



*Founded in 1967 as the
Hidalgo County Historical Museum*

***Financial Statements
and
Auditor's Report***

December 31, 2013

**Financial Statements
and
Independent Auditor's
Report**

MUSEUM OF SOUTH TEXAS HISTORY

December 31, 2013

LONG CHILTON, LLP
Certified Public Accountants
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McAllen, Texas 78504
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MUSEUM OF SOUTH TEXAS HISTORY
For the year ended December 31, 2013

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Board of Directors
Museum of South Texas History
Edinburg, Texas

We have audited the accompanying financial statements of the Museum of South Texas History (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, statements of activities for individual funds (Operating, Plant, Endowment, Jail) and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum of South Texas History as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Long Chilton, LLP". The script is cursive and fluid, with the letters "L", "C", and "P" being particularly prominent.

LONG CHILTON, LLP

Certified Public Accountants

McAllen, Texas
June 13, 2014

FINANCIAL STATEMENTS

MUSEUM OF SOUTH TEXAS HISTORY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS	Operating	Plant	Endowment	Legacy Park	Historic Jail	Eliminations	Total
Current Assets:							
Cash	\$ 847,547	\$ 50,548	\$ 1,052,441	\$ 26,515	\$ 531,811	\$ -	\$ 2,508,863
Investments	89,015	-	1,844,031	-	-	-	1,933,046
Interest receivable	198	-	6,252	-	-	-	6,450
Receivables from government agencies	1,100	-	12,868	-	5,201	-	19,168
Accounts and pledges receivable (net)	27,152	-	-	-	-	-	27,152
Inventory	37,356	-	-	-	-	-	37,356
Other current assets	22,035	-	-	-	-	-	22,035
Due from other funds	-	-	100,151	300	25,750	(126,201)	-
Total Current Assets	<u>1,024,404</u>	<u>50,548</u>	<u>3,015,742</u>	<u>26,815</u>	<u>562,762</u>	<u>(126,201)</u>	<u>4,554,070</u>
Noncurrent Assets:							
Long-term receivable	5,000	-	-	-	-	-	5,000
Collections (see note 1. J.)	-	-	-	-	-	-	-
Fixed assets (net of accumulated depreciation)	-	<u>6,732,757</u>	-	-	<u>8,250</u>	-	<u>6,741,007</u>
Total Noncurrent Assets	<u>5,000</u>	<u>6,732,757</u>	-	-	<u>8,250</u>	-	<u>6,746,007</u>
TOTAL ASSETS	<u>\$ 1,029,404</u>	<u>\$ 6,783,305</u>	<u>\$ 3,015,742</u>	<u>\$ 26,815</u>	<u>\$ 571,012</u>	<u>\$ (126,201)</u>	<u>\$ 11,300,077</u>

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

(Continued)

MUSEUM OF SOUTH TEXAS HISTORY
STATEMENT OF FINANCIAL POSITION (Continued)
DECEMBER 31, 2013

LIABILITIES AND NET ASSETS		Operating	Plant	Endowment	Legacy Park	Historic Jail	Eliminations	Total
Current liabilities								
Accounts payable	\$	41,050	-	\$	-	\$	-	\$ 41,050
Accrued expenses		43,883	-	-	-	-	-	43,883
Due to other funds		126,201	-	-	-	-	(126,201)	-
Deferred revenue		101,830	-	-	-	-	-	101,830
Total Current Liabilities		312,964	-	-	-	-	(126,201)	186,763
Total Liabilities		312,964	-	-	-	-	(126,201)	186,763
Net Assets								
Unrestricted								
Other unrestricted		359,936	6,764,818	-	-	-	-	7,124,754
Board designated		300,000	-	913,663	-	-	-	1,213,663
Temporarily restricted		56,504	18,487	800,079	26,815	571,012	-	1,472,897
Permanently restricted		-	-	1,302,000	-	-	-	1,302,000
Total Net Assets		716,440	6,783,305	3,015,742	26,815	571,012	-	11,113,314
TOTAL LIABILITIES AND NET ASSETS		\$ 1,029,404	\$ 6,783,305	\$ 3,015,742	\$ 26,815	\$ 571,012	\$ (126,201)	\$ 11,300,077

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

MUSEUM OF SOUTH TEXAS HISTORY
STATEMENT OF ACTIVITIES
DECEMBER 31, 2013

	Operating	Plant	Endowment	Legacy Park	Historic Jail	Eliminations	Total
Operating revenue, gains, and other support							
Donations	\$ 20,323	\$ 2,320	\$ 726,772	\$ 400	\$ 290,217	\$ -	\$ 1,040,033
In-kind contributions	71,416	-	-	-	1,750	-	73,166
Grants from government agencies	619,150	-	-	-	125,000	-	744,150
Fundraising events	170,711	-	-	-	-	-	170,711
Annual donations	408,172	-	-	-	-	-	408,172
Investment income	4,386	208	273,082	-	631	-	278,306
Admission charges	68,214	-	-	-	-	-	68,214
Auxiliary activities	148,876	-	-	-	-	-	148,876
Rents and royalties	13,062	-	71,549	-	-	-	84,611
Other	7,342	-	-	-	-	-	7,342
Total Operating Revenues, Gains, and Other Support	\$ 1,531,653	\$ 2,528	\$ 1,071,403	\$ 400	\$ 417,598	\$ -	\$ 3,023,582

