



# San Antonio Children's Museum

Combined Financial Statements  
Years Ended December 31, 2014 and 2013

# San Antonio Children's Museum

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Combined Financial Statements  
Years Ended December 31, 2014 and 2013

# San Antonio Children's Museum

## Contents

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<b>Independent Auditor's Report</b>	1 - 2
<b>Combined Financial Statements</b>	
Combined Statements of Financial Position	3
Combined Statements of Activities and Changes in Net Assets	4
Combined Statements of Cash Flows	5
Notes to Combined Financial Statements	6 - 17
<b>Supplementary Information</b>	
Independent Auditor's Report on Supplementary Information	18
Combining Statements of Financial Position	19 - 20
Combining Statements of Activities and Changes in Net Assets	21 - 22
Schedules of Functional Expenses	23



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## Independent Auditor's Report

To the Board of Directors  
San Antonio Children's Museum  
San Antonio, TX

We have audited the accompanying combined financial statements of San Antonio Children's Museum (SACM) and SACM Title Holdings, Inc. (SACMTH), (collectively referred to as the Museum), which comprise the Combined Statements of Financial Position as of December 31, 2014 and 2013, the Combined Statements of Activities and Changes in Net Assets, and Cash Flows for the years then ended, and the related notes to the combined financial statements.

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

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

### *Auditor's Responsibility*

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

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

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



*Opinion*

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of San Antonio Children's Museum and its affiliate as of December 31, 2014 and 2013, and the changes in its combined net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*BDO USA, LLP*

March 23, 2015

## Combined Financial Statements

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**San Antonio Children's Museum**  
**Combined Statements of Financial Position**

<i>December 31,</i>	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 899,042	\$ 1,040,715
Accounts receivable:		
Contributions	488,579	451,814
Grants	-	156,245
Note receivable	7,063,000	7,063,000
Inventory	900	2,709
Prepaid and other assets	-	2,668
Cash restricted for capital improvements	11,100,967	22,142,244
Pledges receivable restricted, net	8,829,134	7,071,357
Property and equipment, net	1,146,097	1,294,700
Land for new Museum building	4,106,583	4,106,583
Construction in progress	29,349,854	9,117,733
Artwork	38,200	38,200
<b>Total Assets</b>	<b>\$ 63,022,356</b>	<b>\$ 52,487,968</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable		
Trade	\$ 55,301	\$ 106,248
Construction	3,764,004	1,077,782
Accrued liabilities	24,198	18,782
Deferred revenue	251,005	150,965
Notes payable	9,700,000	9,700,000
<b>Total Liabilities</b>	<b>13,794,508</b>	<b>11,053,777</b>
<b>Net Assets</b>		
Unrestricted:		
Operating	8,228,018	5,688,001
Land, building, and equipment	28,239,730	10,110,845
Board designated	538,594	538,594
Total unrestricted	37,006,342	16,337,440
Temporarily restricted	11,091,506	24,966,751
Permanently restricted	1,130,000	130,000
<b>Total Net Assets</b>	<b>49,227,848</b>	<b>41,434,191</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 63,022,356</b>	<b>\$ 52,487,968</b>

*See accompanying notes to combined financial statements.*

# San Antonio Children's Museum

## Combined Statements of Activities and Changes in Net Assets

<i>Years ended December 31,</i>	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Other Support</b>								
Contributions	\$ 1,230,508	\$ 6,717,475	\$ 1,000,000	\$ 8,947,983	\$ 501,960	\$ 7,564,623	\$ 130,000	\$ 8,196,583
Admissions	753,088	-	-	753,088	724,883	-	-	724,883
Memberships	92,525	-	-	92,525	78,920	-	-	78,920
Program income	72,765	-	-	72,765	77,285	-	-	77,285
Merchandise sales, net of cost of sales of \$41,803 in 2014 and \$55,707 in 2013	45,214	-	-	45,214	45,658	-	-	45,658
Birthday parties	93,837	-	-	93,837	102,497	-	-	102,497
Special events revenue, net of cost of benefits to donors of \$30,159 in 2014 and \$48,258 in 2013	188,485	-	-	188,485	110,238	-	-	110,238
In-kind contributions	18,153	-	-	18,153	6,200	-	-	6,200
Interest income	196,723	-	-	196,723	76,708	-	-	76,708
Other income	4,918	-	-	4,918	8,075	-	-	8,075
Net assets released from restriction	20,592,720	(20,592,720)	-	-	7,087,057	(7,087,057)	-	-
<b>Total Revenue and Other Support</b>	<b>23,288,936</b>	<b>(13,875,245)</b>	<b>1,000,000</b>	<b>10,413,691</b>	<b>8,819,481</b>	<b>477,566</b>	<b>130,000</b>	<b>9,427,047</b>
<b>Expenses</b>								
Program	1,974,677	-	-	1,974,677	1,887,169	-	-	1,887,169
Management and general	273,451	-	-	273,451	276,714	-	-	276,714
Fundraising	371,906	-	-	371,906	274,177	-	-	274,177
<b>Total Expenses</b>	<b>2,620,034</b>	<b>-</b>	<b>-</b>	<b>2,620,034</b>	<b>2,438,060</b>	<b>-</b>	<b>-</b>	<b>2,438,060</b>
<b>Change in Net Assets</b>	<b>20,668,902</b>	<b>(13,875,245)</b>	<b>1,000,000</b>	<b>7,793,657</b>	<b>6,381,421</b>	<b>477,566</b>	<b>130,000</b>	<b>6,988,987</b>
<b>Net Assets, beginning of year</b>	<b>16,337,440</b>	<b>24,966,751</b>	<b>130,000</b>	<b>41,434,191</b>	<b>9,956,019</b>	<b>24,489,185</b>	<b>-</b>	<b>34,445,204</b>
<b>Net Assets, end of year</b>	<b>\$ 37,006,342</b>	<b>\$ 11,091,506</b>	<b>\$ 1,130,000</b>	<b>\$ 49,227,848</b>	<b>\$ 16,337,440</b>	<b>\$ 24,966,751</b>	<b>\$ 130,000</b>	<b>\$ 41,434,191</b>

