

THE ALAMO ENDOWMENT AND AFFILIATES

**(collectively includes
The Alamo Endowment,
Alamo Complex Management
and
Remember The Alamo Foundation)**

Consolidated Audited Financial Statements

June 30, 2017

AKIN, DOHERTY, KLEIN & FEUGE, P.C.
Certified Public Accountants

THE ALAMO ENDOWMENT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Alamo Endowment, Alamo Complex Management and Remember The Alamo Foundation
San Antonio, Texas

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Alamo Endowment (as more fully described in Note A and collectively includes The Alamo Endowment, Alamo Complex Management and Remember the Alamo Foundation) which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated audited financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 U. S. generally accepted auditing standards. Those standards require that we plan and perform the audit 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 entity'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 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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Alamo Endowment and Affiliates as of June 30, 2017 and 2016, and the results of its activities, functional expenses, and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary (consolidating) information 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, 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Akin, Doherty, Klein & Feuge, P.C.

San Antonio, Texas

August 25, 2017

THE ALAMO ENDOWMENT AND AFFILIATES
Consolidated Statements of Financial Position
June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 919,639 | \$ 1,838,098 |
| Accounts receivable, net | 190,377 | 188,495 |
| Pledges receivable, net | - | 105,000 |
| Reimbursements receivable, due from General Land Office | 425,939 | 632,799 |
| Inventory | 1,500 | 1,500 |
| Prepaid expenses | 19,240 | 23,391 |
| Total current assets | <u>1,556,695</u> | <u>2,789,283</u> |
| Furniture and Equipment, net | 19,216 | 10,077 |
| Deposits | <u>2,105</u> | <u>-</u> |
| Total Assets | <u>\$ 1,578,016</u> | <u>\$ 2,799,360</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities: | | |
| Accounts payable | \$ 155,438 | \$ 87,877 |
| Accrued expenses | 242,894 | 100,341 |
| Deposits payable | - | 738 |
| Deferred revenue | 18,425 | 2,380 |
| Total current liabilities | <u>416,757</u> | <u>191,336</u> |
| Due to General Land Office: | <u>559,989</u> | <u>997,535</u> |
| Total Liabilities | 976,746 | 1,188,871 |
| Net Assets: | | |
| Without donor restrictions: | | |
| Available for operations | 601,270 | 1,479,494 |
| With donor restrictions: | | |
| Time and purpose restrictions | - | 130,995 |
| Total net assets | <u>601,270</u> | <u>1,610,489</u> |
| Total Liabilities and Net Assets | <u>\$ 1,578,016</u> | <u>\$ 2,799,360</u> |

See notes to consolidated audited financial statements.

THE ALAMO ENDOWMENT AND AFFILIATES
Consolidated Statements of Activities
Years Ended June 30, 2017 and 2016

| | 2017 | | | 2016 | | |
|---|----------------------------|-------------------------|-------------------|----------------------------|-------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue and Other Support | | | | | | |
| Contributions, pledges and donations | \$ 323,683 | \$ - | \$ 323,683 | \$ 400,922 | \$ 25,995 | \$ 426,917 |
| Public tours | 893,135 | - | 893,135 | 616,249 | - | 616,249 |
| Rental revenues | 2,962,948 | - | 2,962,948 | 3,048,883 | - | 3,048,883 |
| Commissions | 264,290 | - | 264,290 | 331,543 | - | 331,543 |
| Interest income | 102 | - | 102 | 122 | - | 122 |
| Other revenue | 12,071 | - | 12,071 | 16,619 | - | 16,619 |
| Total revenue and other support | 4,456,229 | - | 4,456,229 | 4,414,338 | 25,995 | 4,440,333 |
| Expenses | | | | | | |
| Program services | 4,152,868 | - | 4,152,868 | 1,779,004 | - | 1,779,004 |
| Management and general | 2,528,344 | - | 2,528,344 | 1,983,175 | - | 1,983,175 |
| Fundraising | - | - | - | - | - | - |
| Total expenses | 6,681,212 | - | 6,681,212 | 3,762,179 | - | 3,762,179 |
| Income (Loss) from Operations | (2,224,983) | - | (2,224,983) | 652,159 | 25,995 | 678,154 |
| Cash transfers from the General Land Office | 5,432,378 | - | 5,432,378 | 3,911,173 | - | 3,911,173 |
| Cash transfers to the General Land Office | (4,653,628) | - | (4,653,628) | (3,768,226) | - | (3,768,226) |
| Amounts due to (from) the General Land Office | 437,014 | - | 437,014 | (997,535) | - | (997,535) |
| Change in Net Assets | (1,009,219) | - | (1,009,219) | (202,429) | 25,995 | (176,434) |
| Net assets released from restrictions | 130,995 | (130,995) | - | 150,000 | (150,000) | - |
| Net assets at beginning of year | 1,479,494 | 130,995 | 1,610,489 | 1,531,923 | 255,000 | 1,786,923 |
| Net Assets at End of Year | <u>\$ 601,270</u> | <u>\$ -</u> | <u>\$ 601,270</u> | <u>\$ 1,479,494</u> | <u>\$ 130,995</u> | <u>\$ 1,610,489</u> |