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

(Continued)

MUSEUM OF SOUTH TEXAS HISTORY
STATEMENT OF ACTIVITIES (Continued)
DECEMBER 31, 2013

	Operating	Plant	Endowment	Legacy Park	Historic Jail	Eliminations	Total
Operating expenses							
Program services							
Archives, exhibits and collections	\$ 27,913	\$ 181,091	\$ -	\$ -	\$ -	\$ -	\$ 209,004
Education programs	22,869	-	-	-	-	-	22,869
General program services	897,021	162,542	-	-	2,708	-	1,062,272
Total program services	947,803	343,633	-	-	2,708	-	1,294,145
Supporting services							
Management and general	347,791	5,584	-	-	1,872	-	355,247
Costs of direct donor benefits	40,445	-	-	-	-	-	40,445
Fundraising	164,421	2,131	-	-	34,261	-	200,814
Auxiliary service	90,107	1,350	-	-	-	-	91,457
Total supporting services	642,765	9,065	-	-	36,133	-	687,962
Total Operating Expenses	1,590,568	352,698	-	-	38,841	-	1,982,107
Change in Net Assets from Operations	(58,915)	(350,170)	1,071,403	400	378,757	-	1,041,475
Other changes							
Transfers out	(12,524)	(1,760)	(57,228)	-	-	71,512	-
Transfers in	58,988	12,524	-	-	-	(71,512)	-
Total Other Changes	46,463	10,765	(57,228)	-	-	-	-
Increase/(Decrease) in Net Assets	(12,452)	(339,405)	1,014,175	400	378,757	-	1,041,475
Beginning net assets	728,892	7,122,711	2,001,567	26,415	192,255	-	10,071,840
Ending net assets	\$ 716,440	\$ 6,783,305	\$ 3,015,742	\$ 26,815	\$ 571,012	\$ -	\$ 11,113,314

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

MUSEUM OF SOUTH TEXAS HISTORY
STATEMENT OF ACTIVITIES-OPERATING FUND
Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Operating revenue, gains, and other support:			
Donations	\$ 20,323	\$ -	\$ 20,323
In-kind donations	71,416	-	71,416
Grants from government agencies	524,150	95,000	619,150
Fundraising events	170,711	-	170,711
Annual donations	408,172	-	408,172
Investment income	4,281	105	4,386
Admission charges	68,214	-	68,214
Auxiliary activities	148,876	-	148,876
Rents and royalties	13,062	-	13,062
Other	7,342	-	7,342
Satisfaction of program/use restrictions	116,582	(116,582)	-
Total Operating Revenues, Gains, and Other Support	<u>1,553,130</u>	<u>(21,478)</u>	<u>1,531,653</u>
Operating expenses			
Program services			
Archives, exhibits and collections	27,913	-	27,913
Education programs	22,869	-	22,869
General program services	897,021	-	897,021
Total Program Services	<u>947,803</u>	<u>-</u>	<u>947,803</u>
Supporting services			
Management and general	347,791	-	347,791
Costs of direct donor benefits	40,445	-	40,445
Fundraising	164,421	-	164,421
Auxiliary service	90,107	-	90,107
Total Supporting Services	<u>642,765</u>	<u>-</u>	<u>642,765</u>
Total Operating Expenses	<u>1,590,568</u>	<u>-</u>	<u>1,590,568</u>
Changes in Net Assets from Operations	(37,438)	(21,478)	(58,915)
Other Changes			
Transfers out	(12,524)	-	(12,524)
Transfers in	58,988	-	58,988
Total Other Changes	<u>46,463</u>	<u>-</u>	<u>46,463</u>
Increase/(Decrease) in Net Assets	9,026	(21,478)	(12,452)
Beginning net assets	<u>650,910</u>	<u>77,981</u>	<u>728,892</u>
Ending net assets	<u>\$ 659,936</u>	<u>\$ 56,504</u>	<u>\$ 716,440</u>

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

MUSEUM OF SOUTH TEXAS HISTORY
STATEMENT OF ACTIVITIES-PLANT FUND
Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Operating revenue, gains, and other support:			
Donations	\$ 200	\$ 2,120	\$ 2,320
Investment income	208	-	208
Satisfaction of program/use restrictions	<u>45,350</u>	<u>(45,350)</u>	<u>-</u>
Total Operating Revenues, Gains, and Other Support	<u>45,758</u>	<u>(43,230)</u>	<u>2,528</u>
Operating expenses			
Program services			
Archives, exhibits and collections	181,091	-	181,091
General program services	<u>162,542</u>	<u>-</u>	<u>162,542</u>
Total Program Services	<u>343,633</u>	<u>-</u>	<u>343,633</u>
Supporting services			
Management and general	5,584	-	5,584
Fundraising	2,131	-	2,131
Auxiliary service	<u>1,350</u>	<u>-</u>	<u>1,350</u>
Total Supporting Services	<u>9,065</u>	<u>-</u>	<u>9,065</u>
Total Operating Expenses	<u>352,698</u>	<u>-</u>	<u>352,698</u>
Changes in Net Assets from Operations	(306,940)	(43,230)	(350,170)
Other Changes			
Transfers out	(1,760)	-	(1,760)
Transfers in	<u>12,524</u>	<u>-</u>	<u>12,524</u>
Total Other Changes	<u>10,765</u>	<u>-</u>	<u>10,765</u>
Increase/(Decrease) in Net Assets	(296,175)	(43,230)	(339,405)
Beginning net assets	<u>7,060,994</u>	<u>61,717</u>	<u>7,122,711</u>
Ending net assets	<u>\$ 6,764,818</u>	<u>\$ 18,487</u>	<u>\$ 6,783,305</u>