*See accompanying notes to combined financial statements.*



# San Antonio Children's Museum

## Combined Statements of Cash Flows

<i>Years ended December 31,</i>	2014	2013
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 7,793,657	\$ 6,988,987
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	152,507	197,368
Contributions restricted for long-term	(6,808,610)	(6,456,854)
(Increase) in contributions receivable	(36,765)	(388,660)
Donated artwork	-	(6,200)
Decrease (Increase) in grants receivable	156,245	(16,245)
Decrease in inventory	1,808	1,440
Decrease in prepaid and other assets	2,668	47,744
Increase (decrease) in accounts payable	(50,947)	(36,118)
Increase in accrued liabilities	5,416	215
Increase in deferred revenue	100,040	46,017
Total adjustments	(6,477,637)	(6,611,293)
Net cash provided by operating activities	1,316,019	377,694
<b>Cash Flows from Investing Activities</b>		
Restricted cash used for capital improvements	11,041,277	(10,267,350)
Purchase of equipment	(3,904)	(75,586)
Proceeds from sale of land to City of San Antonio	-	1,200,000
Cash paid for construction in progress	(17,545,899)	(6,141,532)
Net cash (used in) investing activities	(6,508,526)	(15,284,468)
<b>Cash Flows from Financing Activities</b>		
Advances of note receivable	-	(7,063,000)
Proceeds from notes payable	-	9,700,000
Contributions restricted for long-term	6,808,610	6,456,854
(Increase) Decrease in pledges receivable	(1,757,777)	5,548,398
Net cash provided by financing activities	5,050,833	14,642,252
Net (Decrease) in Cash and Cash Equivalents	(141,673)	(264,522)
Cash and Cash Equivalents, unrestricted, beginning of year	1,040,715	1,305,237
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 899,042</b>	<b>\$ 1,040,715</b>
<b>Supplemental Information</b>		
Cash paid for interest	\$ 130,637	\$ 51,553

See accompanying notes to combined financial statements.

# San Antonio Children's Museum

## Notes to Combined Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies

#### *Organization and Nature of Activities*

San Antonio Children's Museum (SACM) is a not-for-profit organization whose mission is to grow minds, connect families and transform communities through joyful learning and discovery. Play is the catalyst for joyful learning, and for every aspect of social, emotional and cognitive development in young children. The type of active play experiences offered at SACM make children smarter, more creative, healthier, more socially well-adjusted, and more innovative thinkers who are capable of meeting the challenges of the 21st century. Through its exhibits, programs and outreach activities, SACM serves as an incubator, convener and laboratory – a place where new ideas flourish, where the community gathers, and where collaborative partnerships happen.

SACM Title Holdings, Inc. (SACMTH) was organized in 2013 by SACM as a Texas Nonprofit Corporation to acquire land and construct a new facility for use by SACM. Both SACM and SACMTH share a common Board of Directors (Board) and, as such, are combined in these financial statements.

#### *Basis of Combination*

These financial statements include the Combined Statements of Financial Position, Activities and Changes in Net Assets, and Cash Flows for SACM and SACMTH, collectively known as the Museum. All balances and transactions between the combined entities have been eliminated.

Accounting principles generally accepted in the United States of America (GAAP) require that a non-profit organization combine its financial statements with another non-profit entity when the organization controls another non-profit entity through majority voting interest and economic interest. Such is the case with SACM and SACMTH.

#### *Basis of Presentation*

The accompanying combined financial statements have been prepared on the accrual basis of accounting, in accordance with GAAP.

#### *Net Assets*

Net assets, support and revenue, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein, are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions. Board-designated amounts are considered unrestricted under GAAP.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will be met by actions of the Museum and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

**San Antonio Children's Museum**  
**Notes to Combined Financial Statements**

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**1. Organization and Summary of Significant Accounting Policies (Continued)**

*Net Assets (Continued)*

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

*Cash and Cash Equivalents*

For purposes of the Combined Statements of Cash Flows, the Museum considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

*Accounts Receivable*

Accounts receivable represent amounts owed to the Museum for contributions and for reimbursement of grant-related expenses. The Museum does not receive interest on aged balances. Management considers accounts receivable at December 31, 2014 and 2013, to be fully collectible; accordingly no allowance for doubtful accounts has been recorded.

