	<u>\$ 670,152</u>	<u>\$ 1,387,797</u>	<u>\$ 59,595</u>	<u>\$ 6,258,296</u>

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

**GALVESTON HISTORICAL FOUNDATION, INC.**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Supporting Services				Total Expenses 2023
	Management and General	Membership Services - Fundraising	Marketing	Total Supporting Services	
Compensation and related:					
Salaries and wages	\$ 598,031	\$ 194,000	\$ -	\$ 792,031	\$ 2,306,186
Payroll taxes	36,081	15,192	-	51,273	177,606
Employee benefits	33,030	14,862	-	47,892	186,255
Travel and staff development	6,296	-	-	6,296	12,245
Cost of sales	127,694	-	-	127,694	333,136
Office operation:					
Office supplies	5,102	-	-	5,102	25,042
Postage	13,206	-	-	13,206	18,535
Printing	102	-	20,727	20,829	20,829
Telephone	18,800	-	54	18,854	65,393
Computer expenses	40,365	-	-	40,365	58,702
Dues and publications	12,017	-	1,665	13,682	25,589
Bank and credit card fees	17,280	-	-	17,280	72,350
Professional fees	74,936	-	-	74,936	107,580
Occupancy:					
Utilities and services	28,056	-	-	28,056	702,643
Lease payments	31,804	-	-	31,804	106,551
Rentals	29,289	-	-	29,289	50,494
Advertising	3,542	-	132,806	136,348	136,348
Development and entertainment	1,306	8,000	-	9,306	14,676
Insurance	78,253	-	-	78,253	566,763
Repairs and maintenance	46,026	-	-	46,026	720,287
Miscellaneous	10,548	-	-	10,548	13,667
Special projects:					
Special projects	-	9,510	-	9,510	217,765
Dickens festival	-	-	-	-	360,158
Homes tour	-	-	-	-	101,404
Tall ships Galveston	-	-	-	-	561,794
Museum collection	-	-	-	-	2,438
Loan interest	72,659	-	-	72,659	91,385
Bad debt expense	29,890	-	-	29,890	29,890
Investment fees	24,775	-	-	24,775	24,775
Depreciation	210,339	-	-	210,339	1,094,053
<b>Total functional expenses</b>	<b>\$ 1,549,427</b>	<b>\$ 241,564</b>	<b>\$ 155,252</b>	<b>\$ 1,946,243</b>	<b>\$ 8,204,539</b>

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, 2022**

	Program Services					
	Events	Preservation Services	Museums	Texas Seaport Museum	Seagull	
Compensation and related:						
Salaries and wages	\$ 186,000	\$ 329,743	\$ 53,956	\$ 295,069	\$ 103,092	\$ 42,380
Payroll taxes	16,638	27,026	4,846	25,801	9,985	3,559
Employee benefits	12,328	49,790	10,508	45,449	10,818	15,852
Travel and staff development	268	308	540	994	-	-
Cost of sales	-	2,706	-	90,827	-	-
Office operation:						
Office supplies	612	-	1,937	8,470	91	-
Postage	61	-	57	-	-	-
Printing	-	-	-	-	-	-
Telephone	-	50	2,245	-	-	-
Computer expenses	-	-	-	1,984	-	1,029
Dues and publications	2,379	-	25	961	-	-
Bank and credit card fees	1,616	1,902	-	18,702	-	-
Professional fees	-	31	891	10,434	382	-
Occupancy:						
Utilities and services	-	1,963	26,740	4,658	-	21,571
Lease payments	-	27,878	-	52,606	6,938	-
Rentals	-	-	7,731	-	-	7,456
Advertising	-	-	-	-	-	-
Development and entertainment	5,000	-	1,263	1,962	-	-
Insurance	-	1,864	13,823	225,742	-	43,005
Repairs and maintenance	48,915	64,177	45,458	90,210	32,950	52,864
Miscellaneous	-	-	-	-	-	-
Special projects:						
Special projects	91,941	22,905	-	59,032	92	-
Commissions and royalties	-	-	-	5,838	-	-
Dickens festival	341,208	-	4,702	-	-	-
Homes tour	85,900	-	-	-	-	-
Loan interest	20,003	-	21,739	-	-	-
Investment fees	-	-	-	-	-	-
Depreciation	-	132,588	51,883	116,657	19,198	42,669
<b>Total functional expenses</b>	<b>\$ 812,869</b>	<b>\$ 662,931</b>	<b>\$ 248,344</b>	<b>\$ 1,055,396</b>	<b>\$ 183,546</b>	<b>\$ 230,385</b>

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, 2022**

	Program Services				
	Garten	Bishops	Other	Shearn	Total
	Verein	Palace	Historical Properties	Moody Plaza	Program Services
Compensation and related:					
Salaries and wages	\$ 64,511	\$ 169,537	\$ -	\$ 311,186	\$ 1,555,474
Payroll taxes	6,171	16,228	-	31,121	141,375
Employee benefits	1,559	4,070	-	77,168	227,542
Travel and staff development	-	-	-	-	2,110
Cost of sales	-	117,475	-	-	211,008
Office operation:					
Office supplies	-	8,764	-	3,132	23,006
Postage	-	2,178	-	-	2,296
Printing	-	-	-	-	-
Telephone	3,723	3,951	938	8,346	19,253
Computer expenses	-	2,018	-	-	5,031
Dues and publications	-	11,650	-	-	15,015
Bank and credit card fees	-	15,599	-	-	37,819
Professional fees	-	-	-	77,078	88,816
Occupancy:					
Utilities and services	41,700	15,656	3,468	311,633	427,389
Lease payments	29,014	-	-	-	116,436
Rentals	10,550	-	-	-	25,737
Advertising	-	1,641	-	180	1,821
Development and entertainment	-	-	-	-	8,225
Insurance	7,721	33,651	9,747	109,920	445,473
Repairs and maintenance	92,654	43,321	31,402	184,870	686,821
Miscellaneous	-	-	-	160	160
Special projects:					
Special projects	-	-	-	-	173,970
Commissions and royalties	-	-	-	-	5,838
Dickens festival	-	-	-	-	345,910
Homes tour	-	-	-	-	85,900
Loan interest	-	-	-	-	41,742
Investment fees	-	-	-	-	-
Depreciation	18,318	163,526	13,523	262,301	820,663
<b>Total functional expenses</b>	<b>\$ 275,921</b>	<b>\$ 609,265</b>	<b>\$ 59,078</b>	<b>\$ 1,377,095</b>	<b>\$ 5,514,830</b>