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

MUSEUM OF SOUTH TEXAS HISTORY
STATEMENT OF ACTIVITIES-ENDOWMENT FUND
Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue, gains, and other support:				
Contributions	\$ 724,772	\$ -	\$ 2,000	\$ 726,772
Investment income	-	273,083	-	273,083
Royalties	-	71,548	-	71,548
Satisfaction of program/use restrictions	<u>57,228</u>	<u>(57,228)</u>	<u>-</u>	<u>-</u>
Total Operating Revenues, Gains, and Other Support	<u>782,000</u>	<u>287,403</u>	<u>2,000</u>	<u>1,071,403</u>
Changes in Net Assets from Operations	782,000	287,403	2,000	1,071,403
Other Changes				
Transfers out	<u>(57,228)</u>	<u>-</u>	<u>-</u>	<u>(57,228)</u>
Total Other Changes	<u>(57,228)</u>	<u>-</u>	<u>-</u>	<u>(57,228)</u>
Increase/(Decrease) in Net Assets	724,772	287,403	2,000	1,014,175
Beginning net assets	<u>188,891</u>	<u>512,676</u>	<u>1,300,000</u>	<u>2,001,567</u>
Ending net assets	<u>\$ 913,663</u>	<u>\$ 800,079</u>	<u>\$ 1,302,000</u>	<u>\$ 3,015,742</u>

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

MUSEUM OF SOUTH TEXAS HISTORY
STATEMENT OF ACTIVITIES-JAIL FUND
Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains, and other support:			
Donations	\$ -	\$ 290,217	\$ 290,217
In-kind donations	-	1,750	1,750.00
Grants from government agencies	-	125,000	125,000
Investment income	-	631	631
Satisfaction of program/use restrictions	<u>38,841</u>	<u>(38,841)</u>	<u>-</u>
Total Operating Revenues, Gains, and Other Support	<u>38,841</u>	<u>378,757</u>	<u>417,598</u>
Expenses			
Program services			
General program services	<u>2,708</u>	<u>-</u>	<u>2,708</u>
Total Program Services	<u>2,708</u>	<u>-</u>	<u>2,708</u>
Supporting services			
Management and general	1,872	-	1,872
Fundraising	<u>34,261</u>	<u>-</u>	<u>34,261</u>
Total Supporting Services	<u>36,133</u>	<u>-</u>	<u>36,133</u>
Total Operating Expenses	<u>38,841</u>	<u>-</u>	<u>38,841</u>
Increase/(Decrease) in Net Assets	-	378,757	378,757
Beginning net assets	<u>-</u>	<u>192,255</u>	<u>192,255</u>
Ending net assets	<u>\$ -</u>	<u>\$ 571,012</u>	<u>\$ 571,012</u>

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

MUSEUM OF SOUTH TEXAS HISTORY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2013

	Operating	Plant	Endowment	Legacy Park	Historic Jail	Eliminations	Total
Cash flows from operating activities:							
Change in net assets	\$ (58,915)	\$ (350,170)	\$ 1,071,403	\$ 400	\$ 378,757	\$ -	\$ 1,041,475
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:							
Depreciation and amortization	-	310,213	-	-	-	-	310,213
Other	(1,507)	-	-	-	-	-	(1,507)
Unrealized gain on investments	(532)	-	(106,998)	-	-	-	(107,530)
(Increase)/decrease in pledges and accounts receivable (net)	96,099	250	-	-	44,799	-	141,148
(Increase)/decrease in prepaid expenses and other current assets	(7,456)	-	-	-	-	-	(7,456)
(Increase)/decrease in inventories	4,093	-	-	-	-	-	4,093
(Increase) decrease in due from other funds	16,557	-	-	(300)	(25,750)	9,493	-
(Decrease)/increase in accounts payable	6,432	-	-	-	-	-	6,432
(Decrease)/increase in accrued expenses	(8,509)	-	-	-	-	-	(8,509)
(Decrease)/increase in due to other funds	126,201	-	(100,151)	-	(16,557)	(9,493)	-
(Decrease)/increase in deferred revenue	(25,196)	-	-	-	-	-	(25,196)
Net cash provided by (used in) operating activities	147,266	(39,707)	864,254	100	381,249	-	1,353,162
Cash flows from investing activities:							
Proceeds from stock sales and maturity of certificates of deposit	104,272	-	552,584	-	-	-	656,857
Purchase of investments	(88,473)	-	(691,846)	-	-	-	(780,320)
Acquisition of fixed assets	-	(10,765)	-	-	-	-	(10,765)
Net cash provided by (used in) investing activities	15,799	(10,765)	(139,262)	-	-	-	(134,227)