See notes to consolidated audited financial statements.

THE ALAMO ENDOWMENT AND AFFILIATES
Consolidated Statements of Functional Expenses
Years Ended June 30, 2017 and 2016

| | 2017 | | | | 2016 | | | |
|--------------------------------|---------------------|------------------------|-------------|---------------------|---------------------|------------------------|-------------|---------------------|
| | Program Services | Management and General | Fundraising | Total | Program Services | Management and General | Fundraising | Total |
| Salaries and benefits | \$ 3,571,467 | \$ 924,356 | \$ - | \$ 4,495,823 | \$ 1,703,663 | \$ 368,150 | \$ - | \$ 2,071,813 |
| Other Expenses: | | | | | | | | |
| Insurance | - | 60,256 | - | 60,256 | - | 75,746 | - | 75,746 |
| Accounting fees | - | 22,840 | - | 22,840 | - | 29,572 | - | 29,572 |
| Alamo master plan expenses | 301,861 | - | - | 301,861 | - | - | - | - |
| Bad debts | - | 100,000 | - | 100,000 | - | - | - | - |
| Interest | - | 10 | - | 10 | - | - | - | - |
| Legal fees | - | 397,132 | - | 397,132 | - | 390,625 | - | 390,625 |
| Office expenses | - | 208,065 | - | 208,065 | - | 179,154 | - | 179,154 |
| Computer expenses | - | 132,690 | - | 132,690 | - | 118,742 | - | 118,742 |
| Supplies | - | 179,483 | - | 179,483 | - | 242,319 | - | 242,319 |
| Repairs and maintenance | - | 176,147 | - | 176,147 | - | 134,725 | - | 134,725 |
| Utilities | - | 106,779 | - | 106,779 | - | 88,194 | - | 88,194 |
| Telephone and communication | - | 45,201 | - | 45,201 | - | 56,437 | - | 56,437 |
| Travel and meetings | - | 12,421 | - | 12,421 | - | 12,199 | - | 12,199 |
| Dues and subscriptions | - | 13,543 | - | 13,543 | - | 17,741 | - | 17,741 |
| Equipment expenses | - | 98,789 | - | 98,789 | - | 26,899 | - | 26,899 |
| Public relations and marketing | 172,614 | - | - | 172,614 | 38,356 | 5,262 | - | 43,618 |
| Rent | - | 37,089 | - | 37,089 | - | 13,776 | - | 13,776 |
| Security | 23,235 | - | - | 23,235 | 36,985 | - | - | 36,985 |
| Special projects | 38,541 | - | - | 38,541 | - | 28,643 | - | 28,643 |
| Sacristy restoration | 35,000 | - | - | 35,000 | - | - | - | - |
| Strategy and management | 10,150 | - | - | 10,150 | - | - | - | - |
| Other expenses | - | 7,978 | - | 7,978 | - | 191,669 | - | 191,669 |
| Total other expenses | 581,401 | 1,598,423 | - | 2,179,824 | 75,341 | 1,611,703 | - | 1,687,044 |
| Depreciation | - | 5,565 | - | 5,565 | - | 3,322 | - | 3,322 |
| Total Expenses | \$ 4,152,868 | \$ 2,528,344 | \$ - | \$ 6,681,212 | \$ 1,779,004 | \$ 1,983,175 | \$ - | \$ 3,762,179 |

See notes to consolidated audited financial statements.

