McNay Art Museum

Financial Statements
Years Ended June 30, 2018 and 2017
Independent Auditor’s Report

Financial Statements

Statements of Financial Position

Statement of Activities and Changes in Net Assets

Statement of Functional Expenses

Statements of Cash Flows

Notes to Financial Statements
Independent Auditor’s Report

To the Board of Directors of
McNay Art Museum
San Antonio, Texas

We have audited the accompanying statements of financial position of McNay Art Museum (the Museum) as of June 30, 2018 and 2017, and the related statement of activities and changes in net assets and functional expenses for the year ended June 30, 2018 and cash flows for the years ended June 30, 2018 and 2017, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of June 30, 2018 and 2017, and the changes in its net assets and functional expenses for the year ended June 30, 2018 and its cash flows for the years ended June 30, 2018 and 2017 in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Financial Information

We have previously audited the Museum’s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 2, 2017. In our opinion, the summarized comparative information on the statement of activities and changes in net assets and functional expenses presented herein and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

October 1, 2018
## McNay Art Museum
### Statements of Financial Position

**June 30,** 2018

<table>
<thead>
<tr>
<th>Assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$685,090</td>
<td>$2,047,398</td>
</tr>
<tr>
<td>Accounts and interest receivable</td>
<td>81,444</td>
<td>91,505</td>
</tr>
<tr>
<td>Contributions receivable, current</td>
<td>426,061</td>
<td>396,846</td>
</tr>
<tr>
<td>Inventories</td>
<td>115,965</td>
<td>89,677</td>
</tr>
<tr>
<td>Prepaid expense and other</td>
<td>385,155</td>
<td>167,043</td>
</tr>
<tr>
<td>Short term investments</td>
<td>7,176,336</td>
<td>7,155,873</td>
</tr>
<tr>
<td>Long term contributions receivable</td>
<td>657,330</td>
<td>190,000</td>
</tr>
<tr>
<td>Land, buildings, and equipment, net</td>
<td>26,033,060</td>
<td>26,417,689</td>
</tr>
<tr>
<td>Long term investments</td>
<td>47,685,952</td>
<td>45,485,699</td>
</tr>
</tbody>
</table>

**Total Assets** $83,246,393 $82,041,730

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$489,969</td>
<td>$359,952</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>125,845</td>
<td>521,237</td>
</tr>
</tbody>
</table>

**Total Liabilities** 615,814 881,189

<table>
<thead>
<tr>
<th>Net Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Without donor restrictions</td>
<td>44,897,159</td>
<td>43,961,371</td>
</tr>
<tr>
<td>With donor restrictions</td>
<td>37,733,420</td>
<td>37,199,170</td>
</tr>
</tbody>
</table>

**Total Net Assets** 82,630,579 81,160,541

**Total Liabilities and Net Assets** $83,246,393 $82,041,730

*The accompanying notes are an integral part of these financial statements.*
## McNay Art Museum

### Statement of Activities and Changes in Net Assets

**Year ended June 30, 2018**

(With Summarized Financial Information for the Year ended June 30, 2017)

The accompanying notes are an integral part of these financial statements.
### McNay Art Museum

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

**Year ended June 30, 2018**  
*(With Summarized Financial Information for the Year ended June 30, 2017)*

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating</td>
<td>Non-Land Buildings and Equipment</td>
<td>Total</td>
</tr>
<tr>
<td>Program Services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Curatorial and conservation</td>
<td>$1,699,209</td>
<td>$27,627</td>
<td>$341,694</td>
</tr>
<tr>
<td>Exhibitions and presentations</td>
<td>2,827,236</td>
<td>-</td>
<td>703,488</td>
</tr>
<tr>
<td>Education</td>
<td>1,066,994</td>
<td>5,918</td>
<td>663,289</td>
</tr>
<tr>
<td>Museum store</td>
<td>327,194</td>
<td>-</td>
<td>20,100</td>
</tr>
<tr>
<td>Library</td>
<td>249,230</td>
<td>-</td>
<td>663,289</td>
</tr>
<tr>
<td>Support Services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>321,165</td>
<td>295,176</td>
<td>221,097</td>
</tr>
<tr>
<td>Fundraising</td>
<td>626,095</td>
<td>15,921</td>
<td>40,199</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>7,117,123</td>
<td>344,642</td>
<td>2,009,967</td>
</tr>
</tbody>
</table>

Change in net assets before changes related to collection items not capitalized and non-operating transfers: 537,063 - 2,881,954 = -2,344,891  
Gain on involuntary conversion of assets: -121,238  
Transfers not affecting operations: (176,806)  
**Change in Net Assets**: 360,257  
**Net assets, beginning of period**: 423,454  
**Net Assets, End of Period**: 783,711

The accompanying notes are an integral part of these financial statements.
# McNay Art Museum

## Statement of Functional Expenses

**Year ended June 30, 2018**

(With Summarized Financial Information for the Year ended June 30, 2017)