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, 2022**

	Supporting Services			Total Supporting Services	Total Expenses 2022
	Management and General	Membership Services - Fundraising	Marketing		
Compensation and related:					
Salaries and wages	\$ 540,163	\$ 193,076	\$ -	\$ 733,239	\$ 2,288,713
Payroll taxes	60,501	15,423	-	75,924	217,299
Employee benefits	61,664	15,175	-	76,839	304,381
Travel and staff development	537	-	-	537	2,647
Cost of sales	13,158	-	-	13,158	224,166
Office operation:					
Office supplies	2,964	67	432	3,463	26,469
Postage	10,463	-	295	10,758	13,054
Printing	2,596	-	12,507	15,103	15,103
Telephone	21,803	-	-	21,803	41,056
Computer expenses	42,063	-	-	42,063	47,094
Dues and publications	1,430	-	737	2,167	17,182
Bank and credit card fees	2,960	-	-	2,960	40,779
Professional fees	28,649	-	-	28,649	117,465
Occupancy:					
Utilities and services	24,775	-	-	24,775	452,164
Lease payments	9,423	-	-	9,423	125,859
Rentals	8,900	-	-	8,900	34,637
Advertising	4,154	-	257,852	262,006	263,827
Development and entertainment	-	-	13,743	13,743	21,968
Insurance	83,622	-	-	83,622	529,095
Repairs and maintenance	83,605	-	-	83,605	770,426
Miscellaneous	(28,002)	-	-	(28,002)	(27,842)
Special projects:					
Special projects	24	9,438	1,840	11,302	185,272
Commissions and royalties	-	-	-	-	5,838
Dickens festival	-	-	-	-	345,910
Homes tour	-	-	-	-	85,900
Loan interest	38,977	-	-	38,977	80,719
Investment fees	25,554	-	-	25,554	25,554
Depreciation	186,424	-	-	186,424	1,007,087
<b>Total functional expenses</b>	<b>\$ 1,226,407</b>	<b>\$ 233,179</b>	<b>\$ 287,406</b>	<b>\$ 1,746,992</b>	<b>\$ 7,261,822</b>

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, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Changes in net assets:	\$ (975,188)	\$ (883,013)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Bad debt expense	29,890	-
Unrealized (gain) loss on investments	(363,793)	1,027,533
Realized gain on sale of investments	(98,885)	(227,317)
Realized gain on sale of investment property	(47,454)	(98,520)
PPP loan forgiveness	-	(847,600)
Depreciation expense	1,094,053	1,007,087
Changes in operating assets and liabilities:		
Accounts receivable	-	267,523
Pledges receivable	17,500	717,500
Inventory	41,672	(88,175)
Prepaid expenses and other	(44,023)	(23,028)
Accounts payable and accrued liabilities	158,935	(76,948)
Net change in operating leases	9,082	-
Rental deposits	3,950	(4,475)
Net cash (used in) provided by operating activities	(174,261)	770,567
Cash flows from investing activities:		
Purchase of fixed assets	(1,585,963)	(1,139,527)
Purchase of investment property	(19,445)	(359,263)
Proceeds from sale of investment property	198,000	425,148
Purchase of investments	(748,516)	(612,487)
Proceeds from sale of investments	855,946	805,455
Net cash used in investing activities	(1,299,978)	(880,674)
Cash flows from financing activities:		
Proceeds from notes payable	350,000	19,412
Net proceeds from line of credit	(201,403)	201,403
Payments on notes payable	(66,938)	(561,589)
Net cash provided by (used in) financing activities	81,659	(340,774)
Net (decrease) increase in cash and cash equivalents	(1,392,580)	(450,881)
Cash and cash equivalents, beginning of year	2,683,422	3,134,303
Cash and cash equivalents, end of year	\$ 1,290,842	\$ 2,683,422
Supplemental cash flow disclosures:		
Interest paid	\$ 91,385	\$ 80,719

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 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 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. As of June 30, 2023, GIT had no operations and held no assets or liabilities.

### 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, 2023 and 2022, net assets without donor restrictions were \$28,755,969 and \$29,797,191, 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 \$3,655,214 and \$3,550,208 as of June 30, 2023 and 2022, 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, 2023 and 2022, an allowance for doubtful accounts was not deemed necessary. During the years ended June 30, 2023 and 2022, the Foundation recorded bad debt expense of \$29,890 and \$0, respectively.

#### 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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 8).

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, 2023 and 2022, approximately 31% and 29%, respectively, of the Foundation's investment assets, were comprised of shares held in a single investment fund.

At June 30, 2023, \$45,000, or 100%, of pledges receivable is from one donor. At June 30, 2022, \$52,500, or 84%, of pledges receivable is from two donors.

#### Revenue and Support

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.

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 842, *Leases*, and is recognized on a straight-line basis over the term of the lease.

# GALVESTON HISTORICAL FOUNDATION, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

### 2. Summary of Significant Accounting Policies, continued

#### Revenue and Support, continued

Revenue from event income, admissions and product sales follow the guidance of ASC 606 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 reported as contributions without donor-imposed restrictions or contributions with donor-imposed 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 statements of activities and changes in net assets. Donor restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions.

Contributions of land, buildings and equipment are recorded at fair value, as determined by management, at the date of donation. The Foundation reports such gifts as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as contributions with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long lived assets are placed in service.

#### Contributed 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.

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, 2023 and 2022, volunteers donated approximately 16,616 hours and 19,468 hours, respectively, with an estimated value of \$496,143 and \$581,320, 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, 2023 and 2022 was \$135,718 and \$263,827, 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, 2023 and 2022, 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, 2023 and 2022, 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.

**Adoption of Accounting Standards Codification Topic 842**

On July 1, 2022, the Foundation adopted Accounting Standards Codification Topic 842 ("ASC 842"), *Leases*, which supersedes the lease recognition requirements in ASC Topic 840, *Leases*. Under ASC 842, lessees are required to recognize assets and liabilities on the statements of financial position for most leases and provide enhanced disclosures. For non-public companies, including non-for-profit entities, ASC 842 is effective for fiscal year beginning after December 15, 2021, with early adoption permitted. The Foundation adopted ASC 842 on July 1, 2022. The Foundation adopted the new standard using the modified retrospective method by recording a right-of-use asset and operating lease liabilities of \$756,576 as of the effective date.