THE ALAMO ENDOWMENT AND AFFILIATES
Consolidated Statements of Cash Flows
Years Ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|---------------------|
| Operating Activities | | |
| Change in net assets | \$ (1,009,219) | \$ (176,434) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 5,565 | 3,322 |
| Bad debt expense | 100,000 | - |
| Change in operating assets and liabilities: | | |
| Accounts receivable | (1,882) | (188,495) |
| Pledges receivable | 5,000 | 150,000 |
| Reimbursement receivable, due from GLO | 206,860 | (632,799) |
| Prepaid expenses | 4,151 | (23,391) |
| Other assets | (2,105) | - |
| Accounts payable | 67,561 | 75,536 |
| Accrued expenses | 142,553 | 100,341 |
| Deposit payable | (738) | 738 |
| Deferred revenue | 16,045 | 2,380 |
| Due to General Land Office | (437,546) | 997,535 |
| Net cash provided (used) by operating activities | <u>(903,755)</u> | <u>308,733</u> |
| Investing Activities | | |
| Transfer of net assets at inception | - | 533,237 |
| Purchases of furniture and equipment | (14,704) | - |
| Net cash provided (used) by investing activities | <u>(14,704)</u> | <u>533,237</u> |
| Net change in cash and cash equivalents | (918,459) | 841,970 |
| Cash and cash equivalents at beginning of year | <u>1,838,098</u> | <u>996,128</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 919,639</u> | <u>\$ 1,838,098</u> |
| Supplemental Disclosures | | |
| Cash paid for interest | \$ - | \$ - |
| Cash paid for income taxes | - | - |

See notes to consolidated audited financial statements.

THE ALAMO ENDOWMENT AND AFFILIATES
Notes to Audited Consolidated Financial Statements
June 30, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The Alamo Endowment (“the Endowment”) began operations on June 11, 2013 as a Texas 501(c)3 non-profit tax exempt corporation. The Commissioner of the State of Texas General Land Office (GLO) has the authority to nominate members to the Board of Directors. The Endowment was created for charitable and educational purposes to assist the GLO in the preservation, management, education, maintenance, operation and restoration of the Alamo Complex.

These consolidated financial statements include The Alamo Endowment, Alamo Complex Management and Remember the Alamo Foundation.

Alamo Complex Management (“ACM”) began operations on July 11, 2015 as a Texas 501(c)3 non-profit tax exempt corporation and with the transfer of \$533,237 in net assets from The Daughters of the Republic of Texas (DRT), the previous manager of the Alamo shrine. The Commissioner of the GLO has the authority to nominate members to the Board of Directors, and contracted with the Endowment to operate the Alamo complex. Under a management agreement executed between The Alamo Endowment and ACM, the Endowment delegated to ACM the day-to-day management of The Alamo, including personnel, education, grounds, maintenance, security, events and programing.

Remember the Alamo Foundation (“the Foundation”) began operations on July 6, 2015 as a Texas 501(c)3 non-profit tax exempt corporation. The Commissioner of the GLO has the authority to nominate members to the Board of Directors. The Foundation was created for charitable and educational purposes, and is committed to fundraising for The Alamo, as well as the development of a long-range plan for The Alamo and the adjacent property surrounding the current Alamo footprint.

The Alamo Shrine: The Alamo Shrine and its footprint in San Antonio is a Texas historical landmark and is owned by the citizens of the state of Texas, as oversighted by the General Land Office.