<table>
<thead>
<tr>
<th></th>
<th>Curatorial and Conservation</th>
<th>Exhibitions and Presentations</th>
<th>Education</th>
<th>Museum Store</th>
<th>Library</th>
<th>Total Program Services</th>
<th>Management and General</th>
<th>Fund-raising</th>
<th>Total Support Services</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$801,054</td>
<td>$1,360,138</td>
<td>$564,011</td>
<td>$139,983</td>
<td>$155,719</td>
<td>$3,020,905</td>
<td>$177,902</td>
<td>$338,816</td>
<td>$516,718</td>
<td>$3,537,623</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>70,679</td>
<td>120,009</td>
<td>49,764</td>
<td>12,351</td>
<td>13,740</td>
<td>266,543</td>
<td>15,697</td>
<td>29,895</td>
<td>45,592</td>
<td>312,135</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>143,254</td>
<td>243,237</td>
<td>100,865</td>
<td>25,034</td>
<td>27,848</td>
<td>540,238</td>
<td>31,816</td>
<td>60,591</td>
<td>92,407</td>
<td>632,645</td>
</tr>
<tr>
<td>Professional fees</td>
<td>89,154</td>
<td>14,740</td>
<td>11,941</td>
<td>372</td>
<td>372</td>
<td>116,579</td>
<td>144,106</td>
<td>57,149</td>
<td>201,255</td>
<td>317,834</td>
</tr>
<tr>
<td>Lectures</td>
<td>13,292</td>
<td>13,292</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,292</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,292</td>
</tr>
<tr>
<td>Supplies</td>
<td>16,874</td>
<td>24,966</td>
<td>27,473</td>
<td>4,399</td>
<td>2,779</td>
<td>76,491</td>
<td>16,711</td>
<td>9,190</td>
<td>25,901</td>
<td>102,392</td>
</tr>
<tr>
<td>Communications</td>
<td>4,125</td>
<td>4,029</td>
<td>2,243</td>
<td>694</td>
<td>11,424</td>
<td>19,286</td>
<td>1,203</td>
<td>9,362</td>
<td>32,191</td>
<td>31,768</td>
</tr>
<tr>
<td>Postage and freight</td>
<td>11,256</td>
<td>514</td>
<td>5,089</td>
<td>93</td>
<td>905</td>
<td>17,857</td>
<td>1,203</td>
<td>9,362</td>
<td>32,191</td>
<td>28,422</td>
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<tr>
<td>Occupancy</td>
<td>89,609</td>
<td>172,598</td>
<td>162,735</td>
<td>4,931</td>
<td>4,931</td>
<td>434,804</td>
<td>54,248</td>
<td>9,861</td>
<td>64,108</td>
<td>498,912</td>
</tr>
<tr>
<td>Equipment rental and maintenance</td>
<td>249,402</td>
<td>36,050</td>
<td>29,862</td>
<td>3,840</td>
<td>17,157</td>
<td>336,311</td>
<td>87,553</td>
<td>19,249</td>
<td>106,802</td>
<td>443,113</td>
</tr>
<tr>
<td>Printing and publication</td>
<td>10,506</td>
<td>7,619</td>
<td>18,409</td>
<td>306</td>
<td>2,228</td>
<td>39,068</td>
<td>9,115</td>
<td>42,727</td>
<td>51,842</td>
<td></td>
</tr>
<tr>
<td>Marketing, advertising and publicity</td>
<td>10,745</td>
<td>32,234</td>
<td>5,372</td>
<td>5,372</td>
<td>-</td>
<td>53,723</td>
<td>-</td>
<td>-</td>
<td>99,809</td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>17,992</td>
<td>14,718</td>
<td>18,666</td>
<td>1,278</td>
<td>239</td>
<td>52,913</td>
<td>9,417</td>
<td>2,100</td>
<td>11,517</td>
<td>64,430</td>
</tr>
<tr>
<td>School busing</td>
<td>-</td>
<td>25,539</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25,539</td>
<td>-</td>
<td>-</td>
<td>19,377</td>
<td>25,399</td>
</tr>
<tr>
<td>Conferences, seminars, and meetings</td>
<td>8,919</td>
<td>5,678</td>
<td>10,306</td>
<td>537</td>
<td>-</td>
<td>25,440</td>
<td>15,215</td>
<td>26,092</td>
<td>41,307</td>
<td>66,747</td>
</tr>
<tr>
<td>Organization dues and subscriptions</td>
<td>940</td>
<td>1,117</td>
<td>1,141</td>
<td>310</td>
<td>1,541</td>
<td>5,107</td>
<td>9,129</td>
<td>3,502</td>
<td>12,631</td>
<td>17,738</td>
</tr>
<tr>
<td>Insurance</td>
<td>152,615</td>
<td>33,278</td>
<td>19,016</td>
<td>9,508</td>
<td>9,508</td>
<td>233,925</td>
<td>5,705</td>
<td>5,705</td>
<td>229,630</td>
<td>220,412</td>
</tr>
<tr>
<td>Store cost of sales</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>118,538</td>
<td>-</td>
<td>118,538</td>
<td>-</td>
<td>-</td>
<td>118,538</td>
<td>151,832</td>
</tr>
<tr>
<td>Maintenance of Collection</td>
<td>45,481</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>45,481</td>
<td>-</td>
<td>-</td>
<td>45,481</td>
<td></td>
</tr>
<tr>
<td>Concerts, films, etc.</td>
<td>-</td>
<td>28,171</td>
<td>6,679</td>
<td>-</td>
<td>-</td>
<td>34,850</td>
<td>-</td>
<td>-</td>
<td>34,850</td>
<td></td>
</tr>
<tr>
<td>Library books</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,569</td>
<td>-</td>
<td>11,569</td>
<td>-</td>
<td>-</td>
<td>11,569</td>
<td>13,334</td>
</tr>
<tr>
<td>Exhibitions</td>
<td>-</td>
<td>728,055</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>728,055</td>
<td>-</td>
<td>-</td>
<td>728,055</td>
<td>790,372</td>
</tr>
<tr>
<td>Credit card fees</td>
<td>1,042</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,042</td>
<td>3,102</td>
<td>29,469</td>
<td>32,571</td>
<td>33,613</td>
<td>39,123</td>
</tr>
<tr>
<td>Assessments</td>
<td>3,189</td>
<td>27</td>
<td>488</td>
<td>10</td>
<td>-</td>
<td>3,714</td>
<td>16,137</td>
<td>363</td>
<td>16,500</td>
<td>20,214</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,726,836</td>
<td>2,827,236</td>
<td>1,072,912</td>
<td>327,194</td>
<td>249,230</td>
<td>6,203,408</td>
<td>616,341</td>
<td>642,016</td>
<td>1,258,357</td>
<td>7,461,765</td>
</tr>
<tr>
<td>Depreciation</td>
<td>341,694</td>
<td>703,488</td>
<td>663,289</td>
<td>20,100</td>
<td>20,100</td>
<td>1,748,671</td>
<td>221,097</td>
<td>40,199</td>
<td>261,299</td>
<td>2,009,967</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$2,068,530</td>
<td>$3,530,724</td>
<td>$1,736,201</td>
<td>$347,294</td>
<td>$269,330</td>
<td>$7,952,079</td>
<td>$837,438</td>
<td>$682,215</td>
<td>$1,519,653</td>
<td>$9,471,732</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
Years ended June 30, 2018 2017

