



*Founded in 1967 as the  
Hidalgo County Historical Museum*

***Financial Statements  
and  
Auditors' Report***

***December 31, 2017 and 2016***



**Financial Statements  
And  
Independent Auditors'  
Report**

**MUSEUM OF SOUTH TEXAS HISTORY**

**December 31, 2017 and 2016**



MUSEUM OF SOUTH TEXAS HISTORY  
For the Years Ended December 31, 2017 and 2016

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## **INDEPENDENT AUDITORS' REPORT**

To the 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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, statements of activities for individual funds (Operating, Plant, Endowment, Legacy Park, Save Our Jail) and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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.

### **Auditors' 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 auditors' 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, 2017 and 2016, 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.

*Caru, Riggs & Ingram, L.L.C.*

McAllen, Texas  
August 17, 2018



## **FINANCIAL STATEMENTS**

**MUSEUM OF SOUTH TEXAS HISTORY  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016**

	Operating		Plant		Endowment	
	2017	2016	2017	2016	2017	2016
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 452,661	\$ 409,721	\$ 32,084	\$ 31,845	\$ 309,775	\$ 291,325
Investments	484,442	460,438	-	-	3,577,934	3,359,182
Certificates of deposit	-	-	-	-	-	-
Interest receivable	1,513	3,299	-	-	11,172	9,234
Accounts and pledges receivable (net)	48,602	37,139	-	-	1,141	1,141
Inventory	38,193	40,433	-	-	-	-
Other current assets	19,545	17,130	-	-	-	-
Due from other funds	-	-	-	-	250	-
<b>Total Current Assets</b>	<b>1,044,956</b>	<b>968,160</b>	<b>32,084</b>	<b>31,845</b>	<b>3,900,272</b>	<b>3,660,882</b>
<b>Noncurrent Assets</b>						
Property, plant and equipment (net of accumulated depreciation)	-	-	5,529,786	5,757,637	-	-
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>-</b>	<b>5,529,786</b>	<b>5,757,637</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,044,956</b>	<b>\$ 968,160</b>	<b>\$ 5,561,870</b>	<b>\$ 5,789,482</b>	<b>\$ 3,900,272</b>	<b>\$ 3,660,882</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Current Liabilities</b>						
Accounts payable	66,363	27,981	-	-	-	-
Accrued expenses	46,272	47,818	-	-	-	-
Due to other funds	1,250	1,240	-	-	-	-
Deferred revenue	134,035	125,867	-	-	-	-
<b>Total Current Liabilities</b>	<b>247,920</b>	<b>202,906</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>247,920</b>	<b>202,906</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>						
<b>Unrestricted</b>						
Other unrestricted	107,472	118,997	5,541,437	5,769,262	-	-
Board designated	627,279	583,763	-	-	1,225,000	1,225,000
Temporarily restricted	62,285	62,494	20,433	20,220	775,272	535,882
Permanently restricted	-	-	-	-	1,900,000	1,900,000
<b>Total Net Assets</b>	<b>797,036</b>	<b>765,254</b>	<b>5,561,870</b>	<b>5,789,482</b>	<b>3,900,272</b>	<b>3,660,882</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,044,956</b>	<b>\$ 968,160</b>	<b>\$ 5,561,870</b>	<b>\$ 5,789,482</b>	<b>\$ 3,900,272</b>	<b>\$ 3,660,882</b>

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

**MUSEUM OF SOUTH TEXAS HISTORY  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016**

Legacy Park		Save Our Jail		Eliminations		Total	
2017	2016	2017	2016	2017	2016	2017	Restated 2016
\$ 28,240	\$ 27,215	372,499	\$ 254,234	\$ -	\$ -	\$ 1,195,259	\$ 1,014,340
-	-	-	-	-	-	4,062,376	3,819,620
-	-	1,494,019	1,569,256	-	-	1,494,019	1,569,256
-	-	-	-	-	-	12,685	12,533
-	-	4,200	8,379	-	-	53,943	46,659
-	-	-	-	-	-	38,193	40,433
-	-	-	12,644	-	-	19,545	29,774
-	150	1,000	1,090	(1,250)	(1,240)	-	-
<u>28,240</u>	<u>27,365</u>	<u>1,871,718</u>	<u>1,845,603</u>	<u>(1,250)</u>	<u>(1,240)</u>	<u>6,876,020</u>	<u>6,532,615</u>
-	-	224,593	62,226	-	-	5,754,379	5,819,863
-	-	224,593	62,226	-	-	5,754,379	5,819,863
<u>\$ 28,240</u>	<u>\$ 27,365</u>	<u>\$ 2,096,311</u>	<u>\$ 1,907,829</u>	<u>\$ (1,250)</u>	<u>\$ (1,240)</u>	<u>\$ 12,630,399</u>	<u>\$ 12,352,478</u>
-	-	955	-	-	-	67,318	27,981
-	-	-	-	-	-	46,272	47,818
-	-	-	-	(1,250)	(1,240)	-	-
-	-	-	-	-	-	134,035	125,867
-	-	955	-	(1,250)	(1,240)	247,625	201,666
-	-	955	-	(1,250)	(1,240)	247,625	201,666
-	-	223,640	62,227	-	-	5,872,549	5,950,486
-	-	-	-	-	-	1,852,279	1,808,763
28,240	27,365	1,871,716	1,845,602	-	-	2,757,946	2,491,563
-	-	-	-	-	-	1,900,000	1,900,000
<u>28,240</u>	<u>27,365</u>	<u>2,095,356</u>	<u>1,907,829</u>	<u>-</u>	<u>-</u>	<u>12,382,774</u>	<u>12,150,812</u>
<u>\$ 28,240</u>	<u>\$ 27,365</u>	<u>\$ 2,096,311</u>	<u>\$ 1,907,829</u>	<u>\$ (1,250)</u>	<u>\$ (1,240)</u>	<u>\$ 12,630,399</u>	<u>\$ 12,352,478</u>