Prior periods will not be restated and will continue to be reported under ASC 840 guidance in effect during those periods. The Foundation applied the package of practical expedients to leases that commenced before the effective date whereby the Foundation elected to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases. See Note 14 for further information, additional practical expedients and disclosures related to the adoption of this standard.

**3. Contributed Nonfinancial Assets**

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the combined statements of activities consists of the following:

	<b>2023</b>	<b>2022</b>
Advertising	\$ 167,235	\$ 113,323
Total contributed nonfinancial assets	\$ 167,235	\$ 113,323

Contributed advertising was utilized to promote the Foundation's programs, including historical properties, museums, and Foundation sponsored events. In valuing contributed advertising, the Foundation estimated the fair value based on the rates to purchase similar advertisements.

**4. Pledges Receivable**

Pledges receivable at June 30, 2023 and 2022 consist of the following:

	<b>2023</b>	<b>2022</b>
Receivable in less than one year	\$ 7,500	\$ 17,500
Receivable in one to five years	30,000	30,000
Receivable in more than five years	7,500	15,000
Total pledges receivable	\$ 45,000	\$ 62,500

**GALVESTON HISTORICAL FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**5. Property and Equipment**

As of June 30, 2023 and 2022, property and equipment consists of the following:

	<b>2023</b>	<b>2022</b>
Building structures and improvements	\$ 26,194,168	\$ 25,054,616
Equipment	3,176,163	3,031,045
Land	985,731	684,440
	30,356,062	28,770,101
Less: accumulated depreciation	(9,750,785)	(8,656,733)
Property and equipment, net	<b>\$ 20,605,277</b>	<b>\$ 20,113,368</b>

For the years ended June 30, 2023 and 2022, depreciation expense was \$1,094,053 and \$1,007,087, respectively.

**6. Investment Properties Held for Sale**

As of June 30, 2023 and 2022, investment properties held for sale consists of the following:

<b>Property Location</b>	<b>Date Acquired</b>	<b>2023</b>	<b>2022</b>
3801 Winnie	5/30/2006	\$ 49,545	\$ 48,945
3916 Ball	8/11/2006	48,304	48,304
2123 Ave M ½	8/31/2012	19,210	18,284
2620 Ave M ½	12/18/2015	-	150,546
1011 36 <sup>th</sup> HOP House Gift Deed	3/16/2016	331,574	331,574
1414 Ave L	10/21/2021	224,719	206,800
		<b>\$ 673,352</b>	<b>\$ 804,453</b>

During the year ended June 30, 2023, the following investment property was sold:

<b>Property Location</b>	<b>Date of Sale</b>	<b>Sales Price</b>	<b>Carrying Value</b>	<b>Net Gain</b>
2620 M 1/2	2/10/2023	\$ 198,000	\$ 150,546	\$ 47,454

During the year ended June 30, 2022, the following investment property was sold:

<b>Property Location</b>	<b>Date of Sale</b>	<b>Sales Price</b>	<b>Carrying Value</b>	<b>Net Gain</b>
1723 Mechanic	8/6/2021	\$ 425,148	\$ 326,628	\$ 98,520

**7. 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.

# **GALVESTON HISTORICAL FOUNDATION, INC.**

## **NOTES TO COMBINED FINANCIAL STATEMENTS**

### **7. Endowment Funds, continued**

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**

**7. Endowment Funds, 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, 2023 and 2022, endowment fund net assets are composed of the following:

	<b><u>Endowment Fund Net Assets at June 30, 2023</u></b>		
	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total Endowment Net Assets</u></b>
Donor-restricted endowment funds	\$ -	\$ 3,475,874	\$ 3,475,874
Board-designated endowment funds	<u>1,760,102</u>	<u>-</u>	<u>1,760,102</u>
Total	<u>\$ 1,760,102</u>	<u>\$ 3,475,874</u>	<u>\$ 5,235,976</u>
Endowment net assets, beginning of year	\$ 1,492,887	\$ 3,411,904	\$ 4,904,791
Transfers	(130,052)	-	(130,052)
Investment return, net	422,042	120,667	542,709
Amounts appropriated for expenditure	<u>(24,775)</u>	<u>(56,697)</u>	<u>(81,472)</u>
Endowment net assets, end of year	<u>\$ 1,760,102</u>	<u>\$ 3,475,874</u>	<u>\$ 5,235,976</u>

	<b><u>Endowment Fund Net Assets at June 30, 2022</u></b>		
	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total Endowment Net Assets</u></b>
Donor-restricted endowment funds	\$ -	\$ 3,411,904	\$ 3,411,904
Board-designated endowment funds	<u>1,492,887</u>	<u>-</u>	<u>1,492,887</u>
Total	<u>\$ 1,492,887</u>	<u>\$ 3,411,904</u>	<u>\$ 4,904,791</u>
Endowment net assets, beginning of year	\$ 2,336,417	\$ 3,640,173	\$ 5,976,590
Transfers	(181,691)	-	(181,691)
Investment return, net	(636,286)	(161,021)	(797,307)
Amounts appropriated for expenditure	<u>(25,553)</u>	<u>(67,248)</u>	<u>(92,801)</u>
Endowment net assets, end of year	<u>\$ 1,492,887</u>	<u>\$ 3,411,904</u>	<u>\$ 4,904,791</u>

**GALVESTON HISTORICAL FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**7. 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, 2023 and 2022, investments held for endowment purposes consist of the following:

	<b>2023</b>	<b>2022</b>
<b><u>Investment securities:</u></b>		
Mutual funds	\$ 4,153,129	\$ 3,772,635
Fixed income securities	814,011	914,285
Money market funds	158,836	107,871
Total investment securities	5,125,976	4,794,791
Note receivable	110,000	110,000
Total investments held for endowment purposes	\$ 5,235,976	\$ 4,904,791

Notes receivable held for endowment purposes represent a note between the Endowment and GHF and is eliminated in the preparation of these combined financial statements.

**8. 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.

**GALVESTON HISTORICAL FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**8. Fair Value Measurements, continued**

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, 2023 and 2022.