**Cash Flows from Operating Activities**
Change in net assets $ 1,470,038 $ 1,188,222

Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:
- Depreciation 2,009,967 1,992,946
- Net realized and unrealized (gains) losses on investments (4,750,994) (3,721,989)
- Net (gain) on involuntary conversion of assets (121,238) (229,161)

Change in operating activities:
- Accounts and interest receivable 10,061 6,730
- Contributions receivable (496,545) (40,938)
- Insurance proceeds receivable - 1,500,892
- Inventories (26,288) 29,932
- Prepaid expenses and other (218,112) 61,763
- Accounts payable and accrued expenses 130,017 (291,639)
- Deferred revenue (395,392) (210,522)

Net Cash (Used in) Provided by Operating Activities (2,388,486) 286,236

**Cash Flows from Investing Activities**
- Purchase of equipment and building improvements (1,625,338) (538,252)
- Insurance proceeds for fixed asset impairment 121,238 229,161
- Proceeds from sale of investments 28,729,131 31,907,788
- Purchase of investments (26,198,853) (30,833,586)

Net Cash Provided by Investing Activities 1,026,178 765,111

Net (Decrease) Increase in Cash and Cash Equivalents (1,362,308) 1,051,347

Cash and Cash Equivalents, beginning of period 2,047,398 996,051

Cash and Cash Equivalents, end of period $ 685,090 $ 2,047,398

The accompanying notes are an integral part of these financial statements.
1. Organization and Summary of Significant Accounting Policies

**Organization**

The McNay Art Museum (the Museum) is a not-for-profit organization with the mission of engaging a diverse community in the discovery and enjoyment of the visual arts. The Museum is located in San Antonio, Texas.

**Basis of Presentation**

The financial statements of the Museum have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Net Assets**

The Museum reports information regarding its financial position and activities according to two classes of net assets:

- **Without Donor Restrictions** - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees and, accordingly, include operating and non-operating assets and land, buildings, and equipment. Non-operating activities consist of earnings on permanently endowed funds that the donor has designated as without donor restrictions to be utilized for operations and without donor restrictions activities not considered “operating” expenditures.

- **With Donor Restrictions** - Net assets whose use by the Museum is subject to donor-imposed restrictions that can be fulfilled by actions of the Museum pursuant to those restrictions, that expire by the passage of time, or net assets subject to donor-imposed restrictions that must be maintained permanently by the Museum. In addition, donor restricted net assets include earnings, both realized and unrealized, on funds whose earnings are restricted for a specific purpose by the donor or for operating or other purposes. See notes 10 and 15.

**Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Museum’s financial statements for the year ended, June 30, 2017, from which the summarized information was derived.

**Cash and Cash Equivalents**

For purposes of the statement 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.
1. Organization and Summary of Significant Accounting Policies (Continued)

**Accounts Receivable**

Accounts receivable represent amounts due in less than one year. The Museum reviews all outstanding amounts and determines collectability of its receivables based on past experience with customers. Credit losses have been minimal and consistent with management’s estimates. The Museum has not established an allowance for doubtful accounts based on its historical collections experience. The Museum recognized no bad debts from accounts receivable as of June 30, 2018 or 2017.

**Contributions Receivable**

Unconditional promises to give from grantors and donors are measured at fair value and recorded as revenues in the period in which the promise to give is received. Management reviews all outstanding amounts and determines collectability based on past experience with the Museum’s donors. As of June 30, 2018 and 2017 no allowance has been established against these receivables as management considers them collectible. The Museum recognized bad debts from contributions receivable of $3,600 and $0 as of June 30, 2018 and 2017, respectively.

**Inventories**

Inventories consisting of items held for resale at the Museum store are carried at the lower of cost (first-in, first-out) or market.

**Investments**

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

**Prepaid Expenses and Other**

Prepaid expenses are primarily comprised of advance payments made to vendors for insurance and exhibitions. Other assets of the Museum are recorded at cost when purchased or at the fair market value at the date of gift when assets are contributed. At June 30, 2018 approximately $100,000 of other assets represents a contribution of rental property. At June 30, 2017 all amounts were comprised of advance payments to vendors.

**Land, Buildings, and Equipment**

Land, buildings, and equipment are recorded at cost or at the fair market value at the date of gift when assets are contributed. The Museum’s capitalization policy requires that all items purchased with a useful life of greater than one year and a cost in excess of $1,250 be capitalized. Depreciation is recorded in the land, buildings, and equipment fund using the straight-line method. Estimated useful lives used in computing depreciation are as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings, improvements, and landscaping</td>
<td>25</td>
</tr>
<tr>
<td>Furniture, fixtures, and equipment</td>
<td>10</td>
</tr>
<tr>
<td>Computer and audio visual equipment</td>
<td>5</td>
</tr>
</tbody>
</table>
1. Organization and Summary of Significant Accounting Policies (Continued)

Art Collection

In conformity with industry practice, items purchased or donated for the collection are not recorded as assets in the accompanying statement of financial position. Purchases are reported as decreases in net assets without donor restrictions or as decreases in net assets with donor restrictions if the assets used to purchase the items were restricted by donors. See note 13.

The collections of the Museum represent one of its most valuable assets; therefore the Museum employs full-time employees to manage stewardship of the collections in accordance with its collection and acquisition policy. Each item in the collection is numbered and catalogued in an electronic database. The Museum loans collection items to other museums from time to time for display purposes.

Contributions reflected in the financial statements include only recorded cash receipts and pledges, and do not include gifts of works of art received by the Museum, valued at $1,325,625 and $649,005 for the years ended June 30, 2018 and 2017, respectively.

Gifts of cash or other property restricted by donors for the purchase of items for the collection are classified as with donor restrictions. Acquisitions are made in accordance with the terms of the gifts.

Revenue Recognition

The Museum recognizes revenue from contributions, membership, admissions, rentals and exhibitions. Revenue is recognized when earned or given. Amounts contributed for exhibitions in future periods are recorded as deferred revenue.

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

Contributions

The Museum reports gifts of cash and other assets as restricted support if they are received with donor stipulations as to time or use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Museum reports gifts of land, buildings, and equipment as without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations 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 in service. The Museum did not receive any gifts of land, buildings, or equipment for the years ending June 30, 2018 and 2017.

Deferred Revenue

Deferred revenue represents revenue attributable to events that have not yet occurred.
1. Organization and Summary of Significant Accounting Policies (Continued)

**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.

Limited Partnerships are valued using net asset value (NAV) of the partnership assets held.

**Federal Income Tax Exemption**

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC); therefore, no provision for income taxes has been made in these statements. The Museum follows the provisions of ASC 740-10 *Accounting for Uncertainty in Income Taxes*, which requires recognition and disclosure of uncertain tax positions in the financial statements. The Museum’s management believes that is has appropriate support for any tax positions taken and that it has no material uncertain tax positions. Accordingly, it will not recognize any liability for uncertain tax benefits. For the years ended June 30, 2018 and 2017, the Museum did not recognize any interest or penalties in the financial statements.

Tax years 2015-2017 remain open to examination by the taxing jurisdictions which the Museum is subject to, and these periods have not been extended beyond the applicable statute of limitations.