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

**MUSEUM OF SOUTH TEXAS HISTORY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017 AND 2016**

	Operating		Plant		Endowment	
	2017	2016	2017	2016	2017	2016
Operating Revenues, Gains, and Other Support						
Donations	\$ 18,372	\$ 21,344	\$ 140	\$ 740	\$ 250	\$ -
In-kind contributions	60,052	40,479	-	-	-	-
Grants from government agencies	745,550	608,900	-	-	-	-
Fundraising events	197,651	176,196	-	-	-	-
Annual donations	377,516	393,695	-	-	-	-
Investment income	4,067	4,014	99	98	43,645	35,079
Net unrealized and realized gains/(loss) on long-term investments	39,338	16,316	-	-	279,034	127,517
Admission charges	60,593	57,810	-	-	-	-
Auxiliary activities	151,736	186,505	-	-	-	-
Rents and royalties	18,370	23,563	-	-	14,504	14,907
Other	8,412	18,853	-	-	657	1,140
<b>Total Operating Revenues, Gains, and Other Support</b>	<b>1,681,657</b>	<b>1,547,675</b>	<b>239</b>	<b>838</b>	<b>338,090</b>	<b>178,643</b>
Operating Expenses						
Program Services						
Archives, collections and exhibits	17,230	15,893	124,204	124,204	-	-
Education programs	19,958	18,897	-	-	-	-
General program services	1,004,531	969,913	161,615	164,241	-	-
<b>Total Program Services</b>	<b>1,041,719</b>	<b>1,004,703</b>	<b>285,819</b>	<b>288,445</b>	<b>-</b>	<b>-</b>
Supporting Services						
Management and general	282,343	244,581	1,392	1,620	-	-
Costs of direct donor benefits	50,981	46,775	-	-	-	-
Fundraising	224,253	208,094	596	681	-	-
Auxiliary services	83,345	92,230	814	842	-	-
<b>Total Supporting Services</b>	<b>640,922</b>	<b>591,680</b>	<b>2,802</b>	<b>3,143</b>	<b>-</b>	<b>-</b>
<b>Total Operating Expenses</b>	<b>1,682,641</b>	<b>1,596,383</b>	<b>288,621</b>	<b>291,588</b>	<b>-</b>	<b>-</b>
Change in Net Assets from Operations	(984)	(48,708)	(288,382)	(290,750)	338,090	178,643
Other changes						
Transfers out	(60,770)	(16,961)	-	-	(98,700)	(108,072)
Transfers in	98,700	108,072	60,770	16,961	-	250,000
<b>Total Other Changes</b>	<b>37,930</b>	<b>91,111</b>	<b>60,770</b>	<b>16,961</b>	<b>(98,700)</b>	<b>141,928</b>
Change in Net Assets before changes related to collection	36,946	42,403	(227,612)	(273,789)	239,390	320,571
Collection Items Purchased	5,164	1,446	-	-	-	-
Increase/(Decrease) in Net Assets	31,782	40,957	(227,612)	(273,789)	239,390	320,571
Beginning Net Assets	765,254	724,297	5,789,482	6,063,271	3,660,882	3,340,311
Ending Net Assets	\$ 797,036	\$ 765,254	\$ 5,561,870	\$ 5,789,482	\$ 3,900,272	\$ 3,660,882

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

**MUSEUM OF SOUTH TEXAS HISTORY  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017 AND 2016**

Legacy Park		Save Our Jail		Eliminations		Total	
2017	2016	2017	2016	2017	2016	2017	Restated 2016
\$ 875	\$ 150	\$ 175,785	\$ 67,807	\$ -	\$ -	\$ 195,422	\$ 90,041
-	-	-	-	-	-	60,052	40,479
-	-	-	100,000	-	-	745,550	708,900
-	-	-	-	-	-	197,651	176,196
-	-	-	-	-	-	377,516	393,695
-	-	13,361	8,572	-	-	61,172	47,763
-	-	-	-	-	-	318,372	143,833
-	-	-	-	-	-	60,593	57,810
-	-	-	-	-	-	151,736	186,505
-	-	-	-	-	-	32,874	38,470
-	-	-	-	-	-	9,069	19,993
<u>875</u>	<u>150</u>	<u>189,146</u>	<u>176,379</u>	<u>-</u>	<u>-</u>	<u>2,210,007</u>	<u>1,903,685</u>
-	-	-	-	-	-	141,434	140,097
-	-	-	-	-	-	19,958	18,897
-	-	1,619	9,500	-	-	1,167,765	1,143,654
<u>-</u>	<u>-</u>	<u>1,619</u>	<u>9,500</u>	<u>-</u>	<u>-</u>	<u>1,329,157</u>	<u>1,302,648</u>
-	-	-	-	-	-	283,735	246,201
-	-	-	-	-	-	50,981	46,775
-	-	-	-	-	-	224,849	208,775
-	-	-	-	-	-	84,159	93,072
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>643,724</u>	<u>594,823</u>
-	-	1,619	9,500	-	-	1,972,881	1,897,471
<u>875</u>	<u>150</u>	<u>187,527</u>	<u>166,879</u>	<u>-</u>	<u>-</u>	<u>237,126</u>	<u>6,214</u>
-	-	-	(250,000)	159,470	375,033	-	-
-	-	-	-	(159,470)	(375,033)	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>875</u>	<u>150</u>	<u>187,527</u>	<u>(83,121)</u>	<u>-</u>	<u>-</u>	<u>237,126</u>	<u>6,214</u>
-	-	-	-	-	-	5,164	1,446
<u>875</u>	<u>150</u>	<u>187,527</u>	<u>(83,121)</u>	<u>-</u>	<u>-</u>	<u>231,962</u>	<u>4,768</u>
<u>27,365</u>	<u>27,215</u>	<u>1,907,829</u>	<u>1,990,950</u>	<u>-</u>	<u>-</u>	<u>12,150,812</u>	<u>12,146,044</u>
<u>\$ 28,240</u>	<u>\$ 27,365</u>	<u>\$ 2,095,356</u>	<u>\$ 1,907,829</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,382,774</u>	<u>\$ 12,150,812</u>