*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)

*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, 2023 and 2022:

	<b>Investments at Fair Value at June 30, 2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds	\$ 2,492,186	\$ 1,660,943	\$ -	\$ 4,153,129
Fixed income securities	-	814,011	-	814,011
Money market funds	158,836	-	-	158,836
Common stock	158,262	-	-	158,262
Total	\$ 2,809,284	\$ 2,474,954	\$ -	\$ 5,284,238

	<b>Investments at Fair Value at June 30, 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds	\$ 2,296,850	\$ 1,475,785	\$ -	\$ 3,772,635
Fixed income securities	-	914,285	-	914,285
Money market funds	107,871	-	-	107,871
Common stock	134,200	-	-	134,200
Total	\$ 2,538,921	\$ 2,390,070	\$ -	\$ 4,928,991

**9. Line of Credit**

On April 17, 2022, the Foundation entered into a \$500,000 revolving line of credit with a financial institution to facilitate rehabilitation of historic homes. The line of credit is unsecured and requires quarterly payments of accrued interest beginning in July 2022. The line of credit bears interest at a variable rate equal to the Wall Street Journal Prime Rate (8.25% at June 30, 2023) and matured April 17, 2023. As of June 30, 2023 and 2022, the principle balance outstanding under the line of credit totaled \$0 and \$201,403, respectively.

On August 22, 2023, the Foundation renewed the revolving line of credit extending the maturity through August 21, 2024. All other terms of the agreement were unchanged.



**GALVESTON HISTORICAL FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**10. Notes Payable**

Notes payable consist of financing arrangements for the purchase of property, vehicles and equipment. As of June 30, 2023 and 2022 notes payable consist of the following:

	<b>2023</b>	<b>2022</b>
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 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 2028, and is secured by property.	390,016	414,784
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.	194,979	207,229
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.	518,538	539,904
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 8.25% at June 30, 2023. 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 2023, and is unsecured.	446,377	446,377
Note payable to a financial institution, bearing interest at 9.00% per year, principal and interest are due and payable monthly; The note was originated in November 2020, matures in December 2023, and is secured by investment securities.	350,000	-
Note payable to a financial institution, bearing interest at 7.35% per year. Principal and interest is due and payable in monthly installments of \$795 beginning in June 2022. The note was originated in June 2022, matures in June 2024, and is secured by a vehicle.	9,128	17,682
	2,059,038	1,775,976
Less current portion	1,009,603	1,041,399
	\$ 1,049,435	\$ 734,577

**GALVESTON HISTORICAL FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**10. Notes Payable, continued**

Future maturities of notes payable at June 30, 2023 are as follows:

<u>For the Year Ending June 30,</u>	
2024	\$ 1,009,603
2025	56,864
2026	59,770
2026	62,826
2028	297,673
Thereafter	<u>572,302</u>
	<u>\$ 2,059,038</u>

For the years ended June 30, 2023 and 2022, interest expense was \$91,385 and \$80,719, respectively.

**11. 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.

The Foundation applied for and received notice that both PPP loans had been forgiven in July 2021. During the year ended June 30, 2022, the Foundation recognized \$847,600 as forgiveness of debt which is reported as its own line item in the accompanying Combined Statements of Activities.

**GALVESTON HISTORICAL FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**12. Net Assets with Donor Restrictions**

Net assets with donor restrictions at June 30, 2023 and 2022 are available for the following purposes:

	<b>2023</b>	<b>2022</b>
Subject to Foundation spending policy and appropriation:		
Investment in perpetuity which, once appropriated, is expendable to support:		
General endowment to fulfill the purposes of GHF	\$ 2,328,097	\$ 2,328,097
Bishop's Palace	1,000,000	1,000,000
	<b>\$ 3,328,097</b>	<b>\$ 3,328,097</b>
Subject to satisfaction of donor restrictions:		
GHF Endowment, Inc.:		
Customs House maintenance	\$ 10,079	\$ 10,079
Galveston Historical Foundation, Inc.:		
Edward L Protz internship program	45,000	52,500
Texas Storm Museum	-	10,000
Moody Mausoleum	10,903	-
Rosewood cemetery	20,162	20,162
Bishop's Palace	137,698	83,034
Mid-Century Project	22,635	-
Hendley Green	-	-
Gartein Verein maintenance	52,773	22,183
Paint Partnership, Pals and Plus	17,800	17,800
Other	10,067	6,353
	<b>\$ 327,117</b>	<b>\$ 222,111</b>
Total net assets with donor restrictions	<b>\$ 3,655,214</b>	<b>\$ 3,550,208</b>

Net assets without donor restrictions are contributions without donor-imposed stipulations. For the years ended June 30, 2023 and 2022, the Endowment's Board of Directors has designated a portion of net assets without donor restrictions to be used for the following purpose:

	<b>2023</b>	<b>2022</b>
GHF Endowment, Inc.:		
Designated for future benefit of GHF, as appropriated by the Endowment's Board of Directors	\$ 1,760,102	\$ 1,492,887

**GALVESTON HISTORICAL FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**13. Liquidity**

The following reflects the Foundation's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial position date.

	<b>2023</b>	<b>2022</b>
Financial assets, at year-end, less long-term receivables	\$ 6,612,471	\$ 7,667,303
Less those unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	327,117	222,111
Investments held in perpetuity	3,328,097	3,328,097
Board Designations:		
Quasi-endowment funds, primarily for long-term investing	1,760,102	1,492,887
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,197,155	\$ 2,624,208

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.

**14. Operating Leases**

***Lessee***

Effective July 1, 2022, the Foundation adopted ASC 842 Leases using the modified retrospective approach. The Foundation elected the use of the package of practical expedients permitted under the transition guidance which allows the Foundation not to reassess whether a contract contains a lease, carry forward the historical lease classification and not reassess initial direct lease costs. The Foundation also elected to apply the short-term measurement and recognition exemption in which the right-of-use ("ROU") assets and lease liabilities are not recognized for short-term leases.

The Foundation determines if an arrangement is a lease at its inception. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Operating lease ROU assets also include any initial direct costs and prepayments less lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise such options. As the Foundation's leases generally do not provide an implicit rate, the Foundation has elected to use the practical expedient available to private companies, which allows the use of the risk free rate that matches the term of the lease, in determining the present value of lease payments. Lease expense for these leases is recognized on a straight-line basis over the lease term.