**Functional allocation of expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated between the programs and supporting services benefited. The allocation of utilities is calculated using square footage used by the program. The allocation of salaries is calculated either by actual hours worked for special events and rentals or as a percentage of time worked for projects such as exhibitions. All other allocated costs are based on actual figures.
1. Organization and Summary of Significant Accounting Policies (Continued)

**Advertising**

Advertising costs are expensed as incurred. Advertising expense was $199,535 and $249,783 for the years ended June 30, 2018 and 2017, respectively.

**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.

**Accounting Pronouncements issued but Not Yet Adopted or Currently in Effect**

**Revenue from Contracts with Customers (Topic 606)**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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.

**Leases (Topic 842)**

In February 2016, the 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.
1. Organization and Summary of Significant Accounting Policies (Continued)

**Accounting Pronouncements issued and adopted**

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

In August 2016, the 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 has opted to early adopt this ASU.

**Reclassifications**

Certain amounts in the prior period have been reclassed to conform to the current period financial statement presentation. The reclassifications have no effect on the previously reported change in net assets.

2. Concentration Risk

Financial instruments which potentially subject the Museum to a concentration risk consist principally of cash.

The Museum maintains multiple bank accounts in San Antonio, Texas. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 for interest-bearing accounts, and without limit for non-interest-bearing transaction accounts. The museum holds amounts over the $250,000 insured limit at various levels during the year.
3. Liquidity

The Museum’s financial assets available within one year of the statement of financial position date for general expenditures are as follows:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$685,090</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>81,444</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>426,061</td>
</tr>
<tr>
<td>Investments appropriated for current use</td>
<td>7,176,336</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,365,931</strong></td>
</tr>
</tbody>
</table>

The Museum regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Museum has various sources of liquidity at its disposal, including cash and cash equivalents and various receivables. In addition, appropriation from the endowment of approximately $2 million, will be available in the next year.

The Museum’s invested endowment supports general operations, specific program activity, and certain non-operating strategic activity. The Museum applies its spending policy to its invested endowment to determine the amount available for current use. The Museum’s investment policy ensures that investment liquidity will satisfy its current endowment based on operating and programmatic needs.

In addition to the financial assets available to meet general expenditures over the next 12 months, the Museum operates with a balanced budget and anticipates earned revenues and annual support contributions sufficient to cover general expenditures not provided by endowment spending rate or other donor restricted sources. The Museum's invested endowment includes board designated funds to support general operations based on its spending policy, and for other non-operating strategic purposes. Although the Museum does not intend to utilize these board designated funds beyond their budgeted usage, these funds could be made available by Board vote if necessary.

4. Contributions Receivable

Contributions receivable at June 30, 2018 and 2017 amounted to $1,083,391 and $586,846 respectively.

Pledges receivable are expected to be collected as follows during the years ending June 30:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$426,061</td>
</tr>
<tr>
<td>2020</td>
<td>50,000</td>
</tr>
<tr>
<td>2021</td>
<td>257,330</td>
</tr>
<tr>
<td>2022</td>
<td>50,000</td>
</tr>
<tr>
<td>2023</td>
<td>50,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>250,000</td>
</tr>
<tr>
<td><strong>Total Contributions Receivable</strong></td>
<td><strong>$1,083,391</strong></td>
</tr>
</tbody>
</table>

No discount has been applied to the contributions receivable at June 30, 2018 and 2017 as the amount is immaterial to the financial statements.
5. Investments

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 of $318,502 and $283,654 were withdrawn from the account during the year ended June 30, 2018 and 2017 respectively. Therefore, valuation of the investments at year-end reflects value net of fees. Fair values are summarized as follows:

Total investments are composed of the following at June 30, 2018:

<table>
<thead>
<tr>
<th>Fair Value</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$2,777,236</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>10,570,258</td>
</tr>
<tr>
<td>Equity securities</td>
<td>32,611,860</td>
</tr>
<tr>
<td>Limited partnership - publicly traded</td>
<td>4,326,242</td>
</tr>
<tr>
<td>Limited partnership - privately held</td>
<td>4,576,692</td>
</tr>
</tbody>
</table>

Total Investments $54,862,288

Total investments are composed of the following at June 30, 2017:

<table>
<thead>
<tr>
<th>Fair Value</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$3,228,456</td>
</tr>
<tr>
<td>U.S. Treasury notes</td>
<td>586,172</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>11,861,346</td>
</tr>
<tr>
<td>Equity securities</td>
<td>28,737,176</td>
</tr>
<tr>
<td>Limited partnership - publicly traded</td>
<td>4,837,874</td>
</tr>
<tr>
<td>Limited partnership - privately held</td>
<td>3,390,548</td>
</tr>
</tbody>
</table>

Total Investments $52,641,572

The Museum's investment strategy is to hold the majority of their investments in securities that can be traded or sold at any time in order to meet the cash flow needs of the Museum. Management of the Museum classifies investments as short-term based on the following criteria: 1) Estimated amounts to be appropriated from endowed funds based on the spending policy 2) Amounts to be released from restriction based on annual spending budgets 3) Amount designated by the board to be available for operational cash flow needs. This amount is determined annually.
6. Fair Values of Financial Instruments

The Museum uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures. For additional information on how the Museum measures fair value, refer to note 1.