Basis of Presentation: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles (GAAP). The consolidated financial statements include The Alamo Endowment, Alamo Complex Management, and Remember the Alamo Foundation, collectively referred to as The Alamo Endowment (or “the Endowment”). All significant intercompany balances and transactions have been eliminated. Net assets, support and revenues, 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:

Net Assets Without Donor Restrictions – Net assets available for use in the general operations and not subject to donor restrictions. Contributions gifted for recurring programs of the Endowment generally are not considered “restricted” under GAAP, though for internal reporting the Endowment tracks such contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board designated.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions that are more restrictive than the Endowment’s mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

THE ALAMO ENDOWMENT AND AFFILIATES
Notes to Audited Consolidated Financial Statements
June 30, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition: Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Revenues from public donations are recognized in the period which they are received. Revenue from public tours are recognized at the time of tour, generally occurring immediately after purchase. Rental income and monthly commissions are recognized based on the terms of rental and usage agreements. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor restrictions whose restrictions are met in the same reporting period are generally reported as unrestricted support in the same reporting year.

Gifts of equipment and other similar assets are reported at estimated fair value as unrestricted 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 are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Functional Allocation of Expenses: The costs of providing the services and other activities of the Endowment have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits which are allocated on the basis of estimates of time and effort.

Cash and Cash Equivalents: Cash and cash equivalents consist of demand deposits and other cash accounts held by financial institutions with a maturity of three months or less. Cash held by ACM is for the benefit of the GLO, and such cash balances are included in the liability due to the GLO on the statement of financial position. See Note D.

Accounts Receivable: Accounts receivable are stated at outstanding principal, net of an allowance for doubtful accounts. The allowance is determined based on an account-by-account review as well as historical trends. Accounts are charged off when collection efforts have failed and the account is deemed uncollectible. No allowance was deemed necessary at June 30, 2017 and 2016. Interest is not generally charged on accounts receivable. Accounts receivable are also included as a part of ACM's liability due to the GLO in the Consolidated Statements of Financial Position.

Reimbursements Receivable: Reimbursements receivable represent amounts due from the GLO for operating expenses incurred by ACM.

Pledges Receivable: Legally enforceable pledges and contributions, less an allowance for uncollectible amounts, are recorded as pledges and revenue in the year made unless the pledge or contribution is dependent upon occurrence of a specified future and uncertain event to bind the promisor. Conditional pledges and contributions are recognized when the conditions upon which they depend are substantially met or when the possibility that the condition will not be met is remote. The allowance is generally determined based on an account by account review and historical trends. An allowance was not required at June 30, 2017 and 2016.

Deferred Revenues: From time to time, The Alamo is rented as a public event venue. Public events generally require a security deposit, and such deposits are deferred and recorded as revenues when the event occurs.

Inventory: Inventory consists of goods donated to the Endowment for the purpose of auctioning or raffling at special events. These donations are recorded at fair value as of the date of the donation and are reported as in-kind contributions in the Consolidated Statements of Activities and inventory in the Consolidated Statements of Financial Position.

THE ALAMO ENDOWMENT AND AFFILIATES
Notes to Audited Consolidated Financial Statements
June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Furniture and Equipment: Furniture and equipment is stated at cost. Depreciation is recorded using the straight-line method over the estimated life of the related assets, which generally range from three to seven years.

Advertising: Advertising, including marketing and promotion, are expensed as incurred and totaled \$172,614 in 2017 and \$43,618 in 2016.

Donated Services: The Endowment, and in particular ACM, benefits from the assistance of many volunteers. In accordance with U. S. generally accepted accounting principles, the value of contributed services received are recognized if they (a) create or enhance a nonfinancial asset or (b) required specialized skills, provided by individuals possessing those skills, that would be purchased if they were not donated. Volunteer hours approximated 2,900 in 2017 and 1,700 in 2016. However, since the volunteer assistance received by the ACM does not meet the above criteria, a value is not assigned and recognized in these financial statements.

Income Taxes: Each entity included in this consolidation is a non-profit organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, and are not "private foundations"; accordingly, donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The Endowment is not subject to Texas margin tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its tax returns since inception remain subject to examination.

Retirement Plan: ACM provides a 401(k) plan (the Plan) for its full-time employees. Employees are automatically enrolled in the Plan on the first of the month following date of hire, regardless of age or time of service. Employees may elect to contribute up to \$18,000, plus \$6,000 for participants age 50 and over, of their compensation to the Plan. ACM provided matching and discretionary contributions of \$141,463 in 2017 and \$17,527 in 2016.

