



**San Antonio Children's Museum
dba The DoSeum**
Consolidated Financial Statements
(with supplementary information)
Years Ended December 31, 2016 and 2015

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



San Antonio Children's Museum dba The DoSeum

Consolidated Financial Statements
(with supplementary information)
Years Ended December 31, 2016 and 2015

San Antonio Children's Museum dba The DoSeum

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of San Antonio Children's Museum dba "The DoSeum" (DoSeum) and SACM Title Holdings, Inc. (SACMTH), (collectively referred to as the Museum), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Museum's preparation and fair presentation of the consolidated 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 Museum'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of San Antonio Children's Museum dba The DoSeum and its affiliate as of December 31, 2016 and 2015, and the changes in its consolidated 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 29, 2017

Consolidated Financial Statements

San Antonio Children's Museum dba The DoSeum

Consolidated Statements of Financial Position

<i>December 31,</i>	2016	2015
Assets		
Cash and cash equivalents	\$ 1,595,028	\$ 2,250,687
Accounts receivable	212,123	463,197
Inventory	173,429	99,187
Prepaid Expenses	38,333	-
Investments	5,885,123	-
Pledges receivable restricted, net	2,415,011	5,122,090
Note receivable	7,063,000	7,063,000
Restricted cash	3,442,094	3,042,505
Property and equipment, net	41,459,377	42,524,968
Assets held for sale	-	1,067,473
Artwork	48,200	48,200
Total Assets	\$ 62,331,718	\$ 61,681,307
Liabilities and Net Assets		
Liabilities		
Accounts payable:		
Trade	\$ 301,671	\$ 176,814
Construction	-	169,315
Accrued liabilities	112,693	49,513
Deferred revenue	504,204	630,165
Notes payable	9,700,000	9,700,000
Total Liabilities	10,618,568	10,725,807
Net Assets		
Unrestricted:		
Operating	6,605,005	3,146,423
Land, building, and equipment	38,870,577	40,834,326
Board designated	538,594	538,594
Total unrestricted	46,014,176	44,519,343
Temporarily restricted	4,555,974	5,306,157
Permanently restricted	1,143,000	1,130,000
Total Net Assets	51,713,150	50,955,500
Total Liabilities and Net Assets	\$ 62,331,718	\$ 61,681,307

See accompanying notes to consolidated financial statements.

San Antonio Children's Museum dba The DoSeum
Consolidated Statements of Activities and Changes in Net Assets

Years ended December 31,	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support								
Contributions	\$ 324,894	\$ 769,060	\$ 13,000	\$ 1,106,954	\$ 214,520	\$ 2,683,821	\$ -	\$ 2,898,341
Admissions	2,284,224	-	-	2,284,224	2,057,034	-	-	2,057,034
Memberships	1,122,990	-	-	1,122,990	678,865	-	-	678,865
Program income	324,496	-	-	324,496	264,753	-	-	264,753
Merchandise sales, net of cost of sales of \$212,244 in 2016 and \$180,020 in 2015	242,405	-	-	242,405	255,800	-	-	255,800
Birthday parties	160,469	-	-	160,469	168,945	-	-	168,945
Special events revenue, net of cost of benefits to donors of \$165,896 in 2016 and \$133,508 in 2015	227,910	-	-	227,910	788,687	-	-	788,687
In-kind contributions	215,074	-	-	215,074	146,248	-	-	146,248
Interest income	94,389	-	-	94,389	78,855	-	-	78,855
Other income	2,802,753	-	-	2,802,753	64,035	-	-	64,035
Net assets released from restriction	1,519,243	(1,519,243)	-	-	8,469,170	(8,469,170)	-	-
Total Revenue and Other Support	9,318,847	(750,183)	13,000	8,581,664	13,186,912	(5,785,349)	-	7,401,563
Expenses								
Program	6,909,905	-	-	6,909,905	4,764,719	-	-	4,764,719
Management and general	597,301	-	-	597,301	520,467	-	-	520,467
Fundraising	316,808	-	-	316,808	388,725	-	-	388,725
Total Expenses	7,824,014	-	-	7,824,014	5,673,911	-	-	5,673,911
Change in Net Assets	1,494,833	(750,183)	13,000	757,650	7,513,001	(5,785,349)	-	1,727,652
Net Assets, beginning of year	44,519,343	5,306,157	1,130,000	50,955,500	37,006,342	11,091,506	1,130,000	49,227,848
Net Assets, end of year	\$ 46,014,176	\$ 4,555,974	\$ 1,143,000	\$ 51,713,150	\$ 44,519,343	\$ 5,306,157	\$ 1,130,000	\$ 50,955,500