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, 2017

	Unrestricted	Temporarily Restricted	Total
Operating Revenues, Gains, and Other Support			
Donations	\$ 17,422	\$ 950	\$ 18,372
In-kind donations	60,052	-	60,052
Grants from government agencies	650,550	95,000	745,550
Fundraising events	197,651	-	197,651
Annual donations	377,516	-	377,516
Investment income	4,034	33	4,067
Net unrealized and realized gains on long-term investments	39,338	-	39,338
Admission charges	60,593	-	60,593
Auxiliary activities	151,736	-	151,736
Rents and royalties	18,370	-	18,370
Other	8,412	-	8,412
Satisfaction of program/use restrictions	96,192	(96,192)	-
Total Operating Revenues, Gains, and Other Support	<u>1,681,866</u>	<u>(209)</u>	<u>1,681,657</u>
Operating Expenses			
Program Services			
Archives, exhibits and collections	17,230	-	17,230
Education programs	19,958	-	19,958
General program services	1,004,531	-	1,004,531
Total Program Services	<u>1,041,719</u>	<u>-</u>	<u>1,041,719</u>
Supporting Services			
Management and general	282,343	-	282,343
Costs of direct donor benefits	50,981	-	50,981
Fundraising	224,253	-	224,253
Auxiliary services	83,345	-	83,345
Total Supporting Services	<u>640,922</u>	<u>-</u>	<u>640,922</u>
Total Operating Expenses	<u>1,682,641</u>	<u>-</u>	<u>1,682,641</u>
Changes in Net Assets from Operations	(775)	(209)	(984)
Other Changes			
Transfers out	(60,770)	-	(60,770)
Transfers in	98,700	-	98,700
Total Other Changes	<u>37,930</u>	<u>-</u>	<u>37,930</u>
Change in Net Assets before changes related to collection	37,155	(209)	36,946
Collection Items Purchased	5,164	-	5,164
Increase/(Decrease) in Net Assets	31,991	(209)	31,782
Beginning Net Assets	<u>702,760</u>	<u>62,494</u>	<u>765,254</u>
Ending Net Assets	<u>\$ 734,751</u>	<u>\$ 62,285</u>	<u>\$ 797,036</u>

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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating Revenues, Gains, and Other Support			
Donations	\$ 21,344	\$ -	\$ 21,344
In-kind donations	40,479	-	40,479
Grants from government agencies	513,600	95,300	608,900
Fundraising events	176,196	-	176,196
Annual donations	393,695	-	393,695
Investment income	3,977	37	4,014
Net unrealized and realized gains on long-term investments	16,316	-	16,316
Admission charges	57,810	-	57,810
Auxiliary activities	186,505	-	186,505
Rents and royalties	23,563	-	23,563
Other	18,853	-	18,853
Satisfaction of program/use restrictions	90,493	(90,493)	-
Total Operating Revenues, Gains, and Other Support	<u>1,542,831</u>	<u>4,844</u>	<u>1,547,675</u>
Operating Expenses			
Program Services			
Archives, exhibits and collections	15,893	-	15,893
Education programs	18,897	-	18,897
General program services	969,913	-	969,913
Total Program Services	<u>1,004,703</u>	<u>-</u>	<u>1,004,703</u>
Supporting Services			
Management and general	244,581	-	244,581
Costs of direct donor benefits	46,775	-	46,775
Fundraising	208,094	-	208,094
Auxiliary services	92,230	-	92,230
Total Supporting Services	<u>591,680</u>	<u>-</u>	<u>591,680</u>
Total Operating Expenses	<u>1,596,383</u>	<u>-</u>	<u>1,596,383</u>
Changes in Net Assets from Operations	(53,552)	4,844	(48,708)
Other Changes			
Transfers out	(16,961)	-	(16,961)
Transfers in	108,072	-	108,072
Total Other Changes	<u>91,111</u>	<u>-</u>	<u>91,111</u>
Change in Net Assets before changes related to collection	37,559	4,844	42,403
Collection Items Purchased	1,446	-	1,446
Increase in Net Assets	36,113	4,844	40,957
Beginning Net Assets	<u>666,647</u>	<u>57,650</u>	<u>724,297</u>
Ending Net Assets	<u>\$ 702,760</u>	<u>\$ 62,494</u>	<u>\$ 765,254</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, 2017

	Unrestricted	Temporarily Restricted	Total
Operating Revenues, Gains, and Other Support			
Donations	\$ -	\$ 140	\$ 140
Investment income	26	73	99
Total Operating Revenues, Gains, and Other Support	<u>26</u>	<u>213</u>	<u>239</u>
Operating Expenses			
Program Services			
Archives, exhibits and collections	124,204	-	124,204
General program services	161,615	-	161,615
Total Program Services	<u>285,819</u>	<u>-</u>	<u>285,819</u>
Supporting Services			
Management and general	1,392	-	1,392
Fundraising	596	-	596
Auxiliary service	814	-	814
Total Supporting Services	<u>2,802</u>	<u>-</u>	<u>2,802</u>
Total Operating Expenses	<u>288,621</u>	<u>-</u>	<u>288,621</u>
Changes in Net Assets from Operations	(288,595)	213	(288,382)
Other Changes			
Transfers in	<u>60,770</u>	<u>-</u>	<u>60,770</u>
Total Other Changes	<u>60,770</u>	<u>-</u>	<u>60,770</u>
Increase/(Decrease) in Net Assets	(227,825)	213	(227,612)
Beginning Net Assets	<u>5,769,262</u>	<u>20,220</u>	<u>5,789,482</u>
Ending Net Assets	<u>\$ 5,541,437</u>	<u>\$ 20,433</u>	<u>\$ 5,561,870</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, 2016