*Pledges Receivable*

When a donor has unconditionally promised to contribute funds in future periods, the Museum recognizes the fair value of the pledge receivable. Pledges expected to be collected within one year are recorded as a donation and a receivable at net realizable value, which approximates fair value. Pledges expected to be collected in future years are recorded as a donation and a receivable at the present value of the expected future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

*Inventory*

Inventory is stated at the lower of cost or market determined on the first-in, first-out method.

*Property and Equipment*

Property and equipment are recorded at historical cost if purchased, or at estimated fair value on the date of donation. Expenditures for betterments that materially extend the useful life of an asset are capitalized in excess of \$500. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, or the term of the lease (generally three-to-five years for exhibits and furniture, 13 years for improvements, and 40 years for the building).

*Artwork*

Donated artwork which is on display at the Museum was recorded at fair value at the date of accession. The artwork is not subject to depreciation.

**San Antonio Children's Museum**  
**Notes to Combined Financial Statements**

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**1. Organization and Summary of Significant Accounting Policies (Continued)**

*Revenue Recognition*

The Museum recognizes promises to give in the financial statements when there is sufficient evidence that a promise was made. Unconditional promises to give are recognized in the period in which the promise is made, and according to any donor restrictions. Conditional promises to give are not included as support until the conditions are substantially met. Gifts of securities are recorded at their fair value when received.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or are restricted by the donor for specific purposes, are reported as temporarily or permanently restricted support that increases those net asset classes. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

The Museum reports gifts of equipment and goods as unrestricted support unless explicit donor restrictions specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor restrictions about how long those long-lived assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired long-lived assets are placed into service.

Special events revenue is recorded at the time of the event net of direct cost of benefits to attendees.

Admissions and program fees are recorded when earned. Membership revenue is deferred and recognized over the periods to which the fees apply.

*Income Taxes*

SACM and SACMTH are not-for-profit corporations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The IRS has also determined that SACM and SACMTH are not private foundations.

At December 31, 2014, no uncertain tax positions have been identified and therefore, no amounts were recognized during those years. At December 31, 2014, the Museum is no longer subject to income tax examinations by tax authorities for years prior to 2011.

**San Antonio Children's Museum**  
**Notes to Combined Financial Statements**

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**1. Organization and Summary of Significant Accounting Policies (Continued)**

*Note Receivable*

The note receivable, totaling \$7,063,000 as of December 31, 2014, is reported at its outstanding balance and is considered to be fully collectible. Accordingly, no allowance for doubtful accounts has been provided. In making that determination, management evaluated the financial condition of the borrower, the estimated value of the underlying collateral, and the economic conditions. Interest on the note receivable is recognized over the term of the note receivable and is calculated using the simple-interest method on principal amounts outstanding (see note 5).

*Advertising*

The Museum uses advertising to promote its programs among the audiences it serves. All costs of advertising are expensed as incurred. Advertising expense for the year ended December 31, 2014 and 2013 amounted to \$96,030 and \$236,347, respectively.

*Functional Allocation of Expenses*

The costs of providing the services and other activities of the Museum have been summarized on a functional basis in the Statements of Activities. Functional expenses are allocated on the basis of estimates by management. These estimates are based primarily on the nature of the expense concerned and percentages of time allocated to program services, general and administrative, and fundraising.

*Contributed Services*

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Museum. Volunteers also provide significant time to provide various services to the Museum, such as developing business and operating plans, raising funds, and staffing exhibits, that do not meet the accounting criteria for being recorded in these financial statements. In the years ended December 31, 2014 and 2013, more than 7,862 and 6,947 hours were donated to the Museum in services, respectively.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Concentrations of Credit Risk*

The Museum maintains multiple bank accounts at certain financial institutions in San Antonio, Texas. From time to time certain account balances exceed the Federal Deposit Insurance Corporation insured maximum. The Museum monitors the credit worthiness of these financial institutions to avoid unnecessary exposure to risk.

**San Antonio Children's Museum**  
**Notes to Combined Financial Statements**

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**1. Organization and Summary of Significant Accounting Policies (Continued)**

*Fair Value of Financial Instruments*

The carrying amounts for cash equivalents, accounts receivable, and accounts payable approximate their fair value because of their short-term maturity.

**2. Conditional Promises to Give**

In 2013, the Museum received a promise to give from the city of San Antonio (the City) totaling \$1,800,000 to improve parking, sidewalks, and other common areas for the benefit of the new facility. At December 31, 2014 and 2013, \$65,492 and \$1,240,769 was still outstanding of the original \$1.8 million promise. In the years ended December 31, 2014 and 2013, the Museum has recorded \$1,175,277 and \$559,231 in earned contributions on this promise to give.