Concentrations of Credit Risk: The Endowment has concentrations of credit risk with respect to its cash and cash equivalents and pledges receivable. The Endowment maintains cash deposits with major banks which, from time-to-time, may exceed federally insured limits. The Endowment periodically assesses the financial condition of the institutions and believes the risk of any loss is minimal. Concentrations of credit risk with respect to pledges receivable are limited since amounts are generally due from a large number of individual donors or corporations.

Subsequent Events: Subsequent events have been evaluated by management through the date of the independent auditor's report. There are no material subsequent events to disclose in a separate footnote to these financial statements.

Use of Estimates: The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

New Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2019. Generally, leases with terms in excess of 12 months will be recognized on the balance sheet as an asset (right to use leased asset) and a liability (lease liability). The impact to operations is expected to be minimal. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

THE ALAMO ENDOWMENT AND AFFILIATES
Notes to Audited Consolidated Financial Statements
June 30, 2017 and 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recently Adopted Accounting Pronouncements: In August 2016, the FASB issued Accounting Standard Update 2016-14, regarding the reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expense by function and natural classification, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. The Endowment early adopted this new pronouncement effective July 1, 2016, with retroactive application to the prior year for comparative purposes.

Reclassifications: Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications are due to the adoption of *Accounting Standards Update 2016-14*, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as “unrestricted” at June 30, 2016 of \$1,479,494 are now classified as “without donor restriction”. Net assets previously classified as “temporarily restricted” at June 30, 2016 of \$130,995 are now classified as net assets “with donor restrictions”.

NOTE B – PLEDGES RECEIVABLE

Pledges receivable are as follows at June 30:

| | <u>2017</u> | <u>2016</u> |
|----------------------------------|-------------|-------------------|
| Receivable in less than one year | \$ - | \$ 105,000 |
| Receivable in one to five years | - | - |
| Total pledges receivable | <u>\$ -</u> | <u>\$ 105,000</u> |

NOTE C – FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at June 30:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|------------------|------------------|
| Furniture and equipment | \$ 19,966 | \$ 13,719 |
| Software | 8,457 | - |
| Less accumulated depreciation | <u>(9,207)</u> | <u>(3,642)</u> |
| Net furniture and equipment | <u>\$ 19,216</u> | <u>\$ 10,077</u> |

THE ALAMO ENDOWMENT AND AFFILIATES
Notes to Audited Consolidated Financial Statements
June 30, 2017 and 2016

NOTE D – DUE TO GENERAL LAND OFFICE

As mandated by State of Texas statute, all revenues derived by the on-going operations of The Alamo, including donations collected on the grounds, are funds that belong, and are due, to the State of Texas. Within these consolidated financial statements, ACM recognizes all revenues as earned, and reports such revenue on the Consolidated Statements of Activities. Likewise, cost to operate The Alamo are to be paid by the State of Texas through the GLO. Again, within these consolidated financial statements, ACM recognizes all expenses as incurred (accrued), and reports such expenses on the Consolidated Statements of Activities.

Current Operations: Cash is "swept" to the State of Texas Treasury from the ACM cash accounts, and as cash funds are needed by ACM to pay expenses, cash is transferred by the Treasury to ACM. At June 30, 2017 and 2016, the net amounts due to the GLO by ACM for current operations totaled \$559,989 and \$997,535, respectively, which consisted primarily of ACM's cash balance of \$817,932 at June 30, 2017 and \$820,058 at June 30, 2016 and receivables of \$190,377 at June 30, 2017 and \$188,495 at June 30, 2016, netted by amounts previously transferred between the parties, as well certain other minor adjustments.

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include the following at June 30:

| | 2017 | 2016 |
|------------------------------------|------|------------|
| Purpose restricted for "imaging" | \$ - | \$ 25,995 |
| Time restricted, pledge receivable | - | 105,000 |
| | \$ - | \$ 130,995 |

In accordance with U.S. generally accepted accounting principles, net assets with donor restrictions include those assets, as scheduled above, that are donor restricted for programs that fall outside the mission of The Endowment, as well as time restricted assets such as pledges.