The Foundation leases a dock and certain property adjacent to the Barque Elissa in Galveston, Texas, under an operating lease expiring in May 2065. The Foundation generally renews leases upon expiration. The Foundation also elected to apply the practical expedient to consider non-lease components as a part of the lease. The Foundation's base lease payments are due monthly and escalate every ten years over the term of the lease based on the increase in the Implicit Price Deflator Index for the Gross National Product, published by the U.S. Department of Commerce. Such rent escalations are variable lease payments and are not included in the operating lease right-of-use asset. Variable lease payments are expensed as incurred.

**GALVESTON HISTORICAL FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**14. Operating Leases, continued**

The following table summarizes the balances as it relates to operating leases as of June 30, 2023:

ROU assets	<u>\$ 738,947</u>
Operating lease liabilities, current	\$ 8,817
Operating lease liabilities, long-term	<u>739,212</u>
Total operating lease liabilities	<u>\$ 748,029</u>
Weighted average remaining term	41.2 Years
Weighted average discount rate	3.11%

Non-cash right-of-use assets recorded in exchange for lease liabilities during the year ended June 30, 2023 was \$756,576.

The details of the Foundation's operating lease expense for the year ended June 30, 2023, are as follows:

Long-term operating lease expense	\$ 23,408
Short-term lease expense	<u>113,430</u>
Total lease expense	<u>\$ 136,838</u>

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

<b><u>For the Year Ending June 30.</u></b>	
2024	\$ 31,956
2025	31,956
2026	31,956
2027	31,956
2028	31,956
Thereafter	<u>1,179,709</u>
Total lease payments	1,339,489
Less: Imputed interest	<u>591,460</u>
Total lease liability	<u>\$ 748,029</u>

Future annual lease obligations as of June 30, 2022, prior to adoption of ASC 842:

<b><u>For the Year Ending June 30.</u></b>	
2023	\$ 31,956
2024	31,956
2025	31,956
2026	31,956
2027	31,956
Thereafter	<u>1,211,651</u>
	<u>\$ 1,371,431</u>

**GALVESTON HISTORICAL FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**14. Operating Leases, continued**

***Lessor***

The Foundation owns Shearn Moody Plaza, an eleven story office building, that rents office space to a variety of organizations under non-cancelable leases expiring at various dates through December 2027. The Foundation recognized lease income from Shearn Moody Plaza of \$777,431 and \$721,703 for the years ended June 30, 2023 and 2022, respectively, which is included in rental fee income in the accompanying combined statements of activities. The Foundation leases other historical properties on a short-term basis from time-to-time. Rental fee income from such short-term leases totaled \$356,012 and \$457,463 for the years ended June 30, 2023 and 2022, respectively.

As of June 30, 2023 and 2022 buildings available for rent consists of the following:

	<b>2023</b>	<b>2022</b>
Building available for rent, at cost	\$ 10,491,430	\$ 10,491,430
Less: accumulated depreciation	(525,290)	(262,301)
Building available for rent, net	<b>\$ 9,966,140</b>	<b>\$ 10,229,129</b>

Depreciation expense related to building available for rent totaled \$262,989 and \$262,301 for the years ended June 30, 2023 and 2022, respectively.

Future minimum rental payments to be received on non-cancelable operating leases are contractually due as follows as of June 30, 2023:

**For the Year Ending June 30,**

2024	\$ 643,499
2025	437,716
2026	369,215
2027	369,215
2028	184,607
Thereafter	-
	<b>\$ 2,004,252</b>

**15. Hotel Occupancy Tax Allocation**

During the years ended June 30, 2023 and 2022, the Foundation was the recipient of hotel occupancy tax allocated from the City of Galveston totaling \$369,869 and \$337,923, respectively, and was used for the following expenditures:

	<b>2023</b>	<b>2022</b>
Advertising and marketing	\$ 114,659	\$ 104,756
Special events	255,210	233,167
	<b>\$ 369,869</b>	<b>\$ 337,923</b>

**16. 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, 2023 and 2022, GHF recorded employer matching contributions of \$26,584 and \$20,727 respectively.

**GALVESTON HISTORICAL FOUNDATION, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

**17. 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 both the years ended June 30, 2023 and 2022, 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, 2023 and 2022, 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.

**18. Garten Verein**

The following is a summary of activity for Garten Verein for the years ended June 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Revenue:		
Rental income	\$ 108,283	\$ 111,391
Expenses:		
Compensation and related expenses	79,245	72,241
Office operations	12,530	3,723
Occupancy expenses	54,916	81,264
Insurance expenses	27,805	7,721
Repairs and maintenance	22,195	92,654
Depreciation expense	28,844	18,318
	<b>222,535</b>	<b>275,921</b>
Garten Verein net loss	<b>\$ (117,252)</b>	<b>\$ (164,530)</b>

**19. Related Party Transactions**

During the year ended June 30, 2023, members of the Foundation's board of directors made cash donations of \$301,950, including a donation from one board member in the amount of \$300,000 for the purchase of two parcels of land comprising Sangerfest Park. During the year ended June 30, 2022, members of the Foundation's board of directors made cash donations of approximately \$1,000.

**20. Subsequent Events**

The Foundation has evaluated subsequent events through February 22, 2024, 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, 2023**