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

(Continued)

MUSEUM OF SOUTH TEXAS HISTORY
STATEMENT OF CASH FLOWS (Continued)
Year Ended December 31, 2013

Cash flows from financing activities:									
Transfers (out)/in	46,463	10,765	(57,228)	-	-	-	-	-	-
Net cash provided by (used in) financing activities	<u>46,463</u>	<u>10,765</u>	<u>(57,228)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	209,529	(39,707)	667,765	100	381,249	-	-	1,218,936	-
Cash and cash equivalents at beginning of year	<u>638,018</u>	<u>90,255</u>	<u>384,676</u>	<u>26,415</u>	<u>150,562</u>	<u>-</u>	<u>-</u>	<u>1,289,927</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 847,547</u>	<u>\$ 50,548</u>	<u>\$ 1,052,441</u>	<u>\$ 26,515</u>	<u>\$ 531,811</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,508,863</u>	<u>\$ -</u>

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

MUSEUM OF SOUTH TEXAS HISTORY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

On February 20, 1967, the Hidalgo County Historical Museum (Museum) was chartered by the Texas Secretary of State as a nonprofit education organization. On June 18, 2002, the Board voted to change the name of the Museum of South Texas History (MOSTH) to better reflect the scope of work done at the Museum. MOSTH is located at 200 North Closner Boulevard, Edinburg, Texas. The Museum of South Texas History received its accreditation from the American Association of Museums in 2013. MOSTH's purpose is to increase and diffuse knowledge and appreciation of history and to that end establish and maintain, in the City of Edinburg, a museum and reference library to collect and preserve objects of historic interest, to protect historic sites from needless destruction, to provide facilities for research and publication, and to offer popular instruction and opportunities for aesthetic enjoyment. The charter evolved from the efforts of the Hidalgo County Historical Survey Committee. MOSTH is governed by an elected Board of Trustees (The Board). The mission statement adopted by the Board is, "To preserve and present the borderland heritage of South Texas and Northeastern Mexico. The current vision statement adopted by the Board is: "The Museum of South Texas History will utilize its resources to be a trusted, internationally recognized interpretative and research center. We will share the blended and unique heritage of South Texas and northeastern Mexico through exhibits, programs and activities—seeking always to promote dialogue, educate our communities and inspire the people of our region and beyond."

Funding is primarily provided by public contributions, program and exhibit fees, investment income, special fundraising events, and government grants and contributions.

B. Basis of Accounting and Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Codification (ASC) 958-205 (Not for Profit Entities – Presentation of Financial Statements). In Accordance with ASC 958-205, MOSTH is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. From time to time MOSTH's board will choose to place limitations on unrestricted net assets. These are denoted in the financial statements as board designated net assets.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of MOSTH and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

MUSEUM OF SOUTH TEXAS HISTORY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by MOSTH. Generally, the donors of these assets permit MOSTH to use all or part of the income earned on any related investments for general or specific purposes.

To ensure observance of limitations and restrictions placed on the use of resources available, MOSTH's accounts are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds established according to their nature and purpose. The assets, liabilities, and net assets of MOSTH are reported in the following funds:

Operating Fund - The operating fund consists of resources that are available for the support of MOSTH's general operations. Alternatively, the Board may transfer unrestricted funds to any restricted fund with the approval of a majority of the Board members present at a properly convened meeting.

Plant Fund - Plant fund resources are utilized for land, buildings, and equipment acquisitions. The cost of these acquisitions and accumulated depreciation is recorded in this fund.

Endowment Fund - Endowment fund resources are subject to certain MOSTH policies and Board restrictions, which require the principal to be invested and the income derived from such investments to be utilized for MOSTH's operations.

Will Looney Legacy Park - Memorials and contributions given to MOSTH following the death of Will Looney in 2003 were used to begin the Will Looney Legacy Park on adjacent property purchased from Olivia (Mrs. Raul) Rios. This property was acquired for conversion to green space to feature a bronze sculpture, windmill, and "education stations" to be incorporated into MOSTH's programs. Phase one of this project was completed in 2008. Funds currently accumulated will be used for phase two of the park.

Historic 1910 Jail - This fund is used to account for donations and expenditures for the purpose of renovating the historic 1910 Hidalgo County Jail.

C. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

MUSEUM OF SOUTH TEXAS HISTORY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

D. Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash, accounts receivable, accounts payable and accrued liabilities: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

E. Contributions

MOSTH accounts for contributions in accordance with the recommendations of the FASB Accounting Standards Codification (ASC) 958-605 (Not-for Profit Entities – Revenue Recognition).