**3. Pledges Receivable**

Pledges receivable at December 31, 2014 and 2013 consist of the following:

	2014	2013
Receivable in less than one year	\$ 7,355,326	\$ 4,019,365
Receivable in one to five years	1,508,891	3,405,623
	8,864,217	7,424,988
Less: Discount to present value	(35,083)	(353,631)
	\$ 8,829,134	\$ 7,071,357

The rates used to calculate the discount to present value pertains to the average interest rate during the year the pledge was received. For pledges received in 2014 and 2013, the discount rate used are 2.55% and 0.94%, respectively.

Management evaluated the need for an allowance for doubtful accounts and determined that because of their history with donors, all balances were collectible.

**San Antonio Children's Museum**  
**Notes to Combined Financial Statements**

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**4. Property and Equipment**

Property and equipment consisted of the following at December 31:

	2014	2013
Building	\$ 1,000,000	\$ 1,000,000
Improvements/exterior sign	2,364,859	2,364,859
Exhibits	1,728,081	1,728,081
Office furniture and equipment	179,048	179,048
Computer software	71,674	67,770
<b>Total Property and Equipment</b>	<b>5,343,662</b>	<b>5,339,758</b>
<b>Less: Accumulated depreciation</b>	<b>(4,197,565)</b>	<b>(4,045,058)</b>
<b>Net Property and Equipment</b>	<b>\$ 1,146,097</b>	<b>\$ 1,294,700</b>

**5. Note Receivable**

In August, 2013, SACM entered into an agreement to lend \$7,063,000 to Chase NMTC SACM Investment Fund, LLC (Chase). The note is secured by Chase's equity interest in Partnerships of Hope V, LLC, a community development entity which provides financing and monitoring for qualified low income investments and related new markets tax credits ("NMTC") under Section 45D of the Internal Revenue Code of 1986, as amended. See Note 10.

The interest rate on the note is fixed at 1.0%. Interest is payable quarterly beginning September 2013. All principal and unpaid interest is due and payable on June 1, 2043. In the years ended December 31, 2014 and 2013, interest earned amounted to \$75,632 and \$24,329.

**6. Bridge Loan**

The Museum has a construction bridge loan available with a bank of up to \$5,000,000 to provide financing for the construction, furniture, and fixtures including exhibits cost for the new museum. As of December 31, 2014 and 2013, no amounts have been drawn or are outstanding on this loan.

**7. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of cash and accounts receivable that are available for the following purposes at December 31:

	2014	2013
Construction of new museum	\$ 2,803,222	\$ 17,631,117
Educational programs	117,500	191,500
Admissions subsidies	39,651	55,778
Department of Cultural Affairs & Creative Development	112,000	140,000
Time restricted	8,019,133	6,948,356
	<b>\$ 11,091,506</b>	<b>\$ 24,966,751</b>

**San Antonio Children's Museum**  
**Notes to Combined Financial Statements**

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**7. Temporarily Restricted Net Assets (Continued)**

These restricted net assets will be reclassified to unrestricted net assets when the funds have been used for their intended purpose or time has passed.

Temporarily restricted net assets at December 31 were released from donor restrictions during the year by incurring expenses satisfying the purpose specified by donors, as follows:

	2014	2013
Construction of new museum	\$ 19,765,728	\$ 6,829,309
Educational programs	589,000	49,000
Admissions subsidies	49,992	68,748
Department of Cultural Affairs & Creative Development	188,000	140,000
	<b>\$ 20,592,720</b>	<b>\$ 7,087,057</b>

**8. Retirement Plans**

The Museum has a qualified 403(b) retirement plan for the benefit of eligible employees. The plan is available to employees who work at least 20 hours per week, and is available the first day of the following month after beginning employment. The plan does not have an employer match component. Eligible employees may contribute to the plan, limited only by Internal Revenue Service regulations.

**9. City of San Antonio Bond Agreement**

The City passed a bond program dated May 12, 2012, that awarded the Museum \$3,000,000 in funding to be used for the expenses of the new building. In accordance with the bond passage, the Museum sold to the City parcels of land for \$1,200,000 to be used as parking lots for the support of the Museum. The Museum leased the parking lots from the City for \$1 per year until the later of (a) the expiration of 20 years from the lease commencement date, or (b) final repayment by the City of all bonds providing funding for the Funding Agreement executed in 2013, as those bonds may be refinanced from time-to-time. The remaining \$1,800,000 is a conditional promise to give (see note 2).

**10. New Markets Tax Credits Notes Payable**

In August, 2013, SACMTH, a Qualified Active Low-Income Community Business, executed secured loan agreements to borrow \$7,063,000 and \$2,637,000 from Partnerships of Hope V, LLC to finance the construction of a new museum facility. These loans are subject to a construction monitoring and disbursement agreement with Chase Bank, and are secured by the land and building, and a guaranty from SACM.

Pursuant to the loan agreement, \$430,000 of the loan proceeds were withheld to fund future operating and compliance costs for Partnerships of Hope V, LLC.



**San Antonio Children's Museum**  
**Notes to Combined Financial Statements**

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**10. New Markets Tax Credits Notes Payable (Continued)**

Under the terms of the loan agreement, each loan has an interest rate of 1.346774% per annum, payable quarterly, beginning September 2013, and the principal balance is due in its entirety on the stated maturity dates. SACMTH is not permitted to prepay any portion of the loans in whole or in part until the seventh anniversary of the loans.