	<u>Galveston Historical Foundation, Inc.</u>	<u>GHF Endowment Inc.</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,290,842	\$ -	\$ -	\$ 1,290,842
Receivables:				
Pledges	45,000	-	-	45,000
Inventory	340,626	-	-	340,626
Prepaid expenses and other	67,301	-	-	67,301
Total current assets	<u>1,743,769</u>	<u>-</u>	<u>-</u>	<u>1,743,769</u>
Building structures and improvements	26,194,168	-	-	26,194,168
Equipment	3,176,163	-	-	3,176,163
Land	985,731	-	-	985,731
	<u>30,356,062</u>	<u>-</u>	<u>-</u>	<u>30,356,062</u>
Accumulated depreciation	<u>(9,750,785)</u>	<u>-</u>	<u>-</u>	<u>(9,750,785)</u>
Total property and equipment	<u>20,605,277</u>	<u>-</u>	<u>-</u>	<u>20,605,277</u>
Other assets:				
Operating lease right-of-use assets	738,947	-	-	738,947
Historical treasures	6,578,307	-	-	6,578,307
Investments, at fair value	1,295,961	3,988,278	-	5,284,239
Investment properties for sale	673,352	-	-	673,352
Notes receivable	-	110,000	(110,000)	-
Total other assets	<u>9,286,567</u>	<u>4,098,278</u>	<u>(110,000)</u>	<u>13,274,845</u>
Total assets	<u>\$ 31,635,613</u>	<u>\$ 4,098,278</u>	<u>\$ (110,000)</u>	<u>\$ 35,623,891</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 295,026	\$ -	\$ -	\$ 295,026
Line of credit	-	-	-	-
Operating lease liabilities, current	8,817	-	-	8,817
Notes payable, current	1,371,023	-	-	1,371,023
Total current liabilities	<u>1,674,866</u>	<u>-</u>	<u>-</u>	<u>1,674,866</u>
Other liabilities:				
Deposits	149,587	-	-	149,587
Operating lease liabilities, long-term	739,212	-	-	739,212
Notes payable, long-term	798,015	-	(110,000)	688,015
Total other liabilities	<u>1,686,814</u>	<u>-</u>	<u>(110,000)</u>	<u>1,576,814</u>
Total liabilities	<u>3,361,680</u>	<u>-</u>	<u>(110,000)</u>	<u>3,251,680</u>
Net assets:				
Without donor restrictions:				
Undesignated	26,956,895	-	-	26,956,895
Designated by Board of Directors	-	1,760,102	-	1,760,102
With donor restrictions	1,317,038	2,338,176	-	3,655,214
Total net assets	<u>28,273,933</u>	<u>4,098,278</u>	<u>-</u>	<u>32,372,211</u>
Total liabilities and net assets	<u>\$ 31,635,613</u>	<u>\$ 4,098,278</u>	<u>\$ (110,000)</u>	<u>\$ 35,623,891</u>

See Independent Auditor's Report.

**GALVESTON HISTORICAL FOUNDATION, INC.**  
**COMBINING STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022**

	<u>Galveston Historical Foundation, Inc.</u>	<u>GHF Endowment Inc.</u>	<u>Galveston Island Tours</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,682,016	\$ -	\$ 1,406	\$ -	\$ 2,683,422
Receivables:					
Pledges	62,500	-	-	-	62,500
Hotel occupancy tax	-	-	-	-	-
Other	29,890	-	-	-	29,890
Inventory	382,298	-	-	-	382,298
Prepaid expenses	23,278	-	-	-	23,278
Total current assets	<u>3,179,982</u>	<u>-</u>	<u>1,406</u>	<u>-</u>	<u>3,181,388</u>
Building structures and improvements					
	25,054,616	-	-	-	25,054,616
Equipment	3,031,045	-	-	-	3,031,045
Construction in progress	-	-	-	-	-
Land	684,440	-	-	-	684,440
	<u>28,770,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,770,101</u>
Accumulated depreciation	(8,656,733)	-	-	-	(8,656,733)
Total property and equipment	<u>20,113,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,113,368</u>
Other assets:					
Historical treasures	6,578,306	-	-	-	6,578,306
Investments, at fair value	1,207,928	3,721,063	-	-	4,928,991
Investment properties for sale	804,453	-	-	-	804,453
Notes receivable	-	110,000	-	(110,000)	-
Total other assets	<u>8,590,687</u>	<u>3,831,063</u>	<u>-</u>	<u>(110,000)</u>	<u>12,311,750</u>
Total assets	<u>\$ 31,884,037</u>	<u>\$ 3,831,063</u>	<u>\$ 1,406</u>	<u>\$ (110,000)</u>	<u>\$ 35,606,506</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 136,091	\$ -	\$ -	\$ -	\$ 136,091
Line of credit	201,403	-	-	-	201,403
Notes payable, current	1,041,399	-	-	-	1,041,399
Total current liabilities	<u>1,378,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,378,893</u>
Other liabilities:					
Deposits	145,637	-	-	-	145,637
Notes payable, long-term	844,577	-	-	(110,000)	734,577
Total other liabilities	<u>990,214</u>	<u>-</u>	<u>-</u>	<u>(110,000)</u>	<u>880,214</u>
Total liabilities	<u>2,369,107</u>	<u>-</u>	<u>-</u>	<u>(110,000)</u>	<u>2,259,107</u>
Net assets:					
Without donor restrictions:					
Undesignated	28,302,898	-	1,406	-	28,304,304
Designated by Board of Directors	-	1,492,887	-	-	1,492,887
With donor restrictions	1,212,032	2,338,176	-	-	3,550,208
Total net assets	<u>29,514,930</u>	<u>3,831,063</u>	<u>1,406</u>	<u>-</u>	<u>33,347,399</u>
Total liabilities and net assets	<u>\$ 31,884,037</u>	<u>\$ 3,831,063</u>	<u>\$ 1,406</u>	<u>\$ (110,000)</u>	<u>\$ 35,606,506</u>

See Independent Auditor's Report.