The following tables set forth by level, within the fair value hierarchy, these Museum assets at fair value as of June 30, 2018:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$ 2,777,236</td>
<td>-</td>
<td>-</td>
<td>$ 2,777,236</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>10,570,258</td>
<td>-</td>
<td>-</td>
<td>10,570,258</td>
</tr>
<tr>
<td>Equity securities</td>
<td>32,611,860</td>
<td>-</td>
<td>-</td>
<td>32,611,860</td>
</tr>
<tr>
<td>Limited partnership publicly traded</td>
<td>4,326,242</td>
<td>-</td>
<td>-</td>
<td>4,326,242</td>
</tr>
<tr>
<td>Total Assets at Fair Value</td>
<td>$ 50,285,596</td>
<td>-</td>
<td>-</td>
<td>$ 50,285,596</td>
</tr>
</tbody>
</table>

Limited partnerships - measured at NAV

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited partnerships - measured at NAV</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ 4,576,692</td>
</tr>
</tbody>
</table>

The following tables set forth by level, within the fair value hierarchy, these Museum assets at fair value as of June 30, 2017:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$ 3,228,457</td>
<td>-</td>
<td>-</td>
<td>$ 3,228,457</td>
</tr>
<tr>
<td>U.S. Treasury notes</td>
<td>586,172</td>
<td>-</td>
<td>-</td>
<td>586,172</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>11,861,346</td>
<td>-</td>
<td>-</td>
<td>11,861,346</td>
</tr>
<tr>
<td>Equity securities</td>
<td>28,737,176</td>
<td>-</td>
<td>-</td>
<td>28,737,176</td>
</tr>
<tr>
<td>Limited partnership publicly traded</td>
<td>4,837,873</td>
<td>-</td>
<td>-</td>
<td>4,837,873</td>
</tr>
<tr>
<td>Total Assets at Fair Value</td>
<td>$ 49,251,024</td>
<td>-</td>
<td>-</td>
<td>$ 49,251,024</td>
</tr>
</tbody>
</table>

Limited partnerships - measured at NAV

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited partnerships - measured at NAV</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ 3,390,548</td>
</tr>
</tbody>
</table>
7. Land, Buildings, and Equipment

Major classification of land, buildings, and equipment are summarized below:

<table>
<thead>
<tr>
<th></th>
<th>Years ended June 30,</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 585,962</td>
<td>$ 585,962</td>
<td></td>
</tr>
<tr>
<td>Buildings, improvements, and</td>
<td>50,529,227</td>
<td>48,643,098</td>
<td></td>
</tr>
<tr>
<td>landscaping</td>
<td>2,580,100</td>
<td>2,526,461</td>
<td></td>
</tr>
<tr>
<td>Total Land, Buildings and</td>
<td>53,695,289</td>
<td>51,755,521</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(27,670,229)</td>
<td>(25,660,262)</td>
<td></td>
</tr>
<tr>
<td>Net Land, Buildings,</td>
<td>26,025,060</td>
<td>26,095,259</td>
<td></td>
</tr>
<tr>
<td>and Equipment before</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction in Progress</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>8,000</td>
<td>322,430</td>
<td></td>
</tr>
<tr>
<td>Net Land, Buildings, Equipment and Construction in Progress</td>
<td>$ 26,033,060</td>
<td>$ 26,417,689</td>
<td></td>
</tr>
</tbody>
</table>

Depreciation expense totaled $2,009,967 and $1,992,946 for the years ended June 30, 2018 and 2017, respectively. The Museum had no disposals of furniture and equipment during the years ended June 30, 2018 or 2017.

8. Involuntary Conversion

On April 12, 2016, the Museum sustained heavy roof damage from hailstorms, creating an impairment to the value of the assets. Assets were appropriately disposed and a gain was recorded in 2016. Damage was recoverable through insurance and all assets have been restored with insurance proceeds. For fiscal years 2018 and 2017 insurance proceeds were $121,238 and $229,161, respectively and are recorded in the statement of activities as a gain on involuntary conversion.

9. Operating Leases

The Museum has several non-cancelable operating leases for equipment that expire at different dates through June 2023. The following are future minimum lease payments under these leases:

<table>
<thead>
<tr>
<th>Year ending June 30,</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ 79,419</td>
</tr>
<tr>
<td>2020</td>
<td>48,864</td>
</tr>
<tr>
<td>2021</td>
<td>48,864</td>
</tr>
<tr>
<td>2022</td>
<td>48,864</td>
</tr>
<tr>
<td>2023</td>
<td>48,864</td>
</tr>
<tr>
<td></td>
<td>$ 274,875</td>
</tr>
</tbody>
</table>
10. Net Assets

Net assets with donor restrictions are restricted for the following purposes or periods are as follows:

<table>
<thead>
<tr>
<th>Years ended June 30,</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perpetual in nature:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auditorium and gallery maintenance</td>
<td>$700,000</td>
<td>$700,000</td>
</tr>
<tr>
<td>Art acquisitions</td>
<td>$737,691</td>
<td>$1,737,691</td>
</tr>
<tr>
<td>Educational programs, exhibitions and presentations</td>
<td>$9,759,340</td>
<td>$9,759,340</td>
</tr>
<tr>
<td>Curatorial and conservation</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Director’s chair</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Any activities of the museum</td>
<td>$19,161,494</td>
<td>$19,134,684</td>
</tr>
<tr>
<td>Subject to expenditure for specified purpose:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Art acquisitions/conservation</td>
<td>$3,037,323</td>
<td>$2,042,454</td>
</tr>
<tr>
<td>Educational programs, exhibitions and presentations</td>
<td>$1,690,139</td>
<td>$1,304,019</td>
</tr>
<tr>
<td>Other</td>
<td>$647,433</td>
<td>$520,982</td>
</tr>
<tr>
<td>Net Assets with Donor Restrictions</td>
<td>$37,733,420</td>
<td>$37,199,170</td>
</tr>
</tbody>
</table>

Net assets without donor restrictions consist of the following:

| Undesignated       | $12,183,345 | $9,714,427 |
| Designed for land, buildings, and equipment | $26,213,388 | $27,925,311 |
| Board designated   | $6,500,426 | $6,321,633 |
| Total Without Donor Restrictions | $44,897,159 | $43,961,371 |

11. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, or by occurrence of other events specified by donors.

<table>
<thead>
<tr>
<th>Years ended June 30,</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Art acquisitions</td>
<td>$382,000</td>
<td>$112,420</td>
</tr>
<tr>
<td>Exhibitions, presentation, and education</td>
<td>$723,363</td>
<td>$899,602</td>
</tr>
<tr>
<td>Other</td>
<td>$249,057</td>
<td>$136,902</td>
</tr>
<tr>
<td>Total Net Assets Released from Restrictions</td>
<td>$1,354,420</td>
<td>$1,148,924</td>
</tr>
</tbody>
</table>

Transfers and appropriations on the statement of activities reflect investment returns appropriated from endowments.
12. Contributed Services

A substantial number of volunteers have made significant contributions of their time to develop the Museum, especially its fundraising and educational programs. Approximately 12,000 volunteer hours were contributed during each of the years ended June 30, 2018 and 2017. Accounting principles do not permit recording the value of this type of contributed services in the financial statements.

13. Objects Held for Display

Objects held for display (the Museum collection) consist primarily of a strong collection of 19th and 20th century European and American paintings, prints, sculptures, and one of the leading collections of theatre arts in the country. The Museum collection is essential to its mission. The Museum has established stewardship procedures for the accession (acquisition), deaccession (disposal), loan, and care of the collection.

As noted in note 1, objects held for display are not recorded in the statement of financial position of the Museum. The proceeds received as a result of any deaccessions are used to acquire other works of art for the collection.

14. Retirement Plan

The Museum established a defined contribution 403(b) retirement plan (the Plan) effective April 2003 and makes bi-weekly contributions to the Plan on behalf of eligible employees. The Plan investments are employee-directed. The Museum contributed $151,120 and $186,431 to the plan for the fiscal years ended June 30, 2018 and 2017, respectively. Employees working more than 20 hours per week are eligible for a 6% employer contribution beginning on the first anniversary of their hire date, after completion of 1000 hours of service, and attaining the age of 20½ years.

The Museum also sponsors a 457(b) deferred compensation plan, enabling certain employees to enhance their retirement by allowing them to defer compensation and receive benefits at separation of service. The Museum contributed $0 and $41,078 to this plan for the years ended June 30, 2018 and 2017, respectively.

15. Endowment Funds

General Information

The Museum maintains various endowment funds established for a variety of purposes. These endowments include both endowment contributions with donor restrictions, and funds designated by the Board of Trustees to function as endowments. The endowment funds with donor restrictions fall under the provisions of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the state of Texas with an effective date of September 1, 2008. This policy defines the Museum’s interpretation of the provisions of this law as they relate to the prudent management of its endowment fund.
15. Endowment Funds (Continued)

*Endowment “Principal” Interpretation*

The Museum has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds with donor restrictions, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as net assets with donor restrictions the original value of gifts donated to the endowment (the “Principal”) in perpetuity. The remaining portion of the endowment fund with donor restrictions that is not classified as held in perpetuity is classified as non-operating or with donor restrictions and held until appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA.

*Endowment Investment Objectives*

Endowment investments are managed by professional money manager(s) under the direction of the Investment Committee of the Board of Trustees of the Museum. Funds are invested in a manner that seeks to produce results that meet or exceed the performance of generally recognized market indices, while assuming a moderate level of investment risk.