In accordance with ASC 958-605, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

F. Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

G. Cash and Cash Equivalents

For the purpose of the statement of cash flows, MOSTH considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

MUSEUM OF SOUTH TEXAS HISTORY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

H. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Investments in the operating and plant fund are certificates of deposit in local financial institutions and marketable securities. In accordance with the endowment investment policy of MOSTH, a portion of the endowment funds are invested under the guidance of South Texas Money Management. These investments consist of bonds and marketable securities.

I. Property, Plant, and Equipment

It is MOSTH's policy to capitalize property and equipment over \$500 with a useful life exceeding one year. Lesser amounts are expensed. Plant fund resources are utilized for the acquisition of land, buildings, and equipment. Any operating fund amounts used to acquire property, plant, or equipment with an extended life are accounted for as transfers to the plant fund. Property, plant, and equipment are depreciated or amortized using the straight line-method over the estimated useful lives of the asset classes below:

Website	3 years
Furniture and fixtures	5-10 years
Buildings and improvements	10-40 years
Intangible assets	10 years

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, MOSTH reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. MOSTH reclassifies temporarily restricted net assets to unrestricted net assets at that time.

MUSEUM OF SOUTH TEXAS HISTORY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Depreciation and amortization are charged against current operations. Expenditures for major additions and improvements are capitalized. Routine maintenance, repairs, and replacement costs are expensed. When equipment or other property is disposed of, the cost and related accumulated depreciation is removed from the respective accounts, and any gain or loss is reflected in the results of operations.

J. Collections

MOSTH maintains permanent collections pertaining to northeastern Mexico and South Texas. These holdings are both two and three-dimensional artifacts ranging from prehistoric materials to items of contemporary culture. Collection strengths include numerous artifacts pertaining to farming and ranching with a large photographic archive. MOSTH maintains, separate from the permanent collection, a collection of items used for hands-on-activities or other educational purposes.

In conformity with industry standards, historical objects purchased and donated are not included as assets in the financial statements. Exhibits constructed are recorded at the cost of construction. Staff and trained volunteers use professionally recognized practices and archival quality materials to care for the collections. MOSTH provides storage and display environments that safeguard the artifacts from deleterious conditions.

K. Inventories

Inventories are tracked perpetually and stated using weighted average cost. Inventories consist primarily of MOSTH store merchandise and publications.

L. Deferred Revenues

Deferred revenue represents revenues collected but not earned as of December 31, 2013. This is primarily composed of revenue from governmental agencies and other customers.

M. Operations

Operations include all activity of the organization with the exception of transfers between funds.

N. Expense Allocation

The cost of providing various programs and supporting services have been summarized on a functional basis in the statement of activities and the notes to the financial statements.

MUSEUM OF SOUTH TEXAS HISTORY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

O. Federal Income Tax Status

MOSTH is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. However, rental income and earnings from certain activities not directly related to MOSTH's tax-exempt purpose are subject to taxation as unrelated business income. In addition, MOSTH qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

MOSTH's federal income tax returns for 2013, 2012, and 2011 remain open to examination by the Internal Revenue Service.

P. Contributed Services

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized.

Q. Fair Value Measurements

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a hierarchy that prioritizes the inputs to valuation techniques. 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principle market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that MOSTH has the ability to access.

MUSEUM OF SOUTH TEXAS HISTORY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the assets or liabilities, which are typically based on the entity's own assumptions, as there is little, if any, related market value.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK RELATED TO CASH DEPOSITS

MOSTH maintains cash balances at multiple financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2013, MOSTH's uninsured cash balances totaled \$25,875.

NOTE 3 – INVESTMENT SECURITIES- FAIR VALUE AND UNREALIZED GAIN

Investment securities are presented at fair value to more accurately reflect their current values. The fair value of investment securities is provided by the custodian of MOSTH's investment accounts, Charles Schwab. Values used are based on the closing prices of securities traded on various exchanges and bond markets. All investments held by MOSTH are considered to have level 1 inputs and are therefore included within the level 1 hierarchy.

Fair values of investments held by the operating and endowment funds are as follows:

	Market Value 12/31/2013
Equity securities	\$ 1,325,457
Bonds:	
Corporate and bonds	49,463
Municipal bonds	558,126
	<u>\$ 1,933,046</u>

Total investment return for all funds was \$278,306 and consists of the following:

Interest and dividends	\$ 47,511
Realized gain/(loss)	142,135
Unrealized gain/(loss)	107,529
Subtotal	297,177
Less: Investment expenses	(18,870)
Total Investment Return	<u>\$ 278,306</u>

MUSEUM OF SOUTH TEXAS HISTORY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3 – INVESTMENT SECURITIES- FAIR VALUE AND UNREALIZED GAIN
(Continued)

Investment expenses consist of fees paid to the investment manager as well as transaction fees for purchases and sales of investment securities. No excise tax was due related to investment income.

Investment categories fluctuate periodically due to active portfolio management. The investment portfolios are managed by a third party investment manager who manages the portfolio within the constraints of the investment policies of MOSTH.

NOTE 4 – PLEDGES RECEIVABLE

MOSTH conducts an annual campaign each year to raise funds needed for daily operations. An allowance of \$35,505 has been established for estimated uncollectible pledges.