	Unrestricted	Temporarily Restricted	Total
Operating Revenues, Gains, and Other Support			
Donations	\$ -	\$ 740	\$ 740
Investment income	29	69	98
Total Operating Revenues, Gains, and Other Support	<u>29</u>	<u>809</u>	<u>838</u>
Operating Expenses			
Program Services			
Archives, exhibits and collections	124,204	-	124,204
General program services	164,241	-	164,241
Total Program Services	<u>288,445</u>	<u>-</u>	<u>288,445</u>
Supporting Services			
Management and general	1,620	-	1,620
Fundraising	681	-	681
Auxiliary service	842	-	842
Total Supporting Services	<u>3,143</u>	<u>-</u>	<u>3,143</u>
Total Operating Expenses	<u>291,588</u>	<u>-</u>	<u>291,588</u>
Changes in Net Assets from Operations	(291,559)	809	(290,750)
Other Changes			
Transfers in	<u>16,961</u>	<u>-</u>	<u>16,961</u>
Total Other Changes	<u>16,961</u>	<u>-</u>	<u>16,961</u>
Increase/(Decrease) in Net Assets	(274,598)	809	(273,789)
Beginning Net Assets	<u>6,043,860</u>	<u>19,411</u>	<u>6,063,271</u>
Ending Net Assets	<u>\$ 5,769,262</u>	<u>\$ 20,220</u>	<u>\$ 5,789,482</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenues, Gains, and Other Support				
Donations	\$ -	\$ 250	\$ -	\$ 250
Investment income	-	43,645	-	43,645
Net unrealized and realized gains on long-term investments	-	279,034	-	279,034
Royalties	-	14,504	-	14,504
Other	-	657	-	657
Satisfaction of program/use restrictions	98,700	(98,700)	-	-
Total Operating Revenues, Gains, and Other Support	<u>98,700</u>	<u>239,390</u>	<u>-</u>	<u>338,090</u>
Changes in Net Assets from Operations	98,700	239,390	-	338,090
Other Changes				
Transfers out	<u>(98,700)</u>	<u>-</u>	<u>-</u>	<u>(98,700)</u>
Total Other Changes	<u>(98,700)</u>	<u>-</u>	<u>-</u>	<u>(98,700)</u>
Increase in Net Assets	-	239,390	-	239,390
Beginning Net Assets	<u>1,225,000</u>	<u>535,882</u>	<u>1,900,000</u>	<u>3,660,882</u>
Ending Net Assets	<u>\$ 1,225,000</u>	<u>\$ 775,272</u>	<u>\$ 1,900,000</u>	<u>\$ 3,900,272</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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Revenues, Gains, and Other Support				
Investment income	\$ -	\$ 35,079	\$ -	\$ 35,079
Net unrealized and realized gains on long-term investments	-	127,517	-	127,517
Royalties	-	14,907	-	14,907
Other	-	1,140	-	1,140
Satisfaction of program/use restrictions	108,072	(108,072)	-	-
Total Operating Revenues, Gains, and Other Support	<u>108,072</u>	<u>70,571</u>	<u>-</u>	<u>178,643</u>
Changes in Net Assets from Operations	108,072	70,571	-	178,643
Other Changes				
Transfers out	(108,072)	-	-	(108,072)
Transfers in	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Total Other Changes	<u>(108,072)</u>	<u>-</u>	<u>250,000</u>	<u>141,928</u>
Increase in Net Assets	-	70,571	250,000	320,571
Beginning Net Assets	<u>1,225,000</u>	<u>465,311</u>	<u>1,650,000</u>	<u>3,340,311</u>
Ending Net Assets	<u>\$ 1,225,000</u>	<u>\$ 535,882</u>	<u>\$ 1,900,000</u>	<u>\$ 3,660,882</u>

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

MUSEUM OF SOUTH TEXAS HISTORY  
STATEMENT OF ACTIVITIES – LEGACY PARK FUND  
YEAR ENDED DECEMBER 31, 2017

	Temporarily Restricted	Total
Operating Revenues, Gains, and Other Support		
Donations	\$ 875	\$ 875
Total Operating Revenues, Gains, and Other Support	875	875
Changes in Net Assets from Operations	875	875
Increase/(Decrease) in Net Assets	875	875
Beginning Net Assets	27,365	27,365
Ending Net Assets	\$ 28,240	\$ 28,240

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

MUSEUM OF SOUTH TEXAS HISTORY  
STATEMENT OF ACTIVITIES – LEGACY PARK FUND  
YEAR ENDED DECEMBER 31, 2016

	<u>Temporarily Restricted</u>	<u>Total</u>
Operating Revenues, Gains, and Other Support		
Donations	\$ 150	\$ 150
Total Operating Revenues, Gains, and Other Support	<u>150</u>	<u>150</u>
Changes in Net Assets from Operations	<u>150</u>	<u>150</u>
Increase/(Decrease) in Net Assets	150	150
Beginning Net Assets	<u>27,215</u>	<u>27,215</u>
Ending Net Assets	<u>\$ 27,365</u>	<u>\$ 27,365</u>

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

MUSEUM OF SOUTH TEXAS HISTORY  
STATEMENT OF ACTIVITIES – SAVE OUR JAIL FUND  
YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating Revenues, Gains, and Other Support			
Donations	\$ -	\$ 175,785	\$ 175,785
Investment income	-	13,361	13,361
Satisfaction of program/use restrictions	<u>163,032</u>	<u>(163,032)</u>	<u>-</u>
Total Operating Revenues, Gains, and Other Support	<u>163,032</u>	<u>26,114</u>	<u>189,146</u>
 Operating Expenses			
Program Services			
General program services	<u>1,619</u>	<u>-</u>	<u>1,619</u>
Total Program Services	<u>1,619</u>	<u>-</u>	<u>1,619</u>
 Total Operating Expenses	<u>1,619</u>	<u>-</u>	<u>1,619</u>
 Changes in Net Assets from Operations	<u>161,413</u>	<u>26,114</u>	<u>187,527</u>
 Increase/(Decrease) in Net Assets	161,413	26,114	187,527
 Beginning Net Assets	<u>62,227</u>	<u>1,845,602</u>	<u>1,907,829</u>
 Ending Net Assets	<u>\$ 223,640</u>	<u>\$ 1,871,716</u>	<u>\$ 2,095,356</u>

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



MUSEUM OF SOUTH TEXAS HISTORY  
STATEMENT OF ACTIVITIES – SAVE OUR JAIL FUND  
YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
Operating Revenues, Gains, and Other Support			
Donations	\$ -	\$ 67,807	\$ 67,807
Grants from government agencies	-	100,000	100,000
Investment income	-	8,572	8,572
Satisfaction of program/use restrictions	23,615	(23,615)	-
Total Operating Revenues, Gains, and Other Support	<u>23,615</u>	<u>152,764</u>	<u>176,379</u>
Operating Expenses			
Program Services			
General program services	9,500	-	9,500
Total Program Services	<u>9,500</u>	<u>-</u>	<u>9,500</u>
Total Operating Expenses	<u>9,500</u>	<u>-</u>	<u>9,500</u>
Changes in Net Assets from Operations	14,115	152,764	166,879
Other Changes			
Transfers out	-	(250,000)	(250,000)
Total Other Changes	<u>-</u>	<u>(250,000)</u>	<u>(250,000)</u>
Increase/(Decrease) in Net Assets	14,115	(97,236)	(83,121)
Beginning Net Assets	<u>48,112</u>	<u>1,942,838</u>	<u>1,990,950</u>
Ending Net Assets	<u>\$ 62,227</u>	<u>\$ 1,845,602</u>	<u>\$ 1,907,829</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, 2017 AND 2016**