See accompanying notes to consolidated financial statements.

San Antonio Children's Museum dba The DoSeum

Consolidated Statements of Cash Flows

Years ended December 31,	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ 757,650	\$ 1,727,652
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	2,107,486	1,062,262
Net realized and unrealized (gain) on investments	(106,648)	-
Net (gain) loss from disposal of fixed assets	(2,579,076)	33,263
Contributions restricted for long-term	(54,000)	(943,557)
Change in operating assets and liabilities:		
Accounts receivable	251,074	25,382
Inventory	(74,242)	(98,287)
Prepaid assets	(38,333)	-
Accounts payable	(44,458)	121,513
Accrued liabilities	63,180	25,315
Deferred revenue	(125,961)	379,160
Net cash provided by operating activities	156,672	2,332,703
Cash Flows from Investing Activities		
Restricted cash (received) used	(399,589)	8,058,462
Purchase of artwork	-	(10,000)
Purchase of property and equipment	(1,041,895)	(12,122,705)
Proceeds from sale of assets	3,646,549	7,584
Proceeds from sale of investments	187	-
Purchase of Investments	(5,778,662)	-
Net cash (used in) investing activities	(3,573,410)	(4,066,659)
Cash Flows from Financing Activities		
Contributions restricted for long-term	54,000	943,557
Change in pledges receivable	2,707,079	2,142,044
Net cash provided by financing activities	2,761,079	3,085,601
Net (Decrease) Increase in Cash and Cash Equivalents	(655,659)	1,351,645
Cash and Cash Equivalents, beginning of year	2,250,687	899,042
Cash and Cash Equivalents, end of year	\$ 1,595,028	\$ 2,250,687
Supplemental Information:		
Cash paid for interest	\$ 130,637	\$ 130,637
Capitalized Interest	\$ -	\$ 65,319
Contributed Land	\$ -	\$ 1,565,000

See accompanying notes to consolidated financial statements.

San Antonio Children's Museum dba The DoSeum

Notes to Consolidated Financial Statements

1. Organization and Summary of Significant Accounting Policies

Organization and Nature of Activities

San Antonio Children's Museum dba "The DoSeum" (DoSeum) is a nonprofit 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 the DoSeum 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, the DoSeum 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 the DoSeum as a Texas Nonprofit Corporation to acquire land and construct a new facility for use by the DoSeum. Both the DoSeum and SACMTH share a common Board of Directors (Board) and, as such, are consolidated in these financial statements.

Basis of Consolidation

These financial statements include the consolidated statements of financial position, activities and changes in net assets, and cash flows for the DoSeum and SACMTH, collectively referred to as the Museum. All balances and transactions between the consolidated entities have been eliminated.

Accounting principles generally accepted in the United States of America (GAAP) require that a nonprofit organization consolidate its financial statements with another nonprofit entity when the organization controls another not-for-profit entity through majority voting interest and economic interest. Such is the case with the DoSeum and SACMTH.

Basis of Presentation

The accompanying consolidated 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 dba The DoSeum

Notes to Consolidated Financial Statements

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 consolidated statements of cash flows, the Museum considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents that are part of the long-term investment pool are shown within investments as those resources are not used for daily operating purposes.

Restricted Cash

Restricted cash represents highly liquid investments, with an initial maturity of three months or less, held in high quality financial institutions related to board designated or donor imposed restrictions.

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, 2016 and 2015, 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 average cost.

