

ALAMO COMPLEX MANAGEMENT

Audited Financial Statements

June 30, 2016

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

ALAMO COMPLEX MANAGEMENT
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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Alamo Complex Management
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Alamo Complex Management, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. 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 audit. We conducted our audit 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alamo Complex Management as of June 30, 2016, and the results of its activities, changes in net assets, and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

A handwritten signature in black ink that reads "Akin, Doherty, Klein & Feuge". The signature is written in a cursive, flowing style.

Akin, Doherty, Klein & Feuge, P.C.
San Antonio, Texas
September 23, 2016

ALAMO COMPLEX MANAGEMENT
Statement of Financial Position
June 30, 2016

ASSETS

Current Assets:

Cash and cash equivalents	\$ 820,058
Accounts receivable	188,495
Reimbursements receivable due from the General Land Office	632,799
Prepaid expenses	23,391
Total current assets	<u>1,664,743</u>

Total Assets \$ 1,664,743

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 30,512
Accrued salaries and related benefits	100,341
Deposits payable	738
Deferred revenue	2,380
Total current liabilities	<u>133,971</u>

Due to the General Land Office 997,535

Net Assets, Unrestricted 533,237

Total Liabilities and Net Assets \$ 1,664,743

See notes to audited financial statements.

ALAMO COMPLEX MANAGEMENT
Statement of Activities
Year Ended June 30, 2016

Revenue and Other Support

Donations	\$ 355,110
Public tours	616,249
Rental revenues:	
Gift shop and related rental revenues	2,782,570
Special events	221,088
Commissions	376,768
Other revenues	16,552
Total revenue	<u>4,368,337</u>

Expenses

Salaries and benefits	2,071,813
Insurance	75,746
Accounting fees	28,322
Legal fees	212,495
Office expenses	118,859
Computer expenses	118,742
Supplies	242,319
Repairs and maintenance	142,979
Utilities	88,194
Telephone and communication	56,437
Travel and meetings	12,199
Dues and subscriptions	17,741
Equipment expenses	32,421
Public relations and marketing	38,356
Security	36,985
Special projects	28,643
Other expenses	191,498
Total expenses	<u>3,513,749</u>

Net Revenues Over Expenses

854,588

Cash Transfers from the General Land Office

3,911,173

Cash Transfers to the General Land Office

(3,768,226)

Amounts due to the General Land Office

(997,535)

Change in Net Assets

\$ -

See notes to audited financial statements.

ALAMO COMPLEX MANAGEMENT
Statement of Changes in Net Assets
Year Ended June 30, 2016

Balance at inception, July 10, 2015	\$ -
Unrestricted net assets transferred immediately following inception	533,237
Change in net assets	<u>-</u>
Balance at June 30, 2016	<u><u>\$ 533,237</u></u>

See notes to audited financial statements.

ALAMO COMPLEX MANAGEMENT
Statement of Cash Flows
Year Ended June 30, 2016

Operating Activities

Change in net assets	\$ -
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net asset transferred at inception	
Change in operating assets and liabilities:	
Accounts receivable	(188,495)
Reimbursements receivable due from the General Land Office	(632,799)
Prepaid expenses	(23,391)
Accounts payable	30,512
Accrued expenses	100,341
Deposits payable	738
Deferred revenue	2,380
Due to the General Land Office	997,535
Net cash provided by operating activities	<u>286,821</u>

Investing Activities

Transfer of net assets at inception	<u>533,237</u>
Net cash provided by investing activities	533,237

Net change in cash and cash equivalents	820,058
Cash and cash equivalents at beginning of year	<u>-</u>

Cash and Cash Equivalents at End of Year	<u><u>\$ 820,058</u></u>
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Supplemental Disclosures

Cash paid for interest	\$ -
Cash paid for income taxes	-

See notes to audited financial statements.

ALAMO COMPLEX MANAGEMENT
Notes to Audited Financial Statements
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Alamo Complex Management (“ACM”) began operations on July 11, 2015 and is 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 of the Board of Directors. The GLO contracted with The Alamo 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 programming. The Daughters of the Republic of Texas was the previous manager.

The Alamo Endowment and Remember the Alamo Foundation are considered related parties to ACM. Both are 501(c)3 organizations which also have as an overarching mission the historical preservation of The Alamo in San Antonio, Texas.

Basis of Presentation: The accompanying financial statements are prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles. The period of inception, July 10, 2015 to June 30, 2016, is considered a "year" within these financial statements.

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:

Unrestricted: Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted: Net assets subject to donor-imposed restrictions that fall outside the normal and reoccurring management and preservation of The Alamo, that will be met by actions of ACM and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions. There were no temporarily restricted net assets at June 30, 2016.

Permanently Restricted: Net assets subject to donor-imposed stipulations that they be maintained permanently by ACM. Generally, the donors of these assets permit ACM to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets at June 30, 2016.

Revenue Recognition: 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. Rental fees and commissions are recorded as revenue in the period earned.

Contributions: ACM reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit their use to something outside the normal and reoccurring management and preservation of The Alamo. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, such assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions. 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.

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 is held by ACM for the benefit of the GLO, and the cash balances are included as a part of the liability due to the GLO on the statement of financial position. See Note B.

ALAMO COMPLEX MANAGEMENT
Notes to Audited Financial Statements
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 is deemed necessary at June 30, 2016. ACM normally does not charge interest on accounts receivable. Accounts receivable are also included as a part of the liability due to the GLO in the statement of financial position.

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

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 recorded as revenues when the event occurs.

Advertising: Advertising, including public relations and marketing, are expensed as incurred and totaled \$38,356 in 2016.

Donated Services: 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 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: ACM is a non-profit organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. ACM is not a private foundation; accordingly, donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. Specifically, the IRS has determined ACM to be a Type I supporting organization under the Internal Revenue Code, section 509 (a) (3). ACM 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 \$17,527 in 2016.

Concentrations of Credit Risk: ACM has concentrations of credit risk with respect to its cash and cash equivalents and reimbursement receivables. ACM maintains cash deposits with major banks which, from time-to-time, may exceed federally insured limits. The Organization periodically assesses the financial condition of the institutions and believes the risk of any loss is minimal. Concentrations of credit risk with respect to reimbursement receivables are limited since amounts are generally due from the GLO.

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.

ALAMO COMPLEX MANAGEMENT
Notes to Audited Financial Statements
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2019. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

In August 2016, the FASB issued a new accounting pronouncement regarding reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017, with early application permitted. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

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.

NOTE B – DUE TO GENERAL LAND OFFICE

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

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, 2016, the net amount due to the GLO by ACM totaled \$997,535, which consisted primarily of ACM's cash balance of \$820,058 and receivables of \$188,495, netted by amounts previously transferred between the parties as well certain other minor adjustments.

NOTE C – OPERATING LEASES

ACM has leased certain office equipment and storage facilities which are used in the daily operations. Rent expense totaled approximately \$14,000 in the year ended June 30, 2016 and payments required in future years approximate this amount.