	Operating		Plant		Endowment	
	2017	2016	2017	2016	2017	2016
Cash flows from operating activities						
Change in net assets	\$ (984)	\$ (48,708)	\$ (288,382)	\$ (290,750)	\$ 239,390	\$ 178,643
Adjustments to reconcile to net assets to cash provided by operating activities:						
Depreciation and Amortization	-	-	288,621	291,588	-	-
Collection items purchased	(5,164)	(1,446)	-	-	-	-
Net change in:						
Unrealized gain on investments	(31,359)	(18,522)	-	-	(226,402)	(90,772)
(Increase) decrease in interest receivable	1,784	(130)	-	-	(1,938)	(262)
(Increase) decrease in accounts receivables and pledges (net)	(9,677)	(13,633)	-	-	-	(9,234)
(Increase) decrease in prepaid expenses and other current assets	(2,415)	10,737	-	-	-	-
(Increase) decrease in inventory	2,240	(1,587)	-	-	-	-
(Increase) decrease in due from other funds	-	2,000	-	-	(250)	-
Increase (decrease) in accounts payable	38,382	12,360	-	-	-	-
Increase (decrease) in accrued expenses	(1,546)	4,796	-	-	-	-
Increase (decrease) in due to other funds	10	(260)	-	-	-	-
Increase (decrease) in deferred revenue	8,168	22,766	-	-	-	-
Net cash provided (used) by operating activities	(561)	(31,627)	239	838	10,800	78,375
Cash flows from investing activities						
Proceeds from investment sales	164,498	107,374	-	-	1,421,111	1,602,627
Purchase of investments	(158,927)	(174,305)	-	-	(1,314,761)	(1,987,221)
Acquisitions of property and equipment	(60,770)	(16,961)	-	-	-	-
Net cash provided (used) by investing activities	(55,199)	(83,892)	-	-	106,350	(384,594)
Cash flows from financing activities:						
Transfer in	98,700	108,072	-	-	-	250,000
Transfer out	-	-	-	-	(98,700)	(108,072)
Net cash provided (used) by financing activities	98,700	108,072	-	-	(98,700)	141,928
Net increase (decrease) in cash and cash equivalents	42,940	(7,447)	239	838	18,450	(164,291)
Cash and cash equivalents, beginning of year	409,721	417,168	31,845	31,007	291,325	455,616
Cash and cash equivalents, end of year	<u>\$ 452,661</u>	<u>\$ 409,721</u>	<u>\$ 32,084</u>	<u>\$ 31,845</u>	<u>\$ 309,775</u>	<u>\$ 291,325</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, 2017 AND 2016**

<u>Legacy Park</u>		<u>Save Our Jail</u>		<u>Eliminations</u>		<u>Total</u>	
<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
\$ 875	\$ 150	\$ 187,527	\$ 166,879	\$ -	\$ -	\$ 138,426	\$ 6,214
-	-	-	-	-	-	288,621	291,588
-	-	-	-	-	-	(5,164)	(1,446)
-	-	-	-	-	-	(257,761)	(109,294)
		4,386	13,253			(5,291)	(9,614)
		12,644	(12,644)			10,229	(1,907)
		-	-			2,240	(1,587)
150	(150)	90	410	-	-	(10)	2,260
-	-	955	-	-	-	39,337	12,360
-	-	-	-	-	-	(1,546)	4,796
-	-	-	(2,000)	-	-	10	(2,260)
-	-	-	-	-	-	8,168	22,766
<u>1,025</u>	<u>-</u>	<u>205,602</u>	<u>165,898</u>	<u>-</u>	<u>-</u>	<u>217,259</u>	<u>213,876</u>
-	-	75,030	-	(1,660,639)	(1,710,001)	-	-
-	-	-	(589)	1,473,688	2,162,115	-	-
-	-	(162,367)	(14,115)	223,137	31,076	-	-
-	-	(87,337)	(14,704)	36,186	483,190	-	-
		-	-	(98,700)	(358,072)	-	-
		-	(250,000)	98,700	358,072	-	-
		-	(250,000)	-	-	-	-
1,025	-	118,265	(98,806)	36,186	483,190	217,259	213,876
27,215	27,215	254,234	353,040	(36,340)	997,456	978,000	213,876
<u>\$ 28,240</u>	<u>\$ 27,215</u>	<u>\$ 372,499</u>	<u>\$ 254,234</u>	<u>\$ (154)</u>	<u>\$ 1,480,646</u>	<u>\$ 1,195,259</u>	<u>\$ 427,752</u>

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



MUSEUM OF SOUTH TEXAS HISTORY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**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 to 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 Alliance 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 appointed 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 through the use of our resources, including archival and artifact collections. We will share the blended and unique heritage of South Texas and Northeastern Mexico through exhibits, programs and activities—seeking 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. In 2016, approximately 30% of the MOSTH's support came from the County of Hidalgo and the City of Edinburg.

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 satisfaction of program/use restrictions.



MUSEUM OF SOUTH TEXAS HISTORY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**NOTE 1 – NATURE OF ACTIVITIES AND 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, donor restrictions and Board restrictions, which require the principal to be invested and a portion of the income derived from such investments to be utilized for MOSTH's operations.

Will Looney Legacy Park, "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.

Save Our Jail Fund - This fund is used to account for donations and expenditures for the purposes of renovating the historic 1910 Hidalgo County Jail and installation of exhibits, a capital campaign that began in 2009.

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, 2017 AND 2016

**NOTE 1 – NATURE OF ACTIVITIES AND 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 and pledges 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 these 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. 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, 2017 AND 2016

**NOTE 1 – NATURE OF ACTIVITIES AND 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 Fund and Endowment Fund consist of marketable securities. In accordance with the endowment investment policy of MOSTH, designed in accordance with UPMIFA, a portion of the Endowment Funds are invested under the guidance of a third party investment manager. Other investments in the Save Our Jail Fund are certificates of deposit held in a financial institution.

I. Property, Plant, and Equipment

It is MOSTH's policy to capitalize property and equipment with original cost 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
Permanent exhibits	20 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, 2017 AND 2016

**NOTE 1 – NATURE OF ACTIVITIES AND 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. Inventory

Inventory is tracked perpetually and stated at lower of cost or market 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, 2017. 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. 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.



MUSEUM OF SOUTH TEXAS HISTORY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**  
*(Continued)*

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 2017, 2016, and 2015 remain open to examination by the Internal Revenue Service.