Investments

Investments are reported at fair market value as of the date of the financial statements.

San Antonio Children's Museum dba The DoSeum

Notes to Consolidated Financial Statements

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

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 3-to-5 years for exhibits and furniture, 10 to 15 years for improvements, and 40 years for the building).

Assets Held for Sale

Assets held for sale are recorded at their carrying amount which is lower than fair value. Assets held for sale represents assets removed from service and listed for sale after moving to the new Museum (see note 5).

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.

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

San Antonio Children's Museum dba The DoSeum

Notes to Consolidated Financial Statements

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

Income Taxes

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

At December 31, 2016, no uncertain tax positions have been identified and therefore, no related liabilities were recognized. At December 31, 2016, the Museum is no longer subject to income tax examinations by tax authorities for years prior to 2013.

Note Receivable

The note receivable, totaling \$7,063,000 as of December 31, 2016 and 2015, 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 6).

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, 2016 and 2015 amounted to \$51,483 and \$53,872, 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, 2016 and 2015, more than 8,497 and 21,830 hours were donated to the Museum in services, respectively.

San Antonio Children's Museum dba The DoSeum

Notes to Consolidated Financial Statements

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

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.

Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), 820-10, defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets that the Museum 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 for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

San Antonio Children's Museum dba The DoSeum

Notes to Consolidated Financial Statements

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

Accounting Pronouncements issued but Not Yet Adopted or Currently in Effect

Revenue from Contracts with Customers (Topic 606)

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Museum until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

Fair Value (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Equivalent)

In May 2015, FASB issued ASU 2015-07, *Fair Value (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Equivalent)*, which allows for those entities that have elected the practical expedient to use the net asset value (NAV) as a measure of fair value and to no longer categorize these investments within the fair value hierarchy. The practical expedient criteria differ from the criteria used to categorize other fair value measurements within the hierarchy. A reporting entity should continue to disclose information on investments for which fair value is measured at NAV (or its equivalent) as a practical expedient to help users understand the nature and risks of the investments and whether the investments, if sold, are probable of being sold at amounts different from NAV. The ASU is effective for the Museum's fiscal years beginning after December 15, 2016, with early application permitted and should be applied retrospectively. The retrospective approach requires that an investment for which fair value is measured using the NAV practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. Management is currently evaluating the impact of the ASU on its financial statements.

Leases (Topic 842)

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Museum's fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

San Antonio Children's Museum dba The DoSeum

Notes to Consolidated Financial Statements

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

Accounting Pronouncements issued but Not Yet Adopted or Currently in Effect (Continued)

Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements for Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include; (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Museum's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on their financial statements.

2. Pledges Receivable

Pledges receivable at December 31, 2016 and 2015 consist of the following:

	2016	2015
Receivable in less than one year	\$ 1,930,193	\$ 4,431,349
Receivable in one to five years	510,000	722,600
	<u>2,440,193</u>	<u>5,153,949</u>
Less: Discount to present value	(25,182)	(31,859)
Net pledges receivable	<u>\$ 2,415,011</u>	<u>\$ 5,122,090</u>

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 2016 and 2015, the discount rates used ranged from 2.41% to 2.78%.

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 dba The DoSeum

Notes to Consolidated Financial Statements

3. Investments and Fair Value

The carrying value of investments, which is the fair value, is based upon values provided by external investment managers. Fees paid to the external investment managers totaled \$10,021 and \$0 for the years ended December 31, 2016 and 2015, respectively. Valuation of the investments at year-end reflects value net of fees. In accordance with the fair value hierarchy described in Note 1, the following table shows the fair value classification of the Museum's financial assets that are required to be measured at fair value as of December 31, 2016.

	Fair Value	Level 1	Level 2	Level 3
Money Market	\$ 462,126	\$ 462,126	\$ -	\$ -
Equity Securities	3,825,808	\$ 3,825,808		
Corporate Bonds	1,597,189	1,597,189	-	-
Total Assets at Fair Value	\$ 5,885,123	\$ 5,885,123	\$ -	\$ -

Realized and unrealized gains on the investments were \$106,648 and \$0 for the years ended December 31, 2016 and 2015, respectively.