In recent years, two capital campaigns have been conducted, which have resulted in longer term pledges. MOSTH currently has one pledge outstanding from capital campaigns in the amount of \$10,000. Pledges receivable totaled \$67,657 as of December 31, 2013 and are expected to be collected as follows:

Receivable in less than one year	\$ 62,657
Receivable in more than one year	<u>5,000</u>
Total pledges receivable	67,657
Less allowance for doubtful accounts	<u>(35,505)</u>
Total pledges to give at December 31, 2013	<u><u>\$ 32,152</u></u>
Net current pledges	\$ 27,152
Net long-term pledges	<u>5,000</u>
Total pledges to give at December 31, 2013	<u><u>\$ 32,152</u></u>

NOTE 5 – INVENTORIES

At December 31, 2013, MOSTH's inventories consisted of the following:

Books	\$ 11,729
Other store merchandise	<u>25,627</u>
Total	<u><u>\$ 37,356</u></u>

Shipping and handling costs are excluded from the value of items included in inventory.

MUSEUM OF SOUTH TEXAS HISTORY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 6 – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment in the plant fund consist of the following:

Land and improvements	\$1,893,176
Furniture, fixtures, and equipment	292,584
Permanent exhibits	2,485,566
Buildings and improvements	<u>5,535,128</u>
	10,206,454
Less: Accumulated depreciation and amortization	<u>(3,473,697)</u>
Total	<u><u>\$6,732,757</u></u>

In June 1988, MOSTH acquired the building and land adjacent to the original structure from Noble Walker and Associates of Austin. H. E. Butt Grocery (H-E-B) had owned and operated a grocery store in this property which was subsequently converted for use as governmental offices. Since that time, MOSTH has been raising funds and making significant capital expenditures for the purpose of expanding, improving, and modifying the facility and surrounding property.

In 2002, a new two story wing was added on the site of the parking lot. Renovations of the H-E-B building and installation of the exhibits were completed in 2003. The archive renovation was completed in 2004. These capital expenditures are classified according to their nature and depreciated pursuant to the lives described above.

A major fund-raising campaign, Project Preservation, was begun in 2004. The purpose was to provide funds to pay for the debt-financed purchase of the adjacent property owned by Risica & Sons and its conversion to additional parking and program space, a master plan for stabilization of the historic 1910 Hidalgo County Jail, a new jail roof, and completion of the River Crossroads portion of the Rio Grande Legacy exhibit.

Depreciation and amortization for 2013 was \$293,905 and \$16,307, respectively.

The \$8,250 reflected in the historic jail fund is the cumulative total of construction in progress through December 31, 2013. Once the renovation is completed, the construction costs will be transferred to the plant fund and depreciated.

Some artifacts and pieces of furniture are loaned to MOSTH. Since these assets are not owned, their values are not reflected in the financial statements.

MUSEUM OF SOUTH TEXAS HISTORY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 7 – DEFERRED REVENUE

Revenue not earned at December 31, 2013 and thus reflected as deferred consists of:

City of McAllen	\$ 31,050
Prepayments for 2014 operations	50,021
School contracts	20,019
Other	740
	<u>101,830</u>
	<u>\$ 101,830</u>

NOTE 8 – UNRESTRICTED – DESIGNATED NET ASSETS

MOSTH's Board of Directors has designated net assets in the operating and endowment funds as follows:

Operating Fund	
Reserve	\$ 300,000
Endowment Fund	
McFadden	105,000
Schaleben	83,891
O'Leary	399,722
White	325,000
	<u>1,213,613</u>
	<u>\$ 1,213,613</u>

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporary restrictions in the operating fund at December 31, 2013 are as follows:

Hotel/Motel	<u>\$ 56,504</u>
	<u>\$ 56,504</u>

The City of Edinburg distributes a portion of its hotel occupancy tax to MOSTH. The use of these funds is restricted to expenditures that directly enhance and promote tourism and the convention and hotel industry. This resource is maintained in a separate bank account.

Temporary restrictions in the plant fund at December 31, 2013 are as follows:

Archives	\$ 16,862
Memorial bricks	1,625
	<u>18,487</u>
	<u>\$ 18,487</u>

MUSEUM OF SOUTH TEXAS HISTORY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 9 – TEMPORARY RESTRICTED NET ASSETS *(Continued)*

Net assets for Legacy Park and the Jail are reflected as temporarily restricted since these projects have not been completed and funds have yet to be expended.

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

The endowment fund was established with a restricted donation from Margaret and Argyle McAllen in the amount of \$10,000. The Campaign of Discovery capital campaign, which expanded the existing facility and the permanent exhibit sequence, specified that \$1,000,000 would be added to the endowment fund. A pledge of \$150,000 was received for a named endowment in honor of Mrs. Rafael A. (Carmen) Guerra. Together with other restricted contributions, these make up the corpus of the \$1,302,000 endowment.