The loan agreements are intended to be treated as a "qualified low-income community investment" and generate new markets tax credits for Partnerships for Hope V, LLC. Accordingly, in conjunction with the financing, SACMTH entered into an indemnification agreement with Chase for costs incurred or value lost as a result of a recapture event as defined in Section 45D(g) of the Internal Revenue Code of 1986, as amended.

Additionally, the Museum entered into a put agreement (put) or fair value (call) with Chase to buy Chase NMTC Investment Fund, LLC (see note 5) for \$1,000 at the end of the seven and one-half year NMTC Investment period. Should such put be exercised, SACM would also own Partnerships for Hope V, LLC and its primary assets, the secured notes from SACMTH.

A summary of the notes payable is as follows:

	Amount
Note payable to Partnerships of Hope V, LLC, matures on June 1, 2043, with principal payments commencing in December 1, 2020. (see note 5)	\$ 7,063,000
Note payable to Partnerships of Hope V, LLC, matures on June 1, 2043, with principal payments commencing in December 1, 2020.	2,637,000
<b>Total New Markets Tax Credits Notes Payable</b>	<b>\$ 9,700,000</b>

There are no payments of principal due on the above notes until December 2020.

**11. Permanently Restricted Net Assets**

Permanently restricted net assets must be invested in perpetuity upon receipt; however, the income from the following investments is expendable to support the activities of the Museum:

	2014	2013
Charles Butt Endowment	\$ 1,000,000	\$ -
Brown Foundation Endowment	100,000	100,000
Claudia Huntington Endowment	30,000	30,000
<b>Total</b>	<b>\$ 1,130,000</b>	<b>\$ 130,000</b>

**San Antonio Children's Museum**  
**Notes to Combined Financial Statements**

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## 12. Endowment Funds

### *Implementation of Enhanced Disclosures for All Institutional (Endowment) Funds*

The Museum has adopted the "Endowments of Not-For-Profit Organizations" standard as required by the FASB Accounting Standards Codification (ASC). This standard provides guidance on the net asset classification of donor-restricted endowment funds by a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This topic also requires additional disclosures about an organization's endowment funds (both donor restricted and Board-designated) whether or not the organization is subject to UPMIFA.

The state of Texas enacted UPMIFA effective September 1, 2007, the provisions of which apply to endowment funds existing on, or established after, that date. The Museum has implemented the reporting requirements of this standard. The Museum has determined that all of the Museum's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

### *General Information*

The Museum maintains various endowment funds established for a variety of purposes. These endowments include donor-restricted endowment contributions. The donor-restricted endowment funds fall under the provisions of UPMIFA, which was adopted by the state of Texas with an effective date of September 1, 2007. This policy defines the Museum's interpretation of the provisions of this law as they relate to the prudent management of its endowment funds.

### *Background*

In July 2006, the Uniform Law Commission (ULC) approved UPMIFA as a modernized version of the Uniform Management of Institutional Funds Act of 1972 (UMIFA), which governed the investment and management of donor-restricted endowment funds by not-for-profit organizations. The major change of the new law is that UPMIFA prescribes new guidelines for expenditure of a donor-restricted endowment fund when there are no explicit donor stipulations. These guidelines require the Museum to determine what constitutes prudent spending based upon consideration of the donor's intent that the endowment fund continues permanently, the purpose of the fund, and relevant economic factors. UPMIFA emphasizes the perpetuation of the purchasing power of the fund, not just the original dollars contributed to the fund. Although the Act does not require that a specified amount be set aside as principal, the Act assumes that an organization will preserve "principal" by maintaining the purchasing power of amounts contributed, and will spend "income" by making distributions using a reasonable spending rate.

**San Antonio Children's Museum**  
**Notes to Combined Financial Statements**

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**12. Endowment Funds (Continued)**

*Endowment "Principal" Interpretation*

The Museum has interpreted UPMIFA, related to gifts in which the donor declares the gift to be permanently restricted for endowment, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. If the donor does not permanently restrict the endowment principal, then the Museum will act prudently in appropriating these funds. As a result of this interpretation, the Museum classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment (the Principal). The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA.

*Endowment Investment Objectives*

The objectives of the Endowment Fund should be pursued as long-term goals designed to maximize Return without exposure to undue risk. Whereas it is understood that fluctuating rates of Return are characteristic of the securities markets, the Museum's and each Manager's greatest concern should be long-term appreciation of the assets and consistency of total portfolio Return. Recognizing that short-term market fluctuations may cause variations in performance, it is expected that the total portfolio will achieve certain objectives in the In Museum's Investment Policy over a full market cycle, defined as a minimum of three to five years.

*Endowment "Income" Appropriation (Spending Policy)*

The intent of the spending guidelines below is to ensure the preservation of endowment gifts in the aggregate adjusted for inflation. Should the Board of Directors approve an annual withdrawal, it is limited to 4% per year, of the trailing quarter (three year) rolling average for the Endowment Fund's market value. In years where the investment return does not warrant a withdrawal, the board may still approve the withdrawal provided previous years' earnings were in excess of the 4% spending guideline and are available for distribution.