NOTE F – OPERATING LEASES

The GLO has leased certain office equipment and storage facilities in which ACM uses in the daily operations. ACM paid rent expense of approximately \$7,000 and \$14,000 for the years ended June 30, 2017 and 2016 on behalf of the GLO. Payments required in future years approximate \$7,000.

The Endowment leases office space from the GLO and office equipment from an unrelated party. Rent expense totaled approximately \$37,000 for the years ended June 30, 2017 and 2016.

THE ALAMO ENDOWMENT AND AFFILIATES
Notes to Audited Consolidated Financial Statements
June 30, 2017 and 2016

NOTE F – OPERATING LEASES - continued

Future minimum lease payments are as follows for the years ending June 30:

| | | |
|------|----|--------|
| 2018 | \$ | 29,160 |
| 2019 | | 3,900 |
| 2020 | | 1,950 |

NOTE G – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Accounting Standards Update 2016-14 requires management to discuss its financial resources that are available as of yearend and which may be utilized for operations over the next twelve-month period. As discussed in Note D, the primary operations of the daily operations of The Alamo is conducted by ACM, and these operations are required to be paid by, and revenue earned turned over to, the Texas General Land Office. So in essence ACM operates as a conduit entity.

Remember The Alamo Foundation was established as the fundraising and development arm of The Alamo Endowment, with the intended purpose to fundraise for the long-range plan of The Alamo. Full scale fundraising is expected to commence once the long-range plan has been fully developed over the next several years. On-going operating costs incurred by RTA are limited at this date.

The Alamo Endowment was established to act as the “parent” organization of ACM and RTA, and its on-going operating costs are also limited at this date.

THE ALAMO ENDOWMENT AND AFFILIATES

Supplemental Information

June 30, 2017

THE ALAMO ENDOWMENT AND AFFILIATES
Consolidating Statements of Financial Position
June 30, 2017

| | <u>The Alamo Endowment</u> | <u>Alamo Complex Management</u> | <u>Remember the Alamo Foundation</u> | <u>Eliminations</u> | <u>Consolidated Totals</u> |
|---|------------------------------------|---|--|-------------------------|--------------------------------|
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 91,282 | \$ 817,932 | \$ 10,425 | \$ - | \$ 919,639 |
| Accounts receivable | - | 190,377 | - | - | 190,377 |
| Accounts receivable, intercompany | 84,497 | 5,795 | - | 90,292 | - |
| Reimbursements receivable, due from GLO | - | 425,939 | - | - | 425,939 |
| Inventory | 1,500 | - | - | - | 1,500 |
| Prepaid expenses | - | 19,240 | - | - | 19,240 |
| Total current assets | <u>177,279</u> | <u>1,459,283</u> | <u>10,425</u> | <u>90,292</u> | <u>1,556,695</u> |
| Furniture and Equipment, net | 19,216 | - | - | - | 19,216 |
| Deposits | <u>2,105</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,105</u> |
| Total Assets | <u><u>\$ 198,600</u></u> | <u><u>\$ 1,459,283</u></u> | <u><u>\$ 10,425</u></u> | <u><u>\$ 90,292</u></u> | <u><u>\$ 1,578,016</u></u> |
| LIABILITIES AND NET ASSETS | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | \$ 25,251 | \$ 121,187 | \$ 9,000 | \$ - | \$ 155,438 |
| Accounts payable, intercompany | 4,342 | - | 85,950 | 90,292 | - |
| Accrued expenses | 16,377 | 226,445 | 72 | - | 242,894 |
| Deferred revenue | - | 18,425 | - | - | 18,425 |
| Total current liabilities | <u>45,970</u> | <u>366,057</u> | <u>95,022</u> | <u>90,292</u> | <u>416,757</u> |
| Due to General Land Office: | <u>-</u> | <u>559,989</u> | <u>-</u> | <u>-</u> | <u>559,989</u> |
| Total Liabilities | 45,970 | 926,046 | 95,022 | 90,292 | 976,746 |
| Net Assets: | | | | | |
| Without donor restrictions: | | | | | |
| Available for operations | 152,630 | 533,237 | (84,597) | - | 601,270 |
| With donor restrictions: | | | | | |
| Time and purpose restrictions | - | - | - | - | - |
| Total net assets | <u>152,630</u> | <u>533,237</u> | <u>(84,597)</u> | <u>-</u> | <u>601,270</u> |
| Total Liabilities and Net Assets | <u><u>\$ 198,600</u></u> | <u><u>\$ 1,459,283</u></u> | <u><u>\$ 10,425</u></u> | <u><u>\$ 90,292</u></u> | <u><u>\$ 1,578,016</u></u> |

See independent auditor's report.

