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An Independent CPA Firm

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THE TAMPA BAY HISTORY CENTER, INC. AND AFFILIATES

Combined Financial Statements and Supplementary Information

September 30, 2014 and 2013

(With Report of Independent Auditors)



Combined Financial Statements

September 30, 2014 and 2013

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Report of Independent Auditors

The Board of Trustees
The Tampa Bay History Center, Inc.:

We have audited the accompanying combined financial statements of The Tampa Bay History Center, Inc. and Affiliates, which comprise the combined statement of financial position as of September 30, 2014, and the related combined statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit 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 combined financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Tampa Bay History Center, Inc. and Affiliates as of September 30, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Prior Period Financial Statements

The combined financial statements of The Tampa Bay History Center, Inc. and Affiliates as of September 30, 2013 were audited by other auditors, Lewis, Birch & Ricardo, LLC whose members became shareholders of Mayer Hoffman McCann P.C. as of February 1, 2014, and whose report dated February 11, 2014, expressed an unmodified opinion on those statements.

Other Matter

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

MAYER HOFFMAN MCCANN P.C.

Clearwater, Florida February 13, 2015

Combined Statements of Financial Position

September 30, 2014 and 2013

<u>Assets</u>	_	2014	2013
Cash and cash equivalents	\$	112,131	188,930
Receivable from Hillsborough County, Florida	φ	7,908	29,500
Other receivables		55,732	51,030
Prepaid expenses and other		158,962	101,871
Inventory		37,214	45,846
Property and equipment, net		6,736,882	8,111,389
Gifted facilities - land and building use		16,102,273	16,693,182
Capital projects pledges receivable, net		428,012	634,210
Contingency funds pledges receivable, net		50,000	-
Operating endowment pledges receivable, net		211,331	536,744
Note receivable - new markets tax credit		8,490,250	8,490,250
Deferred financing costs - new markets tax credit, net		228,526	304,702
Cultural endowment program fund		629,875	649,458
Operating endowment fund	-	11,405,799	10,809,669
	\$	44,654,895	46,646,781
<u>Liabilities and Net Assets</u>			
Liabilities:			
Accounts payable	\$	34,565	77,700
Accrued expenses		180,282	138,634
Line of credit		228,000	346,000
Long term debt - new markets tax credit	-	10,000,000	10,000,000
Total liabilities	-	10,442,847	10,562,334
Net assets:			
Unrestricted		5,707,476	7,315,778
Temporarily restricted		18,405,712	18,446,063
Permanently restricted	-	10,098,860	10,322,606
Total net assets	-	34,212,048	36,084,447
	\$	44,654,895	46,646,781

See accompanying notes to combined financial statements.

Combined Statements of Activities and Changes in Net Assets

Years ended September 30, 2014 and 2013

	_	2014	2013
Changes in unrestricted net assets:			
Revenues:	Φ.	101000	455.000
Government support - Hillsborough County, Florida	\$	184,908	177,000
Government support - City of Tampa, Florida		72,000	72,000
Admissions		279,095	244,450
Memberships		175,022	201,027
USF Foundation endowment income		94,250	96,500
Contributions and donations		445,209	270,373
Contributions in-kind		245,357	90,120
Investment return		98,618	77,259
Retail sales, net		43,724	38,040
Special event revenue		99,613	115,010
Other income		303,051	259,844
Net assets released from restrictions	_	1,296,347	1,049,799
Total revenues	_	3,337,194	2,691,422
Expenses:			
Program services		3,215,897	3,507,820
Management and general		821,261	793,606
Development	_	908,338	577,307
Total expenses	_	4,945,496	4,878,733
Decrease in unrestricted net assets	_	(1,608,302)	(2,187,311)
Changes in temporarily restricted net assets:			
Grants and donations		130,968	33,634
Investment return		898,028	1,223,075
Net assets released from restrictions	_	(1,069,347)	(1,049,799)
Increase (decrease) in temporarily restricted net assets	_	(40,351)	206,910
Changes in permanently restricted net assets:			
Operating endowment fund contributions		3,254	5,489
Change in provision for uncollectible pledges	_	(227,000)	255,000
Increase (decrease) in permanently restricted net assets	_	(223,746)	260,489
Decrease in net assets		(1,872,399)	(1,719,912)
Net assets, beginning of year	_	36,084,447	37,804,359
Net assets, end of year	\$_	34,212,048	36,084,447

See accompanying notes to combined financial statements.

Combined Statements of Cash Flows

Years ended September 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
·	\$ (1,872,399)	(1,719,912)
Adjustments to reconcile decrease in net assets to net	¢ (1,0/ 2 ,0//)	(1,712,712)
cash provided by (used in) operating activities:		
Depreciation and amortization	1,486,222	1,715,837
Net realized and unrealized gains on investments	(741,015)	(1,038,120)
Noncash rent expense - land and building use	590,909	590,909
Contributed assets - noncash	(125,000)	(1,601)
Operating endowment fund contributions	(101,667)	(386,123)
Decrease in receivable from Hillsborough County, Florida	21,592	-
Decrease (increase) in other receivables	(4,702)	32,527
Decrease in prepaid expenses and other	67,909	12,683
Decrease in inventory	8,632	3,519
Increase in contingency fund pledges receivable	(50,000)	-
Decrease in capital projects pledges receivable	206,198	743,552
Decrease in operating endowment pledges receivable	325,413	125,634
Increase (decrease) in accounts payable	(43,135)	30,076
Increase (decrease) in accrued expenses	41,648	(4,701)
Net cash provided by (used in) operating activities	(189,395)	104,280
Cash flows from investing activities:		
Capital expenditures	(35,539)	(24,765)
Proceeds from sales and maturities of investments	4,305,744	1,520,447
Purchase of investments	(4,141,276)	(1,707,384)
Net cash provided by (used in) investing activities	128,929	(211,702)
Cash flows from financing activities:		
Net repayments under line of credit	(118,000)	(281,115)
Operating endowment fund contributions	101,667	386,123
Net cash provided by (used in) financing activities	(16,333)	105,008
Net decrease in cash and cash equivalents	(76,799)	(2,414)
Cash and cash equivalents at beginning of year	188,930	191,344
Cash and cash equivalents at end of year	\$ 112,131	188,930
Supplemental disclosure of cash flow information-		
Cash paid during the year for interest	\$ 176,227	200,374