The Return above the 4% spending guideline shall be reinvested, thus providing an offset to inflation and generating real growth in the value of the overall investment portfolio within the Endowment Fund. This section is intended to address the investment guidelines needed to maintain the annual spending levels of the Museum. It does not address emergency or extraordinary withdrawals.

When the Museum decides to expend funds, the Museum will attempt to provide Managers with reasonable advanced notice of its needs for the funds, and Managers shall arrange to have the funds delivered to Museum as soon as reasonably possible thereafter (but in no event later than 30 days following such request).

**San Antonio Children's Museum**  
**Notes to Combined Financial Statements**

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**12. Endowment Funds (Continued)**

*Endowment Net Asset Composition by Type of Fund as of December 31, 2014*

	Unrestricted	Temporarily Unrestricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ -	\$ 1,130,000	\$ 1,130,000
<b>Total Funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,130,000</b>	<b>\$ 1,130,000</b>

*Changes in Endowment Net Assets for the Year Ended December 31, 2014*

	Unrestricted	Temporarily Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 130,000	\$ 130,000
Endowment received during the year	-	-	1,000,000	1,000,000
<b>Endowment Net Assets, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,130,000</b>	<b>\$ 1,130,000</b>

*Endowment Net Asset Composition by Type of Fund as of December 31, 2013*

	Unrestricted	Temporarily Unrestricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ -	\$ 130,000	\$ 130,000
<b>Total Funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 130,000</b>	<b>\$ 130,000</b>

**San Antonio Children's Museum**  
**Notes to Combined Financial Statements**

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**12. Endowment Funds (Continued)**

*Changes in Endowment Net Assets for the Year Ended December 31, 2013*

	Unrestricted	Temporarily Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Endowment received during the year	-	-	130,000	130,000
Endowment Net Assets, End of Year	\$ -	\$ -	\$ 130,000	\$ 130,000

As of December 31, 2014 and 2013, \$120,000 and \$10,000 have been received and currently included in Cash equivalents, respectively. The remaining endowment pledge balance as of December 31, 2014 and 2013 of \$1,010,000 and \$120,000 are included in Pledges Receivable, respectively.

**13. Subsequent Events**

The Museum's management have evaluated events subsequent to occurring after December 31, 2014 and through March 23, 2015, which is the date the combined financial statements were available to be issued.

## Supplementary Information

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## Independent Auditor's Report on Supplementary Information

To the Board of Directors  
San Antonio Children's Museum  
San Antonio, TX

Our audits of the combined financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*BDO USA, LLP*

March 23, 2015

**San Antonio Children's Museum**  
**Combining Statement of Financial Position**

<i>December 31, 2014</i>	San Antonio Children's Museum	SACM Title Holdings, Inc.	Eliminations	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 899,042	\$ -	\$ -	\$ 899,042
Accounts receivable:				
Contributions	488,579	-	-	488,579
Grants	-	-	-	-
Investments	18,962,463	-	(18,962,463)	-
Notes receivable	7,063,000	-	-	7,063,000
Inventory	900	-	-	900
Prepaid and other assets	-	-	-	-
Cash restricted for capital improvements	5,373,912	5,727,055	-	11,100,967
Pledges receivable restricted, net	8,829,134	-	-	8,829,134
Property and equipment, net	1,146,097	-	-	1,146,097
Land for new Museum building	-	4,106,583	-	4,106,583
Construction in progress	8,169,165	21,180,689	-	29,349,854
Artwork	38,200	-	-	38,200
<b>Total Assets</b>	<b>\$ 50,970,492</b>	<b>\$ 31,014,327</b>	<b>\$ (18,962,463)</b>	<b>\$ 63,022,356</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable:				
Trade	\$ 55,301	\$ -	\$ -	\$ 55,301
Construction in progress	1,426,619	2,337,385	-	3,764,004
Accrued liabilities	24,198	-	-	24,198
Deferred revenue	251,005	-	-	251,005
Notes payable	-	9,700,000	-	9,700,000
<b>Total Liabilities</b>	<b>1,757,123</b>	<b>12,037,385</b>	<b>-</b>	<b>13,794,508</b>
<b>Net Assets</b>				
Unrestricted:				
Operating	8,213,539	14,479	-	8,228,018
Land, building, and equipment	28,239,730	18,962,463	(18,962,463)	28,239,730
Board-designated	538,594	-	-	538,594
<b>Total unrestricted</b>	<b>36,991,863</b>	<b>18,976,942</b>	<b>(18,962,463)</b>	<b>37,006,342</b>
Temporarily restricted	11,091,506	-	-	11,091,506
Permanent restricted	1,130,000	-	-	1,130,000
<b>Total Net Assets</b>	<b>49,213,369</b>	<b>18,976,942</b>	<b>(18,962,463)</b>	<b>49,227,848</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 50,970,492</b>	<b>\$ 31,014,327</b>	<b>\$ (18,962,463)</b>	<b>\$ 63,022,356</b>