To satisfy this performance objective, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

*Endowment “Income” Appropriation (Spending Policy)*

The Museum’s policy is to appropriate for distribution each year a percentage of its endowment fund’s average fair value based on a 12-quarter rolling average as of March 31 of the preceding year. For the fiscal year ended June 30, 2018, the distribution percentage was 5%. The percentage will remain at 5% until further action by the Board of Trustees. In establishing this policy, the Museum considered the long-term expected return on its endowment.

Accordingly, over the long term, the Museum expects the spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with the Museum’s objective to maintain the purchasing power of the endowment assets held in perpetuity, or for a specified term, as well as provide additional real growth through new gifts and investment return.

In accordance with UPMIFA, in all its endowment spending activity, the Museum considers the following factors in making a determination to appropriate (spend) or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Museum and the endowment fund with donor restrictions
3. General economic and investment market conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Museum, and
7. The investment policies of the Museum
## 15. Endowment Funds (Continued)

### Endowment Composition by Type of Fund as of June 30, 2018

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board designated endowment funds</td>
<td>$2,718,937</td>
<td>-</td>
<td>$2,718,937</td>
</tr>
<tr>
<td>Donor endowment funds</td>
<td>11,841,288</td>
<td>36,193,566</td>
<td>48,034,854</td>
</tr>
<tr>
<td><strong>Total Funds</strong></td>
<td><strong>$14,560,225</strong></td>
<td><strong>$36,193,566</strong></td>
<td><strong>$50,753,791</strong></td>
</tr>
</tbody>
</table>

### Changes in Endowment for the Year Ended June 30, 2018

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment, beginning of period</td>
<td>$12,245,726</td>
<td>36,451,909</td>
<td>48,697,635</td>
</tr>
<tr>
<td>Investment Return:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>742,889</td>
<td>241,866</td>
<td>984,755</td>
</tr>
<tr>
<td>Net appreciation</td>
<td>3,675,180</td>
<td>695,862</td>
<td>4,371,042</td>
</tr>
<tr>
<td><strong>Total Investment Return</strong></td>
<td>4,418,069</td>
<td>937,728</td>
<td>5,355,797</td>
</tr>
<tr>
<td>Contributions</td>
<td>6</td>
<td>200</td>
<td>206</td>
</tr>
<tr>
<td>Transfers/appropriations</td>
<td>(2,103,576)</td>
<td>-</td>
<td>(2,103,576)</td>
</tr>
<tr>
<td>Release from restriction</td>
<td>-</td>
<td>(1,196,271)</td>
<td>(1,196,271)</td>
</tr>
<tr>
<td><strong>Total Funds</strong></td>
<td><strong>$14,560,225</strong></td>
<td><strong>$36,193,566</strong></td>
<td><strong>$50,753,791</strong></td>
</tr>
</tbody>
</table>

### Endowment Composition by Type of Fund as of June 30, 2017

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board designated endowment funds</td>
<td>$2,725,592</td>
<td>$743,465</td>
<td>$3,469,057</td>
</tr>
<tr>
<td>Donor endowment funds</td>
<td>9,520,134</td>
<td>35,708,444</td>
<td>45,228,578</td>
</tr>
<tr>
<td><strong>Total Funds</strong></td>
<td><strong>$12,245,726</strong></td>
<td><strong>$36,451,909</strong></td>
<td><strong>$48,697,635</strong></td>
</tr>
</tbody>
</table>

* Represents earnings on endowed funds, with donor restrictions that are designated for operations and board designated endowments.
15. Endowment Funds (Continued)

*Changes in Endowment for the Year Ended June 30, 2017*

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions*</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment, beginning of period</td>
<td>$ 11,120,242</td>
<td>$ 35,168,072</td>
<td>$ 46,288,314</td>
</tr>
<tr>
<td>Investment Return:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>727,309</td>
<td>273,781</td>
<td>1,001,090</td>
</tr>
<tr>
<td>Net appreciation</td>
<td>2,521,320</td>
<td>912,921</td>
<td>3,434,241</td>
</tr>
<tr>
<td>(realized and unrealized)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Investment Return</td>
<td>3,248,629</td>
<td>1,186,702</td>
<td>4,435,331</td>
</tr>
<tr>
<td>Contributions</td>
<td>7,667</td>
<td>1,000,100</td>
<td>1,007,767</td>
</tr>
<tr>
<td>Transfers/appropriations</td>
<td>(2,130,812)</td>
<td>-</td>
<td>(2,130,812)</td>
</tr>
<tr>
<td>Release from restriction</td>
<td>-</td>
<td>(902,965)</td>
<td>(902,965)</td>
</tr>
<tr>
<td>Total Funds</td>
<td>$ 12,245,726</td>
<td>$ 36,451,909</td>
<td>$ 48,697,635</td>
</tr>
</tbody>
</table>

* Represents earnings on endowed funds, with donor restrictions that are designated for operations and board designated endowments.

16. Subsequent Events

Management has evaluated events subsequent to June 30, 2018 and through October 1, 2018, which is the date the financial statements were available to be issued.