**GALVESTON HISTORICAL FOUNDATION, INC.**  
**COMBINING STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Galveston Historical Foundation			GHF Endowment, Inc.			Galveston Island Tours		Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total		
Support and revenue:										
Contributions and grants of cash and other financial assets	\$ 1,507,456	\$ 899,766	\$ 2,407,222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,407,222
Event income	915,927	-	915,927	-	-	-	-	-	-	915,927
Admissions and activity fees	1,139,581	-	1,139,581	-	-	-	-	-	-	1,139,581
Merchandise sales	524,677	-	524,677	-	-	-	-	-	-	524,677
Membership dues	165,235	-	165,235	-	-	-	-	-	-	165,235
Rental fee income	1,133,443	-	1,133,443	-	-	-	-	-	-	1,133,443
Other	284,891	-	284,891	-	-	-	-	-	-	284,891
Investment income	53,457	5,824	59,281	88,962	-	88,962	-	-	-	148,243
Realized gain on investments, net	-	(2,054)	(2,054)	100,939	-	100,939	-	-	-	98,885
Realized gain on sale of assets	47,454	-	47,454	-	-	-	-	-	-	47,454
Unrealized gain on investments	24,061	107,591	131,652	232,141	-	232,141	-	-	-	363,793
Income distributions	130,052	-	130,052	(130,052)	-	(130,052)	-	-	-	-
Total support and revenue	<u>5,926,234</u>	<u>1,011,127</u>	<u>6,937,361</u>	<u>291,990</u>	<u>-</u>	<u>291,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,229,351</u>
Net assets released from restrictions	906,121	(906,121)	-	-	-	-	-	-	-	-
Total	<u>6,832,355</u>	<u>105,006</u>	<u>6,937,361</u>	<u>291,990</u>	<u>-</u>	<u>291,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,229,351</u>
Expenses:										
Program services:										
Events	803,520	-	803,520	-	-	-	-	-	-	803,520
Preservation services	714,754	-	714,754	-	-	-	-	-	-	714,754
Museums	290,220	-	290,220	-	-	-	-	-	-	290,220
Texas Seaport Museum	1,680,926	-	1,680,926	-	-	-	-	-	-	1,680,926
Seagull	176,920	-	176,920	-	-	-	-	-	-	176,920
Ashton Villa	228,352	-	228,352	-	-	-	-	-	-	228,352
Garten Verein	246,060	-	246,060	-	-	-	-	-	-	246,060
Bishop's Palace	670,152	-	670,152	-	-	-	-	-	-	670,152
Shearn Moody Plaza	1,387,797	-	1,387,797	-	-	-	-	-	-	1,387,797
Other historical properties	59,595	-	59,595	-	-	-	-	-	-	59,595
Total program services	<u>6,258,296</u>	<u>-</u>	<u>6,258,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,258,296</u>
Supporting services:										
Management and general	1,523,246	-	1,523,246	24,775	-	24,775	1,406	1,406	-	1,549,427
Membership services - fundraising	241,564	-	241,564	-	-	-	-	-	-	241,564
Marketing	155,252	-	155,252	-	-	-	-	-	-	155,252
Total supporting services	<u>1,920,062</u>	<u>-</u>	<u>1,920,062</u>	<u>24,775</u>	<u>-</u>	<u>24,775</u>	<u>1,406</u>	<u>1,406</u>	<u>-</u>	<u>1,946,243</u>
Total expenses	<u>8,178,358</u>	<u>-</u>	<u>8,178,358</u>	<u>24,775</u>	<u>-</u>	<u>24,775</u>	<u>1,406</u>	<u>1,406</u>	<u>-</u>	<u>8,204,539</u>
Changes in net assets	(1,346,003)	105,006	(1,240,997)	267,215	-	267,215	(1,406)	(1,406)	-	(975,188)
Net assets, beginning of year	<u>28,302,898</u>	<u>1,212,032</u>	<u>29,514,930</u>	<u>1,492,887</u>	<u>2,338,176</u>	<u>3,831,063</u>	<u>1,406</u>	<u>1,406</u>	<u>-</u>	<u>33,347,399</u>
Net assets, end of year	<u>\$ 26,956,895</u>	<u>\$ 1,317,038</u>	<u>\$ 28,273,933</u>	<u>\$ 1,760,102</u>	<u>\$ 2,338,176</u>	<u>\$ 4,098,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,372,211</u>

See Independent Auditor's Report.

**GALVESTON HISTORICAL FOUNDATION, INC.**  
**COMBINING STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Galveston Historical Foundation			GHF Endowment, Inc.			Galveston Island Tours		Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total		
Support and revenue:										
Contributions and grants of cash and other financial assets	\$ 384,854	\$ 463,992	\$ 848,846	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 848,846
Contributions of nonfinancial assets	113,323	-	113,323	-	-	-	-	-	-	113,323
Event income	977,829	-	977,829	-	-	-	-	-	-	977,829
Admissions and activity fees	2,145,362	-	2,145,362	-	-	-	-	-	-	2,145,362
Merchandise sales	609,073	-	609,073	-	-	-	-	-	-	609,073
Membership dues	164,719	-	164,719	-	-	-	-	-	-	164,719
Rental fee income	1,179,166	-	1,179,166	-	-	-	-	-	-	1,179,166
Other	110,989	-	110,989	-	-	-	-	-	-	110,989
Investment income	2,072	24,685	26,757	56,841	-	56,841	-	-	-	83,598
Realized gain on investments, net	-	60,238	60,238	167,079	-	167,079	-	-	-	227,317
Realized gain on sale of assets	98,520	-	98,520	-	-	-	-	-	-	98,520
Unrealized loss on investments	-	(167,327)	(167,327)	(860,206)	-	(860,206)	-	-	-	(1,027,533)
Forgiveness of PPP loan	847,600	-	847,600	-	-	-	-	-	-	847,600
Income distributions	181,691	-	181,691	(181,691)	-	(181,691)	-	-	-	-
Total support and revenue	<u>6,815,198</u>	<u>381,588</u>	<u>7,196,786</u>	<u>(817,977)</u>	<u>-</u>	<u>(817,977)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,378,809</u>
Net assets released from restrictions	1,323,083	(1,323,083)	-	-	-	-	-	-	-	-
Total	<u>8,138,281</u>	<u>(941,495)</u>	<u>7,196,786</u>	<u>(817,977)</u>	<u>-</u>	<u>(817,977)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,378,809</u>
Expenses:										
Program services:										
Events	812,869	-	812,869	-	-	-	-	-	-	812,869
Preservation services	662,931	-	662,931	-	-	-	-	-	-	662,931
Museums	248,344	-	248,344	-	-	-	-	-	-	248,344
Texas Seaport Museum	1,055,396	-	1,055,396	-	-	-	-	-	-	1,055,396
Seagull	183,546	-	183,546	-	-	-	-	-	-	183,546
Ashton Villa	230,385	-	230,385	-	-	-	-	-	-	230,385
Garten Verein	275,921	-	275,921	-	-	-	-	-	-	275,921
Bishop's Palace	609,265	-	609,265	-	-	-	-	-	-	609,265
Shearn Moody Plaza	1,377,095	-	1,377,095	-	-	-	-	-	-	1,377,095
Other historical properties	59,078	-	59,078	-	-	-	-	-	-	59,078
Total program services	<u>5,514,830</u>	<u>-</u>	<u>5,514,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,514,830</u>
Supporting services:										
Management and general	1,200,854	-	1,200,854	25,553	-	25,553	-	-	-	1,226,407
Membership services - fundraising	233,179	-	233,179	-	-	-	-	-	-	233,179
Marketing	287,406	-	287,406	-	-	-	-	-	-	287,406
Total supporting services	<u>1,721,439</u>	<u>-</u>	<u>1,721,439</u>	<u>25,553</u>	<u>-</u>	<u>25,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,746,992</u>
Total expenses	<u>7,236,269</u>	<u>-</u>	<u>7,236,269</u>	<u>25,553</u>	<u>-</u>	<u>25,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,261,822</u>
Changes in net assets	902,012	(941,495)	(39,483)	(843,530)	-	(843,530)	-	-	-	(883,013)
Net assets, beginning of year	27,400,886	2,153,527	29,554,413	2,336,417	2,338,176	4,674,593	1,406	1,406	-	34,230,412
Net assets, end of year	<u>\$ 28,302,898</u>	<u>\$ 1,212,032</u>	<u>\$ 29,514,930</u>	<u>\$ 1,492,887</u>	<u>\$ 2,338,176</u>	<u>\$ 3,831,063</u>	<u>\$ 1,406</u>	<u>\$ 1,406</u>	<u>\$ -</u>	<u>\$ 33,347,399</u>