THE ALAMO ENDOWMENT AND AFFILIATES
Consolidating Statements of Activities
Year Ended June 30, 2017

| | The Alamo Endowment | | Alamo Complex Management | | Remember the Alamo Foundation | | Consolidated Totals | | |
|---------------------------------------|----------------------------|-------------------------|---------------------------------|-------------------------|--------------------------------------|-------------------------|----------------------------|-------------------------|-------------|
| | Without Donor Restrictions | With Donor Restrictions | Without Donor Restrictions | With Donor Restrictions | Without Donor Restrictions | With Donor Restrictions | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue and Other Support | | | | | | | | | |
| Contributions, pledges and donations | \$ 2,693 | \$ - | \$ 310,625 | \$ - | \$ 10,365 | \$ - | \$ 323,683 | \$ - | \$ 323,683 |
| Public tours | - | - | 893,135 | - | - | - | 893,135 | - | 893,135 |
| Rental revenues | - | - | 2,962,948 | - | - | - | 2,962,948 | - | 2,962,948 |
| Commissions | - | - | 264,290 | - | - | - | 264,290 | - | 264,290 |
| Interest income | 100 | - | - | - | 2 | - | 102 | - | 102 |
| Other revenue | - | - | 11,195 | - | 876 | - | 12,071 | - | 12,071 |
| Total revenue and other support | 2,793 | - | 4,442,193 | - | 11,243 | - | 4,456,229 | - | 4,456,229 |
| Expenses | | | | | | | | | |
| Program services | 520,721 | - | 3,586,997 | - | 45,150 | - | 4,152,868 | - | 4,152,868 |
| Management and general | 381,901 | - | 2,070,960 | - | 75,483 | - | 2,528,344 | - | 2,528,344 |
| Fundraising | - | - | - | - | - | - | - | - | - |
| Total expenses | 902,622 | - | 5,657,957 | - | 120,633 | - | 6,681,212 | - | 6,681,212 |
| Income (Loss) from Operations | (899,829) | - | (1,215,764) | - | (109,390) | - | (2,224,983) | - | (2,224,983) |
| Cash transfers from the GLO | - | - | 5,432,378 | - | - | - | 5,432,378 | - | 5,432,378 |
| Cash transfers to the GLO | - | - | (4,653,628) | - | - | - | (4,653,628) | - | (4,653,628) |
| Amounts due from the GLO | - | - | 437,014 | - | - | - | 437,014 | - | 437,014 |
| Change in Net Assets | (899,829) | - | - | - | (109,390) | - | (1,009,219) | - | (1,009,219) |
| Net assets released from restrictions | 105,000 | (105,000) | - | - | 25,995 | (25,995) | 130,995 | (130,995) | - |
| Net assets at beginning of year | 947,459 | 105,000 | 533,237 | - | (1,202) | 25,995 | 1,479,494 | 130,995 | 1,610,489 |
| Net Assets at End of Year | \$ 152,630 | \$ - | \$ 533,237 | \$ - | \$ (84,597) | \$ - | \$ 601,270 | \$ - | \$ 601,270 |

See independent auditor's report.