As mentioned in Note 7, MOSTH has several board designated endowments (quasi-endowments). These were contributions or bequests that were received by MOSTH and designated by the board as being part of the endowment fund. These are considered to be unrestricted net assets, since the restriction on such funds was created internally. However, these amounts are captioned within the financial statements as board designated in order to demonstrate the commitment to treating these as permanent endowments. The total original amount of quasi-endowments reflected as unrestricted and board designated net assets as of December 31, 2013 is \$913,664.

The temporarily restricted portion of the endowment fund consists of earnings on endowments. At December 31, 2013, total temporarily restricted net assets totaled \$800,079.

In May of 2010, MOSTH executed an oil and gas lease with Newfield Production Company for mineral interest (.01%) in Uintah County, Utah received as part of the Mary Ellen McFadden Endowment. Newfield requested and received approval in 2011 to establish 40-acre drilling and spacing units and to pool all interests in the Green River Formation included in this lease. Producing wells have been developed. Royalties received in 2013 amounted to approximately \$71,549 which represented production through October 2013 for most wells.

Effective September 1, 2007, the State of Texas adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which governs Texas charitable institutions with respect to the management, investment, and expenditure of donor-restricted endowment funds.

The Board of Directors has interpreted Texas' adoption of UPMIFA as requiring MOSTH to adopt investment and spending policies that preserve the fair value of the original gift as of the date of the gift, absent donor stipulations to the contrary. Although MOSTH has a long-term fiduciary duty to the donor (and others) for a fund of perpetual duration, the preservation of the endowment's purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of the endowment's original gift may be appropriated for expenditure in support of the restricted purposes of the endowment, if this is

MUSEUM OF SOUTH TEXAS HISTORY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS *(Continued)*

consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

As a result of this interpretation, MOSTH classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as temporarily restricted until those amounts are appropriated for expenditure by the Museum in a manner consistent with the purpose or time restriction, if any, imposed by the donor. Any investment return classified as permanently restricted represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

With regard to endowment losses or appropriations in excess of the fair value of the original gift, the portion of a donor-restricted endowment that is classified as permanently restricted is not reduced by losses on investments of the fund, except to the extent required by the donor, including losses related to specific investments that the donor requires MOSTH to hold in perpetuity. Similarly, the amount of permanently restricted net assets is not reduced by MOSTH's appropriations from the fund. In the absence of donor stipulations or law to the contrary, losses or appropriations of a donor restricted endowment reduce temporarily restricted net assets to the extent that donor imposed temporary restrictions on net appreciation of the fund have not been satisfied before the loss or appropriation occurs. Any remaining loss or appropriation reduces unrestricted net assets.

The objectives of the investment policy for the endowment assets is to preserve the purchasing power while protecting the principal against permanent loss, to generate a sufficient return to provide sustainable funding for current needs and to grow the principal of the endowment to protect from inflation. Risk parameters are specified to prohibit total equity investments from exceeding 75 percent of assets with no single position exceeding 5 percent. The annual spending objective is to use up to 4 ½ percent of a five year rolling market value of average assets. Approval of 80 percent of the Board is required if principal invasion is required to meet the spending objective.

NOTE 11 – GRANTS FROM GOVERNMENT AGENCIES

Grant revenue, in the operating fund, from government agencies in 2013 is as follows:

City of Edinburg	\$ 220,000
Hidalgo County	360,000
City of McAllen	<u>39,150</u>
	<u>\$ 619,150</u>

The City of Edinburg committed (subject to availability of appropriations) to provide \$50,000 for six years to be used in the renovation of the historic jail. The City, since September 2010, has

MUSEUM OF SOUTH TEXAS HISTORY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 11 – GRANTS FROM GOVERNMENT AGENCIES *(Continued)*

approved \$100,000 which has been reflected in prior financial statements. The City approved \$25,000 in their budget for fiscal year 2014, which is reflected in the current financial statements.

Similarly, Hidalgo County approved (subject to availability of appropriations) a \$500,000 award payable in \$100,000 annual installments for use in the jail renovation. The first installment was received during the fiscal year ended December 31, 2012. The second installment of \$100,000 is reflected in the current financial statements.

NOTE 12 – RELATED PARTY TRANSACTIONS

Certain members of the Board are officers at local financial institutions. Deposits at these institutions were approximately \$480,548 at December 31, 2013.

NOTE 13 – SPECIAL EVENTS

MOSTH has traditionally had two annual special events. The revenue generated from these events and the corresponding expenses are as follows:

	Heritage Gala	Fandango	Total
Revenue	\$ 20,135	\$ 150,576	\$ 170,711
Cost of direct donor benefits	-	(40,445)	(40,445)
Direct expenses	<u>(53,728)</u>	<u>(14,950)</u>	<u>(68,678)</u>
	<u>\$ (33,593)</u>	<u>\$ 95,181</u>	<u>\$ 61,587</u>

Heritage Gala is held at the conclusion of the Heritage Associate portion of the Annual Campaign to recognize donors to MOSTH's operating fund contributing \$1,250 or more. Funds raised by the Annual Campaign are reflected as annual donations in the Statement of Activities. Thus, the revenue and expenses reflected above for the Heritage Gala must be linked to the \$408,172 raised in the annual campaign to reflect the true impact of this effort. Benefits given to donors are for the designated calendar year.