4. Property and Equipment

Property and equipment consisted of the following at December 31:

	2016	2015
Land	\$ 5,671,583	\$ 5,671,583
Building and improvements	24,471,667	24,212,740
Exhibits and improvements	13,144,888	12,603,102
Office furniture and equipment	1,303,210	1,062,027
Total Property and Equipment	44,591,348	43,549,452
Less: Accumulated depreciation	(3,131,971)	(1,024,484)
Net Property and Equipment	\$ 41,459,377	\$ 42,524,968

5. Assets Held for Sale

Assets held for sale at December 31, 2015 consisted of buildings, improvements, exhibits, office furniture and equipment with net book value of \$1,067,473. These assets were sold during 2016 for \$3,646,549, a gain of \$2,579,076 is included in other income in the statement of activities.

San Antonio Children's Museum dba The DoSeum

Notes to Consolidated Financial Statements

6. Note Receivable

In August, 2013, the DoSeum 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 11.

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, 2016 and 2015, interest earned amounted to \$70,630 and \$73,354.

7. Line of Credit

On March 16, 2015, the Museum entered into a business loan agreement for a line of credit with a bank for up to \$1,500,000. The loan matures on March 22, 2017. As of December 31, 2016, no amount has been drawn or is outstanding on this loan.

8. Temporarily Restricted Net Assets

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

	2016	2015
Museum construction and improvements	\$ 1,734,600	\$ 458,123
Educational programs	181,102	296,922
Admissions subsidies	238,428	236,046
Time restricted	2,401,844	4,315,066
Temporarily restricted net assets	\$ 4,555,974	\$ 5,306,157

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:

	2016	2015
New Museum construction and improvements	\$ 751,425	\$ 8,017,169
Educational programs	616,347	398,350
Admissions subsidies	151,471	53,651
Net assets released from restrictions	\$ 1,519,243	\$ 8,469,170

San Antonio Children's Museum dba The DoSeum

Notes to Consolidated Financial Statements

9. 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.

10. City of San Antonio Bond Agreement

The City passed a bond program dated May 12, 2012, 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 leases 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 2014, as those bonds may be refinanced from time-to-time. At expiration of the lease agreement, the parking lots and land will be given back to the Museum. The Museum has recorded a \$1,200,000 pledge receivable as of December 31, 2016 and 2015 for these parking lots.

11. 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 the DoSeum.

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.

Under the terms of the loan agreement, each loan has an interest rate of 1.35% 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 6) for \$1,000 at the end of the seven and one-half year NMTC Investment period. Should such put be exercised, the DoSeum would also own Partnerships for Hope V, LLC and its primary assets, the secured notes from SACMTH.

San Antonio Children's Museum dba The DoSeum

Notes to Consolidated Financial Statements

11. New Markets Tax Credits Notes Payable (Continued)

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 7)	\$ 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
Total New Markets Tax Credits Notes Payable	\$ 9,700,000

There are no payments of principal due on the above notes until December 2020. Interest expense for the years ended December 31, 2016 and 2015 amounted to \$130,637 for each year, of which, \$0 and \$65,319, respectively, were capitalized as part of the cost of the new museum.

12. 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:

	2016	2015
Charles Butt Endowment	\$ 1,000,000	\$ 1,000,000
Brown Foundation Endowment	100,000	100,000
Claudia Huntington Endowment	30,000	30,000
Founders Contributions	13,000	-
	\$ 1,143,000	\$ 1,130,000

13. 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.

San Antonio Children's Museum dba The DoSeum

Notes to Consolidated Financial Statements

13. Endowment Funds (Continued)

Implementation of Enhanced Disclosures for All Institutional (Endowment) Funds (Continued)

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.

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.

San Antonio Children's Museum dba The DoSeum

Notes to Consolidated Financial Statements

13. Endowment Funds (Continued)

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.