THE ALAMO ENDOWMENT AND AFFILIATES
Consolidating Statements of Functional Expenses
Years Ended June 30, 2017

| | <u>The Alamo Endowment</u> | | | <u>Alamo Complex Management</u> | | |
|--------------------------------|----------------------------|-------------------------------|--------------------|---------------------------------|-------------------------------|--------------------|
| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> |
| Salaries and benefits | \$ 204,262 | \$ 72,951 | \$ - | \$ 3,367,205 | \$ 851,405 | \$ - |
| Other Expenses: | | | | | | |
| Insurance | - | - | - | - | 58,476 | - |
| Accounting fees | - | - | - | - | 2,200 | - |
| Alamo master plan expenses | 301,861 | - | - | - | - | - |
| Bad debt | - | 100,000 | - | - | - | - |
| Interest | - | - | - | - | 10 | - |
| Legal fees | - | 103,606 | - | - | 241,481 | - |
| Office expenses | - | 62,334 | - | - | 144,863 | - |
| Computer expenses | - | - | - | - | 132,658 | - |
| Supplies | - | - | - | - | 179,483 | - |
| Repairs and maintenance | - | 450 | - | - | 175,697 | - |
| Utilities | - | - | - | - | 106,779 | - |
| Telephone and communication | - | - | - | - | 45,201 | - |
| Travel and meetings | - | 495 | - | - | 11,808 | - |
| Dues and subscriptions | - | 4,365 | - | - | 9,178 | - |
| Equipment expenses | - | - | - | - | 98,789 | - |
| Public relations and marketing | 14,598 | - | - | 158,016 | - | - |
| Rent | - | 29,881 | - | - | 7,208 | - |
| Security | - | - | - | 23,235 | - | - |
| Special projects | - | - | - | 38,541 | - | - |
| Sacristy restoration | - | - | - | - | - | - |
| Strategy and management | - | - | - | - | - | - |
| Other expenses | - | 2,254 | - | - | 5,724 | - |
| Total other expenses | 316,459 | 303,385 | - | 219,792 | 1,219,555 | - |
| Depreciation | - | 5,565 | - | - | - | - |
| Total Expenses | \$ 520,721 | \$ 381,901 | \$ - | \$ 3,586,997 | \$ 2,070,960 | \$ - |

THE ALAMO ENDOWMENT
Consolidating Statements of Functional Expenses
Years Ended June 30, 2017

| <u>Remember the Alamo Foundation</u> | | | <u>Consolidated Totals</u> | | | |
|--------------------------------------|-------------------------------|--------------------|----------------------------|-------------------------------|--------------------|---------------------|
| <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
| \$ - | \$ - | \$ - | \$ 3,571,467 | \$ 924,356 | \$ - | \$ 4,495,823 |
| - | 1,780 | - | - | 60,256 | - | 60,256 |
| - | 20,640 | - | - | 22,840 | - | 22,840 |
| - | - | - | 301,861 | - | - | 301,861 |
| - | - | - | - | 100,000 | - | 100,000 |
| - | - | - | - | 10 | - | 10 |
| - | 52,045 | - | - | 397,132 | - | 397,132 |
| - | 868 | - | - | 208,065 | - | 208,065 |
| - | 32 | - | - | 132,690 | - | 132,690 |
| - | - | - | - | 179,483 | - | 179,483 |
| - | - | - | - | 176,147 | - | 176,147 |
| - | - | - | - | 106,779 | - | 106,779 |
| - | - | - | - | 45,201 | - | 45,201 |
| - | 118 | - | - | 12,421 | - | 12,421 |
| - | - | - | - | 13,543 | - | 13,543 |
| - | - | - | - | 98,789 | - | 98,789 |
| - | - | - | 172,614 | - | - | 172,614 |
| - | - | - | - | 37,089 | - | 37,089 |
| - | - | - | 23,235 | - | - | 23,235 |
| - | - | - | 38,541 | - | - | 38,541 |
| 35,000 | - | - | 35,000 | - | - | 35,000 |
| 10,150 | - | - | 10,150 | - | - | 10,150 |
| - | - | - | - | 7,978 | - | 7,978 |
| <u>45,150</u> | <u>75,483</u> | <u>-</u> | <u>581,401</u> | <u>1,598,423</u> | <u>-</u> | <u>2,179,824</u> |
| - | - | - | - | 5,565 | - | 5,565 |
| <u>\$ 45,150</u> | <u>\$ 75,483</u> | <u>\$ -</u> | <u>\$ 4,152,868</u> | <u>\$ 2,528,344</u> | <u>\$ -</u> | <u>\$ 6,681,212</u> |