NOTE 14 – AUXILIARY ACTIVITIES

Additional revenue is earned by providing services and through the sale of merchandise and publications related to MOSTH's mission.

MUSEUM OF SOUTH TEXAS HISTORY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 14 – AUXILIARY ACTIVITIES *(Continued)*

Revenues from these activities for the year were as follows:

Student, school, and class fees	\$ 79,838
General merchandise sales	55,188
Book sales	<u>13,850</u>
	<u><u>\$ 148,876</u></u>

NOTE 15 – IN-KIND DONATIONS

As described in Note 1, volunteers contributed substantial services to MOSTH in various capacities. Operating fund donations that had values assigned and met the requirements of generally accepted accounting principles are as follows:

Professional services	\$ 52,348
Rental of facility and other items for Gala	1,672
Advertising	13,750
Other	<u>5,396</u>
	<u><u>\$ 73,166</u></u>

NOTE 16 – LEASES

MOSTH leases the land on which its original building is located under a non-cancellable operating lease with Hidalgo County. The lease agreement has a term of 99 years, and commenced on June 12, 1968. The lease requires an annual payment of \$1 and the fulfillment of certain covenants, such as payment for improvements and maintenance, as consideration.

NOTE 17 – EMPLOYEE BENEFIT PLAN

The following description of the Museum of South Texas Simplified Employee Pension Plan (the Plan) provides only general information. Participants should refer to the Summary Plan Description for a more thorough description of the Plan's provisions. The Plan is a defined contribution plan covering all employees of MOSTH who have completed six months of employment. An employee may enter the Plan in the quarter beginning after the date on which an employee meets the eligibility requirement.

During the Plan year ended December 31, 2013, MOSTH elected to contribute five percent of the employee's base salary to the Plan. Contributions were \$28,525. The plan is self-directed by the individual employee. The trustee is Wells Fargo Advisors, or another agent if the employee so designates.

MUSEUM OF SOUTH TEXAS HISTORY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 18 - ALLOCATION OF FUNCTIONAL EXPENSES

Allocation of expenses for the operating fund to functional categories for the year ended December 31, 2013 are as follows:

	<u>Program</u>	<u>Management General</u>	<u>Fund- Raising</u>	<u>Auxiliary</u>	<u>Total</u>
Salaries	\$ 329,913	\$ 194,080	\$ 72,559	\$ 18,407	\$ 614,959
Employee benefits	65,293	38,410	14,360	3,643	121,706
Payroll taxes	<u>25,141</u>	<u>14,809</u>	<u>5,529</u>	<u>1,402</u>	<u>46,882</u>
Total salaries and related expenses	420,347	247,299	92,449	23,452	783,547
Advertising and public relations	67,902	-	-	-	67,902
Archives and exhibits	27,913	-	-	-	27,913
Bad debts	3,900	-	-	-	3,900
Bank charges	2,830	57	-	2,830	5,718
Cost of goods sold	-	-	-	34,312	34,312
Contract labor	58,706	-	-	28,924	87,630
Dues and subscriptions	5,487	-	-	-	5,487
Education programs	22,869	-	-	-	22,869
Fundraising (direct)	-	-	68,678	-	68,678
Insurance	63,428	1,927	740	232	66,327
Miscellaneous	541	14,138	541	-	15,220
Professional fees	-	73,119	-	-	73,119
Postage/supplies	14,174	8,002	686	-	22,862
Printing/publications	6,289	-	-	-	6,289
Repair and maintenance	106,799	912	392	91	108,194
Travel	1,472	691	253	88	2,504
Conferences and meetings	884	415	152	53	1,504
Utilities	<u>144,264</u>	<u>1,232</u>	<u>530</u>	<u>123</u>	<u>146,149</u>
Total expenses	<u>\$ 947,803</u>	<u>\$ 347,791</u>	<u>\$ 164,422</u>	<u>\$ 90,107</u>	<u>\$ 1,550,123</u>

Advertising costs are expensed as incurred. Total advertising costs incurred for 2013 amounted to \$67,902 which includes in kind contributions of \$13,750.

Fundraising costs for the historic jail were \$34,261. A professional fundraiser was hired to assist in the capital campaign for renovation of the jail.

MUSEUM OF SOUTH TEXAS HISTORY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 19 – SUBSEQUENT EVENTS

For purposes of reporting subsequent events, management has considered events occurring up to June 13, 2014, the date the report was available to be issued.

In April 2014, MOSTH was approved for a conditional contribution from the Mabee Challenge Grant in the amount of \$100,000 for the Jail Fund. In order for MOSTH to receive this contribution, MOSTH must obtain \$1,413,393 in contributions that do not include borrowings, grants from governmental organizations, or any transfer from MOSTH's reserve funds.

In April 2014, MOSTH was offered an Edinburg Foundation, Inc. Challenge Grant in the amount of \$250,000 to establish an endowment account. MOSTH accepted the challenge on May 20, 2014 and is required to use its best efforts to raise the matching funds within five years.