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



# San Antonio Children's Museum

## Combining Statement of Financial Position (Continued)

<i>December 31, 2013</i>	San Antonio Children's Museum	SACM Title Holdings, Inc.	Eliminations	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 1,040,715	\$ -	\$ -	\$ 1,040,715
Accounts receivable:				
Contributions	451,814	-	-	451,814
Grants	156,245	-	-	156,245
Investments	7,162,463	-	(7,162,463)	-
Notes receivable	7,063,000	-	-	7,063,000
Inventory	2,709	-	-	2,709
Prepaid and other assets	2,668	-	-	2,668
Cash restricted for capital improvements	15,876,755	6,265,489	-	22,142,244
Pledges receivable restricted, net	7,071,357	-	-	7,071,357
Property and equipment, net	1,294,700	-	-	1,294,700
Land for new Museum building	-	4,106,583	-	4,106,583
Construction in progress	1,653,682	7,464,051	-	9,117,733
Artwork	38,200	-	-	38,200
<b>Total Assets</b>	<b>\$ 41,814,308</b>	<b>\$ 17,836,123</b>	<b>\$ (7,162,463)</b>	<b>\$ 52,487,968</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable:				
Trade	\$ 106,248	\$ -	\$ -	\$ 106,248
Construction in progress	109,852	967,930	-	1,077,782
Accrued liabilities	18,782	-	-	18,782
Deferred revenue	150,965	-	-	150,965
Notes payable	-	9,700,000	-	9,700,000
<b>Total Liabilities</b>	<b>385,847</b>	<b>10,667,930</b>	<b>-</b>	<b>11,053,777</b>
<b>Net Assets</b>				
Unrestricted:				
Operating	5,682,271	5,730	-	5,688,001
Land, building, and equipment	10,110,845	7,162,463	(7,162,463)	10,110,845
Board-designated	538,594	-	-	538,594
<b>Total Unrestricted</b>	<b>16,331,710</b>	<b>7,168,193</b>	<b>(7,162,463)</b>	<b>16,337,440</b>
Temporarily restricted	24,966,751	-	-	24,966,751
Permanent restricted	130,000	-	-	130,000
<b>Total Net Assets</b>	<b>41,428,461</b>	<b>7,168,193</b>	<b>(7,162,463)</b>	<b>41,434,191</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 41,814,308</b>	<b>\$ 17,836,123</b>	<b>\$ (7,162,463)</b>	<b>\$ 52,487,968</b>

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

# San Antonio Children's Museum

## Combining Statement of Activities and Changes in Net Assets

<i>December 31, 2014</i>	San Antonio Children's Museum	SACM Title Holdings, Inc.	Eliminations	Total
<b>Revenue and Other Support</b>				
Contributions	\$ 1,230,508	\$ -	\$ -	\$ 1,230,508
Admissions	753,088	-	-	753,088
Memberships	92,525	-	-	92,525
Program income	72,765	-	-	72,765
Merchandise sales, net of cost of of sales of \$41,803	45,214	-	-	45,214
Birthday parties	93,837	-	-	93,837
Special events revenue, net of cost of benefits to donors of \$30,159	188,485	-	-	188,485
In-kind contributions	18,153	-	-	18,153
Interest income	187,974	8,749	-	196,723
Other income	4,918	-	-	4,918
Net assets released from restriction	20,592,720	-	-	20,592,720
<b>Total Revenue and Other Support</b>	<b>23,280,187</b>	<b>8,749</b>	<b>-</b>	<b>23,288,936</b>
<b>Expenses</b>				
Program	1,974,677	-	-	1,974,677
Management and general	273,451	-	-	273,451
Fundraising	371,906	-	-	371,906
<b>Total Expenses</b>	<b>2,620,034</b>	<b>-</b>	<b>-</b>	<b>2,620,034</b>
Increase in unrestricted net assets	20,660,153	8,749	-	20,668,902
<b>Changes in Temporarily Restricted Net Assets</b>				
Contributions	6,717,475	-	-	6,717,475
Net assets released from restrictions	(20,592,720)	-	-	(20,592,720)
<b>Decrease in Temporarily Restricted Net Assets</b>	<b>(13,875,245)</b>	<b>-</b>	<b>-</b>	<b>(13,875,245)</b>
<b>Change in Permanently Restricted Net Assets</b>				
Contributions	1,000,000	-	-	1,000,000
<b>Increase in Permanently Restricted Net Assets</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>
<b>Change in Net Assets</b>	<b>7,784,908</b>	<b>8,749</b>	<b>-</b>	<b>7,793,657</b>
<b>Net Assets, beginning of year</b>	<b>41,428,461</b>	<b>5,730</b>	<b>-</b>	<b>41,434,191</b>
<b>Net Assets, end of year</b>	<b>\$ 49,213,369</b>	<b>\$ 14,479</b>	<b>\$ -</b>	<b>\$ 49,227,848</b>