MOSTH paid \$262 and \$0 in 2017 and 2016 for federal income taxes, respectively.

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.

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.





MUSEUM OF SOUTH TEXAS HISTORY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**NOTE 2 – RECENT FINANCIAL ACCOUNTING PRONOUNCEMENT**

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under this ASU, net assets will be presented in two classes: net assets with donor restrictions and net assets without donor restrictions. Underwater endowments will be included in net assets with donor restrictions and new or enhanced disclosures regarding the composition of net assets will be required. Disclosures regarding liquidity and availability of resources for general operating expenditures within one year of the date of the statement of financial position must also be presented. The ASU requires expenses to be presented by both nature and function, and investment return will be presented net of investment expenses. Absent specific donor stipulations, MOSTH will use the placed-in-service approach for reporting expirations of restrictions on long-lived assets. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of MOSTH’s financial statements. The Museum has not early adopted this ASU, therefore there is no impact in the current year financial statements.

**NOTE 3 – 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, 2017 and 2016, MOSTH did not have any cash balances which were uninsured.

**NOTE 4 – 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 <u>December 31, 2017</u>	Market Value <u>December 31, 2016</u>
Equity securities	\$ 2,588,152	\$ 2,583,327
Bonds:		
Corporate	441,272	298,651
Municipal	1,032,952	937,642
Total	\$ 4,062,376	\$ 3,819,620



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**NOTE 4 – INVESTMENT SECURITIES - FAIR VALUE AND UNREALIZED GAIN**  
*(Continued)*

The Save Our Jail Fund holds certificates of deposit as of December 31, 2017 and 2016 in the amount of \$1,494,019 and \$1,569,256, respectively.

Total investment return for all funds as of December 31, 2017 and 2016 was \$379,544 and \$191,596, respectively. Investment returns consist of the following:

	2017	2016
Interest and dividends	\$ 93,971	\$ 79,230
Realized gain/(loss)	60,610	48,605
Unrealized gain/(loss)	257,762	95,228
Subtotal	412,343	223,063
Less: Investment expenses	(32,799)	(31,467)
Total Investment Return	\$ 379,544	\$ 191,596

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 5 – ACCOUNTS AND PLEDGES RECEIVABLE**

MOSTH conducts an annual campaign each year to raise funds needed for daily operations. An allowance of \$ 84,326 and \$60,156 has been established for estimated uncollectible pledges for 2017 and 2016, respectively.

Accounts and pledges receivable for the Operating, Endowment and the Save Our Jail Funds totaled \$138,269 and \$106,815 as of December 31, 2017 and 2016, respectively, and are expected to be collected as follows:

	2017	2016
Receivable in less than one year	\$ 138,269	\$ 106,815
Less allowance for doubtful accounts	(84,326)	(60,156)
Total Receivable	\$ 53,943	\$ 46,659



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**NOTE 6 – INVENTORY**

At December 31, 2017, MOSTH's inventory consisted of the following:

	2017	2016
Books	\$ 9,140	\$ 10,200
Other store merchandise	29,053	30,233
Total	\$ 38,193	\$ 40,433

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

**NOTE 7 – PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment in the Plant Fund consist of the following:

	2017	2016
Land and improvements	\$ 1,793,175	\$ 1,793,175
Furniture, fixtures, and equipment	204,644	189,872
Permanent exhibits	2,485,566	2,485,566
Buildings and improvements	5,533,982	5,517,983
Construction in Progress	30,000	-
	10,047,367	9,986,596
Less: Accumulated depreciation and amortization	(4,517,581)	(4,228,959)
Total	\$ 5,529,786	\$ 5,757,637

In June 1988, MOSTH acquired the building and land adjacent to the original structure (1910 Hidalgo County Jail) from Noble Walker and Associates of Austin. H. E. Butt Grocery (H-E-B) had owned and operated a grocery store on 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 in Note 1.

A major fund-raising campaign, Project Preservation, was begun in 2004. The purpose was to



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**NOTE 7 – PROPERTY, PLANT AND EQUIPMENT** *(Continued)*

provide funds to pay for the 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 for 2017 and 2016 was \$288,621 and \$291,588, respectively.

In 2009, the Save Our Jail fund-raising campaign began. The purpose is to provide funds for the restoration and maintenance of the 1910 Jail and installation of exhibits. The \$224,593 and \$62,226 reflected in the Save Our Jail Fund are the cumulative totals of construction in progress through December 31, 2017 and 2016, respectively. 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. Their values are not reflected in the financial statements.

**NOTE 8 – DEFERRED REVENUE**

Revenue not earned at December 31, 2017 and 2016 thus reflected as deferred consists of:

	2017	2016
City of McAllen	\$ 28,500	\$ 31,050
Prepayments for 2017 operations	78,950	81,312
School contracts	26,585	13,505
Total	\$ 134,035	\$ 125,867





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**NOTE 9 – UNRESTRICTED – DESIGNATED NET ASSETS**

MOSTH’s Board of Directors has designated net assets in the Operating and Endowment Funds as follows:

	2017	2016
Operating Fund		
Reserve	\$ 627,279	\$ 583,763
Endowment Fund		
McFadden	\$ 500,000	\$ 500,000
O’Leary	400,000	400,000
White	325,000	325,000
Total	\$ 1,225,000	\$ 1,225,000

**NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS**

Temporary restrictions in the Operating Fund at December 31, 2017 and 2016 are as follows:

	2017	2016
Archives	\$ 41,807	\$ 20,687
Hotel/Motel	20,478	41,807
Total	\$ 62,285	\$ 62,494

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, the convention and hotel industry, and historical preservation. This resource is maintained in a separate bank account.

Temporary restrictions in the Plant Fund at December 31, 2017 and 2016 are as follows:

	2017	2016
Memorial bricks	\$ 3,466	\$ 3,326
South Texas Heritage	16,967	16,894
Total	\$ 20,433	\$ 20,220



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

Net assets for Legacy Park, totaling \$28,240 and \$27,365 at December 31, 2017 and 2016, respectively, are reflected as temporarily restricted as they are designated for phase two of the park. Save Our Jail net assets, totaling \$223,640 and \$62,277 at December 31, 2017 and 2016, respectively, are reflected as unrestricted for funds spent on construction costs and temporarily restricted, totaling \$1,871,716 and \$1,845,602 at December 31, 2017 and 2016, respectively, for funds not yet expended on the renovation project.