See Independent Auditor's Report.

**GALVESTON HISTORICAL FOUNDATION, INC.**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Galveston Historical Foundation, Inc.</u>	<u>GHF Endowment Inc.</u>	<u>Galveston Island Tours</u>	<u>Total</u>
Cash flows from operating activities:				
Changes in net assets:	\$ (1,240,997)	\$ 267,215	\$ (1,406)	\$ (975,188)
Adjustments to reconcile changes in net assets to net cash from operating activities:				
Bad debt expense	29,890	-	-	29,890
Unrealized gain on investments	(131,652)	(232,141)	-	(363,793)
Realized loss (gain) on sale of investments	2,054	(100,939)	-	(98,885)
Realized gain on sale of investment property	(47,454)	-	-	(47,454)
Depreciation expense	1,094,053	-	-	1,094,053
Changes in operating assets and liabilities:				
Accounts receivable	-	-	-	-
Pledges receivable	17,500	-	-	17,500
Inventory	41,672	-	-	41,672
Prepaid expenses and other	(44,023)	-	-	(44,023)
Accounts payable and accrued liabilities	158,935	-	-	158,935
Net change in operating leases	9,082	-	-	9,082
Rental deposits	3,950	-	-	3,950
Net cash provided by (used in) operating activities	<u>(106,990)</u>	<u>(65,865)</u>	<u>(1,406)</u>	<u>(174,261)</u>
Cash flows from investing activities:				
Purchase of fixed assets	(1,585,963)	-	-	(1,585,963)
Purchase of investment property	(19,445)	-	-	(19,445)
Proceeds from sale of investment property	198,000	-	-	198,000
Purchase of investments	(23,267)	(725,249)	-	(748,516)
Proceeds from sale of investments	64,832	791,114	-	855,946
Net cash (used in) provided by investing activities	<u>(1,365,843)</u>	<u>65,865</u>	<u>-</u>	<u>(1,299,978)</u>
Cash flows from financing activities:				
Proceeds from notes payable	350,000	-	-	350,000
Net payments on line of credit	(201,403)	-	-	(201,403)
Payments on notes payable	(66,938)	-	-	(66,938)
Net cash used in financing activities	<u>81,659</u>	<u>-</u>	<u>-</u>	<u>81,659</u>
Net decrease in cash and cash equivalents	(1,391,174)	-	(1,406)	(1,392,580)
Cash and cash equivalents, beginning of year	<u>2,682,016</u>	<u>-</u>	<u>1,406</u>	<u>2,683,422</u>
Cash and cash equivalents, end of year	<u>\$ 1,290,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,290,842</u>
Supplemental cash flow disclosures:				
Interest paid	<u>\$ 72,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,480</u>

See Independent Auditor's Report.

**GALVESTON HISTORICAL FOUNDATION, INC.**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Galveston Historical Foundation, Inc.</b>	<b>GHF Endowment Inc.</b>	<b>Galveston Island Tours</b>	<b>Total</b>
Cash flows from operating activities:				
Changes in net assets:	\$ (39,483)	\$ (843,530)	\$ -	\$ (883,013)
Adjustments to reconcile changes in net assets to net cash from operating activities:				
Unrealized loss on investments	167,327	860,206	-	1,027,533
Realized gain on sale of investment property	(98,520)	-	-	(98,520)
Realized gain on sale of property and equipment	-	-	-	-
PPP loan forgiveness	(847,600)	-	-	(847,600)
Depreciation expense	1,007,087	-	-	1,007,087
Changes in operating assets and liabilities:				
Accounts receivable	267,523	-	-	267,523
Pledges receivable	717,500	-	-	717,500
Inventory	(88,175)	-	-	(88,175)
Prepaid expenses and other	(23,028)	-	-	(23,028)
Accounts payable and accrued liabilities	(76,948)	-	-	(76,948)
Rental deposits	(4,475)	-	-	(4,475)
Net cash provided by (used in) operating activities	<u>920,970</u>	<u>(150,403)</u>	<u>-</u>	<u>770,567</u>
Cash flows from investing activities:				
Purchase of fixed assets	(1,139,527)	-	-	(1,139,527)
Purchase of investment property	(359,263)	-	-	(359,263)
Proceeds from sale of investment property	425,148	-	-	425,148
Purchase of investments	(24,685)	(587,802)	-	(612,487)
Proceeds from sale of investments	67,250	738,205	-	805,455
Net cash (used in) provided by investing activities	<u>(1,031,077)</u>	<u>150,403</u>	<u>-</u>	<u>(880,674)</u>
Cash flows from financing activities:				
Proceeds from notes payable	19,412	-	-	19,412
Net proceeds from line of credit	201,403	-	-	201,403
Payments on notes payable	(561,589)	-	-	(561,589)
Net cash used in financing activities	<u>(340,774)</u>	<u>-</u>	<u>-</u>	<u>(340,774)</u>
Net decrease in cash and cash equivalents	(450,881)	-	-	(450,881)
Cash and cash equivalents, beginning of year	<u>3,132,897</u>	<u>-</u>	<u>1,406</u>	<u>3,134,303</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,682,016</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,406</u></u>	<u><u>\$ 2,683,422</u></u>
Supplemental cash flow disclosures:				
Interest paid	<u><u>\$ 80,719</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 80,719</u></u>

See Independent Auditor's Report.