Endowment Net Asset Composition by Type of Fund as of December 31, 2016 and 2015

	Unrestricted	Temporarily Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 130,000	\$ 130,000
Receipt of pledge	-	-	1,000,000	1,000,000
Contribution	-	-	13,000	13,000
Total Endowment net assets, end of year	\$ -	\$ -	\$ 1,143,000	\$ 1,143,000

San Antonio Children's Museum dba The DoSeum

Notes to Consolidated Financial Statements

13. Endowment Funds (Continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2015

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

As of December 31, 2016 and 2015, \$1,143,000 and \$130,000 has been received and is currently included in restricted cash, respectively. These amounts have not been invested as of December 31, 2016, therefore no earnings have been recorded.

14. Reclassifications

Certain accounts in 2015 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2016 financial statements.

15. Subsequent Events

The Museum's management have evaluated events subsequent to occurring after December 31, 2016 and through March 29, 2017, which is the date the consolidated 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
dba The DoSeum
San Antonio, TX

Our audits of the consolidated 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

BDO USA, LLP

March 29, 2017

San Antonio Children's Museum dba The DoSeum

Consolidating Statements of Financial Position

<i>December 31, 2016</i>	San Antonio Children's Museum	SACM Title Holdings, Inc.	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 1,595,028	\$ -	\$ -	\$ 1,595,028
Accounts receivable	212,123			212,123
Inventory	173,429	-	-	173,429
Prepaid expenses	38,333	-	-	38,333
Investments	5,885,123	-	-	5,885,123
Investment in SACM Title Holdings, Inc.	18,962,463	-	(18,962,463)	-
Pledges receivable restricted, net	2,415,011	-	-	2,415,011
Notes receivable	7,063,000	-	-	7,063,000
Restricted cash	3,065,059	377,035	-	3,442,094
Property and equipment, net	14,061,006	27,398,371	-	41,459,377
Artwork	48,200	-	-	48,200
Total Assets	\$ 53,518,775	\$ 27,775,406	\$ (18,962,463)	\$ 62,331,718
Liabilities and Net Assets				
Liabilities				
Accounts payable:				
Trade	\$ 301,671	\$ -	\$ -	\$ 301,671
Accrued liabilities	112,693	-	-	112,693
Deferred revenue	504,204	-	-	504,204
Notes payable	-	9,700,000	-	9,700,000
Total Liabilities	918,568	9,700,000	-	10,618,568
Net Assets				
Unrestricted:				
Operating	7,492,062	(887,057)	-	6,605,005
Land, building, and equipment	38,870,577	18,962,463	(18,962,463)	38,870,577
Board-designated	538,594	-	-	538,594
Total unrestricted	46,901,233	18,075,406	(18,962,463)	46,014,176
Temporarily restricted	4,555,974	-	-	4,555,974
Permanent restricted	1,143,000	-	-	1,143,000
Total Net Assets	52,600,207	18,075,406	(18,962,463)	51,713,150
Total Liabilities and Net Assets	\$ 53,518,775	\$ 27,775,406	\$ (18,962,463)	\$ 62,331,718

See independent auditor's report on supplementary information.

San Antonio Children's Museum dba The DoSeum
Consolidating Statements of Financial Position (Continued)