The temporarily restricted portion of the Endowment Fund consists of earnings on endowments. At December 31, 2017 and 2016, respectively, total temporarily restricted net assets totaled \$775,272 and \$535,882.

**NOTE 11 – 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. Pledges of \$150,000 were received for a named endowment in honor of Mrs. Rafael A. (Carmen) Guerra. At the end of 2015, \$250,000 was received from the Edinburg Foundation, Inc. in fulfillment of its challenge grant. In January of 2016, MOSTH transferred \$250,000 in matching funds to fully fund the Edinburg Foundation, Inc. Endowment, designated for maintenance of MOSTH's facilities. Together with other restricted contributions, these make up the corpus of the \$1,900,000 endowment.

As mentioned in Note 9, 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. 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 amount of quasi-endowments reflected in the endowment fund as unrestricted and board designated net assets as of December 31, 2017 and 2016 is \$1,225,000.

In May of 2010, MOSTH executed an oil and gas lease with Newfield Production Company for a 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 2017 and 2016 amounted to \$14,504 and \$14,907, which represented production through October of the respective years. In 2015, the Board limited the principal amount of the corpus to \$500,000, including past royalty earnings and the initial contribution.

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



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**NOTE 11 – PERMANENTLY RESTRICTED NET ASSETS** *(Continued)*

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 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 MOSTH 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.

Permanently restricted endowments are not reduced by investment losses, unless permitted by donor stipulations. Additionally, permanently restricted net assets are not reduced by any expenditures appropriated by MOSTH. Instead, investment losses or expenditures for restricted purposes are deducted from temporarily restricted assets to the extent available. Any losses or expenditures that remain are then deducted from unrestricted net assets.

The objectives of the investment policy for the endowment assets are 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.

In 2017 and 2016, respectively, the transfers, from the Endowment Fund to the Operating Fund, in accordance with the investment policy, are \$98,700 and \$108,072.



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**NOTE 12 – ENDOWMENT FUND NET ASSET BREAKDOWN**

The following tables show the reconciliations between the beginning and ending net assets in the endowment fund:

	<b>2017</b>			Total
	Board Designated	Temporarily Restricted	Permanently Restricted	
Beginning of year, January 1, 2017	1,225,000	535,882	1,900,000	3,660,882
Change in endowment net assets:				
Donations	-	250	-	250
Investment Income	-	43,645	-	43,645
Net unrealized and realized gains				
on long-term investments	-	279,034	-	279,034
Royalties	-	14,504	-	14,504
Other	-	657	-	657
Appropriation for expenditures	98,700	(98,700)	-	-
Transfers out	(98,700)	-	-	(98,700)
Total endowment funds as of				
December 31, 2017	\$ 1,225,000	\$ 775,272	\$ 1,900,000	\$ 3,900,272

	<b>2016</b>			Total
	Board Designated	Temporarily Restricted	Permanently Restricted	
Beginning of year, January 1, 2016	1,225,000	465,311	1,650,000	3,340,311
Change in endowment net assets:				
Investment Income	-	35,079	-	35,079
Net unrealized and realized gains				
on long-term investments	-	127,517	-	127,517
Royalties	-	14,907	-	14,907
Other	-	1,140	-	1,140
Appropriation for expenditures	108,072	(108,072)	-	-
Transfers out	(108,072)	-	-	(108,072)
Transfers in	-	-	250,000	250,000
Total endowment funds as of				
December 31, 2016	\$ 1,225,000	\$ 535,882	\$ 1,900,000	\$ 3,660,882





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**NOTE 13 – GRANTS FROM GOVERNMENT AGENCIES**

Grant revenue in the Operating Fund from government agencies in 2017 is as follows:

	2017	2016
City of Edinburg	\$ 245,000	\$ 207,500
Hidalgo County	460,000	360,000
City of McAllen	40,550	41,400
Total	\$ 745,550	\$ 608,900

**NOTE 14 – RELATED PARTY TRANSACTIONS**

Certain members of the Board are officers at local financial institutions. Deposits at these institutions were \$401,220 and \$227,324 for 2017 and 2016, respectively.

**NOTE 15 – SPECIAL EVENTS**

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

	2017			2016		
	Heritage Gala	Fandango	Total	Heritage Gala	Fandango	Total
Revenue	\$ 23,421	\$ 174,230	\$ 197,651	\$ 11,265	\$ 164,931	\$ 176,196
Cost of direct donor benefits	-	(50,981)	(50,981)	-	(46,775)	(46,775)
Direct expenses	(49,596)	(21,999)	(71,595)	(51,604)	(13,013)	(64,617)
Total	\$ (26,175)	\$ 101,250	\$ 75,075	\$ (40,339)	\$ 105,143	\$ 64,804

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 \$377,516 and \$393,695 raised in the annual campaigns for 2017 and 2016, respectively, to reflect the true impact of this effort. Benefits given to donors are for the designated calendar year.



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**NOTE 16 – AUXILIARY ACTIVITIES**

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

Revenues from these activities for the 2017 and 2016 years were as follows:

	<u>2017</u>	<u>2016</u>
Student, school, and class fees	\$ 74,893	\$ 101,670
General merchandise sales	64,555	65,850
Book sales	<u>12,288</u>	<u>18,985</u>
Total	<u>\$ 151,736</u>	<u>\$ 186,505</u>

**NOTE 17 – 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:

	<u>2017</u>	<u>2016</u>
Professional services	\$ 42,332	\$ 26,225
Rental of facility and other items for Gala	2,145	1,400
Advertising	10,284	11,562
Other	<u>5,291</u>	<u>1,292</u>
Total	<u>\$ 60,052</u>	<u>\$ 40,479</u>

**NOTE 18 – 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.



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**NOTE 19 – 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, 2017 and 2016, MOSTH elected to contribute five percent of the employee's base salary to the Plan. Contributions were \$36,151 and \$30,091, respectively. The plan is self-directed by the individual employee. The trustee is Wells Fargo Advisors or another agent if the employee so designates.

**NOTE 20 – RECLASSIFICATIONS**

MOSTH reclassified \$18,684 in the 2016 beginning balance, endowment fund, from board designated net assets to temporarily restricted net assets.

MOSTH reclassified prior year investment income, royalty income and other income, a total of \$16,129, from unrestricted to temporarily restricted revenues in the endowment fund.