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

# San Antonio Children's Museum

## Combining Statement of Activities and Changes in Net Assets (Continued)

<i>December 31, 2013</i>	San Antonio Children's Museum	SACM Title Holdings, Inc.	Eliminations	Total
<b>Revenue and Other Support</b>				
Contributions	\$ 501,960	\$ -	\$ -	\$ 501,960
Admissions	724,883	-	-	724,883
Memberships	78,920	-	-	78,920
Program income	77,285	-	-	77,285
Merchandise sales, net of cost of sales of \$55,707	45,658	-	-	45,658
Birthday parties	102,497	-	-	102,497
Special events revenue, net of cost of benefits to donors of \$48,258	110,238	-	-	110,238
In-kind contributions	6,200	-	-	6,200
Interest income	70,978	5,730	-	76,708
Other income	8,075	-	-	8,075
Net assets released from restriction	7,087,057	-	-	7,087,057
<b>Total Revenue and Other Support</b>	<b>8,813,751</b>	<b>5,730</b>	<b>-</b>	<b>8,819,481</b>
<b>Expenses</b>				
Program	1,887,169	-	-	1,887,169
Management and general	276,714	-	-	276,714
Fundraising	274,177	-	-	274,177
<b>Total Expenses</b>	<b>2,438,060</b>	<b>-</b>	<b>-</b>	<b>2,438,060</b>
Increase in unrestricted net assets	6,375,691	5,730	-	6,381,421
<b>Changes in Temporarily Restricted Net Assets</b>				
Contributions	7,564,623	-	-	7,564,623
Net assets released from restrictions	(7,087,057)	-	-	(7,087,057)
<b>Increase in Temporarily Restricted Net Assets</b>	<b>477,566</b>	<b>-</b>	<b>-</b>	<b>477,566</b>
<b>Change in Permanently Restricted Net Assets</b>				
Contributions	130,000	-	-	130,000
<b>Increase in Permanently Restricted Net Assets</b>	<b>130,000</b>	<b>-</b>	<b>-</b>	<b>130,000</b>
<b>Change in Net Assets</b>	<b>6,983,257</b>	<b>5,730</b>	<b>-</b>	<b>6,988,987</b>
<b>Net Assets, beginning of year</b>	<b>34,445,204</b>	<b>-</b>	<b>-</b>	<b>34,445,204</b>
<b>Net Assets, end of year</b>	<b>\$ 41,428,461</b>	<b>\$ 5,730</b>	<b>\$ -</b>	<b>\$ 41,434,191</b>

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

San Antonio Children's Museum

Schedules of Functional Expenses

Year ended December 31,	2014				2013			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries	\$ 1,146,367	\$ 154,914	\$ 247,863	\$ 1,549,144	\$ 820,592	\$ 110,891	\$ 177,425	\$ 1,108,908
Payroll taxes	87,144	22,409	14,939	124,492	71,578	9,673	15,476	96,727
Employee benefits	32,951	8,473	5,649	47,073	26,028	3,517	5,628	35,173
	1,266,462	185,796	268,451	1,720,709	918,198	124,081	198,529	1,240,808
Advertising	63,201	-	32,829	96,030	236,347	-	-	236,347
Bank charges	23,743	2,581	-	26,324	17,962	909	-	18,871
Birthday operations	4,437	-	-	4,437	5,474	-	-	5,474
Contract labor	-	-	-	-	16,759	-	-	16,759
Dues and subscriptions	1,133	3,173	227	4,533	1,027	2,876	205	4,108
Equipment rental	(6,940)	14,987	14,987	23,034	3,065	2,975	2,975	9,015
Guest services, volunteers, and others	6,850	480	-	7,330	1,397	-	-	1,397
In-kind expense	9,285	-	-	9,285	-	-	-	-
Insurance	22,513	1,258	878	24,649	20,292	341	315	20,948
Janitorial	51,008	299	222	51,529	55,381	322	241	55,944
Postage, printing, and membership events	-	-	48,589	48,589	-	-	66,132	66,132
Professional development	55,364	-	-	55,364	23,615	-	-	23,615
Professional fees	127,037	39,535	133	166,705	227,118	108,826	-	335,944
Other operating expense	-	3,029	-	3,029	-	-	-	-
Relocation	-	-	-	-	-	8,987	-	8,987
Repairs and maintenance	25,374	149	110	25,633	64,223	373	280	64,876
Supplies	84,575	9	47	84,631	40,773	4,094	4,341	49,208
Telephone	9,046	2,213	49	11,308	13,383	78	58	13,519
Travel	20,097	4,252	4,403	28,752	2,307	10,840	11	13,158
Utilities	60,525	14,806	325	75,656	44,466	10,877	239	55,582
<b>Total Before Depreciation</b>	<b>1,823,710</b>	<b>272,567</b>	<b>371,250</b>	<b>2,467,527</b>	<b>1,691,787</b>	<b>275,579</b>	<b>273,326</b>	<b>2,240,692</b>
Depreciation	150,967	884	656	152,507	195,382	1,135	851	197,368
<b>Total Expense</b>	<b>\$ 1,974,677</b>	<b>\$ 273,451</b>	<b>\$ 371,906</b>	<b>\$ 2,620,034</b>	<b>\$ 1,887,169</b>	<b>\$ 276,714</b>	<b>\$ 274,177</b>	<b>\$ 2,438,060</b>

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