<i>December 31, 2015</i>	San Antonio			
	Children's Museum	SACM Title Holdings, Inc.	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 2,250,687	\$ -	\$ -	\$ 2,250,687
Accounts receivable	463,197			463,197
Inventory	99,187	-	-	99,187
Investment in SACM Title Holdings, Inc.	18,962,463	-	(18,962,463)	-
Pledges receivable restricted, net	5,122,090	-	-	5,122,090
Notes receivable	7,063,000	-	-	7,063,000
Restricted cash	2,712,642	329,863	-	3,042,505
Property and equipment, net	14,461,458	28,063,510	-	42,524,968
Assets Held for Sale	1,067,473	-	-	1,067,473
Artwork	48,200	-	-	48,200
Total Assets	\$ 52,250,397	\$ 28,393,373	\$ (18,962,463)	\$ 61,681,307
Liabilities and Net Assets				
Liabilities				
Accounts payable:				
Trade	\$ 170,915	\$ 5,899	\$ -	\$ 176,814
Construction in progress	160,214	9,101	-	169,315
Accrued liabilities	49,513	-	-	49,513
Deferred revenue	630,165	-	-	630,165
Notes payable	-	9,700,000	-	9,700,000
Total Liabilities	1,010,807	9,715,000	-	10,725,807
Net Assets				
Unrestricted:				
Operating	3,430,513	(284,090)	-	3,146,423
Land, building, and equipment	40,834,326	18,962,463	(18,962,463)	40,834,326
Board-designated	538,594	-	-	538,594
Total Unrestricted	44,803,433	18,678,373	(18,962,463)	44,519,343
Temporarily restricted	5,306,157	-	-	5,306,157
Permanent restricted	1,130,000	-	-	1,130,000
Total Net Assets	51,239,590	18,678,373	(18,962,463)	50,955,500
Total Liabilities and Net Assets	\$ 52,250,397	\$ 28,393,373	\$ (18,962,463)	\$ 61,681,307

See independent auditor's report on supplementary information

San Antonio Children's Museum dba The DoSeum

Consolidating Statements of Activities and Changes in Net Assets

<i>December 31, 2016</i>	San Antonio Children's Museum	SACM Title Holdings, Inc.	Eliminations	Total
Revenue and Other Support				
Contributions	\$ 324,894	\$ -	\$ -	\$ 324,894
Admissions	2,284,224	-	-	2,284,224
Memberships	1,122,990	-	-	1,122,990
Program income	324,496	-	-	324,496
Merchandise sales, net of cost of of sales of \$212,244	242,405	-	-	242,405
Birthday parties	160,469	-	-	160,469
Special events revenue, net of cost of benefits to donors of \$165,896	227,910	-	-	227,910
In-kind contributions	215,074	-	-	215,074
Interest income	94,130	259	-	94,389
Other income	2,802,753	192,551	(192,551)	2,802,753
Net assets released from restriction	1,519,243	-	-	1,519,243
Total Revenue and Other Support	9,318,588	192,810	(192,551)	9,318,847
Expenses				
Program	6,313,330	789,126	(192,551)	6,909,905
Management and general	590,650	6,651	-	597,301
Fundraising	316,808	-	-	316,808
Total Expenses	7,220,788	795,777	(192,551)	7,824,014
Increase (decrease) in unrestricted net assets	2,097,800	(602,967)	-	1,494,833
Changes in Temporarily Restricted Net Assets				
Contributions	769,060	-	-	769,060
Net assets released from restrictions	(1,519,243)	-	-	(1,519,243)
Decrease in Temporarily Restricted Net Assets	(750,183)	-	-	(750,183)
Change in Permanently Restricted Net Assets				
Contributions	13,000	-	-	13,000
Increase in Permanently Restricted Net Assets	13,000	-	-	13,000
Change in Net Assets	1,360,617	(602,967)	-	757,650
Net Assets, beginning of year	51,239,590	(284,090)	-	50,955,500
Net Assets, end of year	\$ 52,600,207	\$ (887,057)	\$ -	\$ 51,713,150

See independent auditor's report on supplementary information.

San Antonio Children's Museum dba The DoSeum

Consolidating Statements of Activities and Changes in Net Assets (Continued)