For the purpose of making the statements comparable, MOSTH reclassified prior year expenses related to collection items purchased

**NOTE 21 – COMMITMENTS**

At December 31, 2017, MOSTH has an outstanding commitment of approximately \$123,232 for architectural and structural engineering services and \$22,253 for the Construction Management at Risk services related to the 1910 Jail Restoration and Renovation.

**NOTE 22 – REVENUE CONCENTRATIONS**

A significant portion of the Museum's revenues consist of grants from government agencies. In 2017 and 2016, the Museum received \$460,000 and \$460,000 or 62% and 65% of grants from government agencies from the County of Hidalgo, respectively.

The Museum also received \$245,000 and \$207,500 or 33% and 29% of grants from government agencies; City of Edinburg in 2017 and 2016, respectively.

Fundraising revenues are a significant portion of the Museum's revenues. The Fandango event raised revenues of \$174,230 and \$164,931 in 2017 and 2016. This is 88% and 94% of total fundraising revenues for 2017 and 2016, respectively.



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**NOTE 23 - ALLOCATION OF FUNCTIONAL EXPENSES**

Allocation of expenses for the Operating Fund to functional categories for the year ended December 31, 2017 are as follows:

	Program Services	Management and General	Fundraising	Auxiliary Services	Total
<b>Operating Fund</b>					
Salaries	\$ 459,943	\$ 150,134	\$ 119,606	\$ 15,324	\$ 745,007
Employee benefits	80,842	26,388	21,023	2,693	130,946
Payroll taxes	35,914	11,723	9,339	1,197	58,173
Total Salaries and related expenses	576,699	188,245	149,968	19,214	934,126
Advertising and public relations	67,092	-	-	-	67,092
Archives and exhibits	17,230	-	-	-	17,230
Bad debts	22,550	-	-	-	22,550
Bank charges	3,474	4,375	-	3,474	11,323
Cost of goods sold	-	-	-	37,692	37,692
Conferences and meetings	1,764	828	304	106	3,002
Contract labor	45,376	-	-	22,349	67,725
Dues and subscriptions	7,681	-	-	-	7,681
Education programs	19,958	-	-	-	19,958
Fundraising (direct)	-	-	71,595	-	71,595
Insurance	65,137	1,342	527	156	67,162
Miscellaneous	42	14,540	42	-	14,624
Professional fees	-	63,279	-	-	63,279
Postage/supplies	11,705	6,608	566	-	18,879
Printing/publications	4,471	-	-	-	4,471
Repair and maintenance	62,787	536	230	54	63,607
Travel	3,105	1,458	535	187	5,285
Utilities	132,648	1,132	486	113	134,379
Total expenses	<u>\$ 1,041,719</u>	<u>\$ 282,343</u>	<u>\$ 224,253</u>	<u>\$ 83,345</u>	<u>\$ 1,631,660</u>
<b>Plant Fund</b>					
Depreciation	\$ 285,819	\$ 1,392	\$ 596	\$ 814	\$ 288,621
Total expenses	<u>\$ 285,819</u>	<u>\$ 1,392</u>	<u>\$ 596</u>	<u>\$ 814</u>	<u>\$ 288,621</u>
<b>Save our Jail Fund</b>					
Bad debts	\$ 1,500	\$ -	\$ -	\$ -	\$ 1,500
Bank charges	35	-	-	-	35
Miscellaneous	84	-	-	-	84
Total expenses	<u>\$ 1,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,619</u>

Advertising costs are expensed as incurred. Total advertising costs incurred for 2017 amounted to \$67,092 which includes in kind contributions of \$10,284.





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**NOTE 23 - ALLOCATION OF FUNCTIONAL EXPENSES (Continued)**

Allocation of expenses for the Operating Fund to functional categories for the year ended December 31, 2016 are as follows:

	Program Services	Management and General	Fundraising	Auxiliary Services	Total
<b>Operating Fund</b>					
Salaries	\$ 404,467	\$ 137,545	\$ 110,490	\$ 14,295	\$ 666,797
Employee benefits	75,479	25,668	20,619	2,668	124,434
Payroll taxes	32,662	11,107	8,923	1,154	53,846
Total Salaries and related expenses	512,608	174,320	140,032	18,117	845,077
Advertising and public relations	71,155	-	-	-	71,155
Archives and exhibits	15,893	-	-	-	15,893
Bad debts	15,833	-	-	-	15,833
Bank charges	3,420	4,575	-	3,420	11,415
Cost of goods sold	-	-	-	44,203	44,203
Conferences and meetings	1,347	632	231	81	2,291
Contract labor	52,421	-	-	25,819	78,240
Dues and subscriptions	7,851	-	-	-	7,851
Education programs	18,897	-	-	-	18,897
Fundraising (direct)	-	-	64,617	-	64,617
Insurance	69,251	1,483	580	173	71,487
Miscellaneous	534	7,867	534	-	8,935
Professional fees	-	44,554	-	-	44,554
Postage/supplies	13,265	7,489	642	-	21,396
Printing/publications	5,801	-	-	-	5,801
Repair and maintenance	82,647	706	304	70	83,727
Travel	3,932	1,846	677	236	6,691
Utilities	129,848	1,109	477	111	131,545
Total expenses	<u>\$ 1,004,703</u>	<u>\$ 244,581</u>	<u>\$ 208,094</u>	<u>\$ 92,230</u>	<u>\$ 1,549,608</u>
<b>Plant Fund</b>					
Depreciation	\$ 288,445	\$ 1,620	\$ 681	\$ 842	\$ 291,588
Total expenses	<u>\$ 288,445</u>	<u>\$ 1,620</u>	<u>\$ 681</u>	<u>\$ 842</u>	<u>\$ 291,588</u>
<b>Save our Jail Fund</b>					
Bad Debt Expense	\$ 9,500	\$ -	\$ -	\$ -	\$ 9,500
Total expenses	<u>\$ 9,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,500</u>

Advertising costs are expensed as incurred. Total advertising costs incurred for 2016 amounted to \$71,155 which includes in kind contributions of \$11,562.



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**NOTE 24 – SUBSEQUENT EVENTS**

For purposes of reporting subsequent events, management has considered events occurring up to August 17, 2018, the date the report was available to be issued.

On February 1, 2018, MOSTH reached an agreement with D. Wilson Construction regarding the guaranteed maximum price for the construction and restoration of the 1910 Jail. During 2018, \$574,421 of expenses have been incurred towards the restoration and renovation of the 1910 Jail.