<i>December 31, 2015</i>	San Antonio Children's Museum	SACM Title Holdings, Inc.	Eliminations	Total
Revenue and Other Support				
Contributions	\$ 214,520	\$ -	\$ -	\$ 214,520
Admissions	2,057,034	-	-	2,057,034
Memberships	678,865	-	-	678,865
Program income	264,753	-	-	264,753
Merchandise sales, net of cost of sales of \$180,020	255,800	-	-	255,800
Birthday parties	168,945	-	-	168,945
Special events revenue, net of cost of benefits to donors of \$133,508	788,687	-	-	788,687
In-kind contributions	146,248	-	-	146,248
Interest income	75,809	3,046	-	78,855
Other income	64,035	96,275	(96,275)	64,035
Net assets released from restriction	8,469,170	-	-	8,469,170
Total Revenue and Other Support	13,183,866	99,321	(96,275)	13,186,912
Expenses				
Program	4,466,430	394,564	(96,275)	4,764,719
Management and general	517,141	3,326	-	520,467
Fundraising	388,725	-	-	388,725
Total Expenses	5,372,296	397,890	(96,275)	5,673,911
Increase (decrease) in unrestricted net assets	7,811,570	(298,569)	-	7,513,001
Changes in Temporarily Restricted Net Assets				
Contributions	2,683,821	-	-	2,683,821
Net assets released from restrictions	(8,469,170)	-	-	(8,469,170)
Decrease in Temporarily Restricted Net Assets	(5,785,349)	-	-	(5,785,349)
Change in Permanently Restricted Net Assets				
Contributions	-	-	-	-
Increase in Permanently Restricted Net Assets	-	-	-	-
Change in Net Assets	2,026,221	(298,569)	-	1,727,652
Net Assets, beginning of year	49,213,369	14,479	-	49,227,848
Net Assets, end of year	\$ 51,239,590	\$ (284,090)	\$ -	\$ 50,955,500

See independent auditor's report on supplementary information.

San Antonio Children's Museum dba The DoSeum

Schedules of Functional Expenses

<i>Years ended December 31,</i>	2016				2015			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries	2,541,439	273,968	193,189	\$ 3,008,596	\$ 1,857,925	\$ 337,805	\$ 217,160	\$ 2,412,890
Payroll taxes	203,980	21,989	15,506	241,475	158,877	31,357	18,814	209,048
Employee benefits	62,255	6,711	4,732	73,698	54,482	10,753	6,452	71,687
	2,807,674	302,668	213,427	3,323,769	2,071,284	379,915	242,426	2,693,625
Contract labor	66,647	7,185	5,066	78,898	84,007	9,883	4,942	98,832
Dues and subscriptions	13,088	1,411	995	15,494	6,473	167	2,384	9,024
Food and drink	48,685	8,949	-	57,634	50,772	-	-	50,772
Recognition	3,097	334	235	3,666	9,437	-	-	9,437
Insurance	64,137	6,914	4,875	75,926	60,111	1,767	491	62,369
Interest expense	130,638	-	-	130,638	65,320	-	-	65,320
Other operating expense	93,142	54,259	-	147,401	124,208	14,258	-	138,466
Outsourced services	478,630	51,597	36,386	566,613	200,776	18,403	84,505	303,684
Printing	56,030	6,040	4,259	66,329	91,081	920	-	92,001
Janitorial services	153,266	28,173	-	181,439	127,995	1,293	-	129,288
Consulting services	21,856	2,356	1,661	25,873	81,711	-	-	81,711
Paid Media	58,394	-	4,007	62,401	78,735	-	2,435	81,170
Postage, printing, and member events	11,566	1,247	879	13,692	22,017	2,642	4,697	29,356
Professional fees	137,028	14,772	10,416	162,216	49,293	42,473	-	91,766
Repairs and maintenance	78,624	14,452	-	93,076	34,895	352	-	35,247
Supplies and materials	326,633	35,211	24,829	386,673	218,400	587	43,707	262,694
Training and professional development	38,611	4,162	2,935	45,708	64,469	-	-	64,469
Transportation	6,784	731	516	8,031	6,823	2,334	-	9,157
Travel	32,742	6,019	-	38,761	50,497	-	-	50,497
Utilities	196,221	36,069	-	232,290	214,849	37,915	-	252,764
Total Before Depreciation	4,823,493	582,549	310,486	5,716,528	3,713,153	512,909	385,587	4,611,649
Depreciation	2,086,412	14,752	6,322	2,107,486	1,051,566	7,558	3,138	1,062,262
Total Expense	\$ 6,909,905	\$ 597,301	\$ 316,808	\$ 7,824,014	\$ 4,764,719	\$ 520,467	\$ 388,725	\$ 5,673,911

See independent auditor's report on supplementary information.