See accompanying notes to combined financial statements.

Notes to Combined Financial Statements

September 30, 2014 and 2013

(1) Description of History Center and Summary of Significant Accounting Policies

(a) Description of History Center

The Tampa Bay History Center, Inc. (the "History Center") was organized for the purpose of establishing facilities for the collection, preservation, display, research, study and interpretation of materials and artifacts relevant to the history of the area; to foster dissemination and understanding of area history through educational and public outreach programs; and to encourage an interest in history through cooperation with historical and cultural organizations and educational institutions.

The Tampa Bay History Center Foundation, Inc. (the "Foundation") was organized for the purpose of providing support, to receive and to administer funds for The Tampa Bay History Center, Inc. for its charitable and educational operations. In October 2007, the History Center transferred the assets of the operating endowment to the Foundation.

The TBHC Historical Collections Corporation and the TBHC Facility Corporation were organized for the purpose of recognizing the benefits of the New Markets Tax Credit transaction that occurred in July 2011.

The four entities whose financial statements are included in the combined financial statements are collectively referred to as the "Organization."

(b) Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Financial Accounting Standards Board (FASB) has issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (GAAP) - authoritative and nonauthoritative - and making the Accounting Standards Codification (ASC) the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission. This guidance is incorporated into ASC Topic 105 - *Generally Accepted Accounting Principles*.

Notes to Combined Financial Statements

(c) <u>Contributions Received</u>

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific pledges made.

(d) <u>Investments</u>

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the combined statement of financial position. Unrealized gains and losses are included in the change in net assets. Restrictions, if any, on investment earnings would be reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which earnings are recognized.

(e) Estimates in the Combined Financial Statements

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States 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 combined financial statements and the reported amounts of increases or decreases in net assets during the period. Actual results could differ from those estimates.

(f) Cash and Cash Equivalents

The Organization considers all short-term investments with original maturities of six months or less, at the date of purchase, to be cash equivalents.

(g) Collections

The Organization has approximately 70,000 collection items, which are not capitalized due to the cost and practical difficulties inherent in the valuation process. Additions to the Organization's collection are expensed when acquired as permitted by U.S. generally accepted accounting principles. Collection items will be protected, cared for, and preserved for the purposes for which donated.

Notes to Combined Financial Statements

(h) Property and Equipment

Property and equipment are stated at cost. The Organization capitalizes property and equipment with a cost in excess of \$500. Lesser amounts are recorded as expense. Depreciation is provided using the straight-line method based on estimated useful lives of the assets. Useful lives range from 3 to 10 years. Amortization of leasehold improvements is provided over the term of the related lease.

(i) Inventory

Inventory consists of books and gift shop merchandise held for sale in the Organization's gift shop and is stated at the lower of cost (first-in, first-out method) or market.

(j) Grant Revenue

Revenues from state and local grants and contracts are recorded based upon the terms of the grantor allotment, which generally provide that revenues are earned when the allowable costs under the specific grant provisions have been incurred. Revenues are subject to audit by the grantor and, if examination results in a disallowance of any expenditure, repayment could be required.

(k) Income Taxes

The History Center and its affiliates have been recognized as exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code (the Code). The Foundation has been determined to be a type 1 supporting organization under section 509(a)(3) of the Code. Therefore, no provision for income taxes has been presented in these financial statements for these entities.

The Organization has adopted FASB guidance regarding *Uncertainty in Income Taxes* as codified in FASB ASC 740-10. At September 30, 2014, management does not believe it has taken any tax positions that are subject to a significant degree of uncertainty. The Organization's income tax filings are subject to examination by the Internal Revenue Service generally for three years after they were filed. The Organization's income tax filings for years after the fiscal year ended September 30, 2010 remain open for examination.

(l) Functional Expenses

Program services include expenses related to the operation of the History Center facility, program development and presentation, curatorial, educational and other similar expenses. Development includes expenses related to fund-raising efforts and membership development activities, including advertising. Expenses not falling within program services or development are classified as management and general. Salaries and related taxes and benefits have been classified based upon the relative percentage of time each employee spent in each functional area. Rent and other occupancy related expenses have been allocated among program services, management and general, and development based upon the percentage of floor space devoted to each such function. Other expenses are separately accounted for and have been classified on a functional basis.

Notes to Combined Financial Statements

(m) Gifted Facility

The gifted facility represents the estimated fair rental value of the land and building which the Museum leases from Hillsborough County, Florida. Pursuant to U.S. generally accepted accounting principles, the Organization recognized the fair value of the use of the property as a temporarily restricted contribution in the period in which the contribution was received and as an expense in the periods the land and building are used. The difference between the fair value of the contributed use of the property and the actual lease amount is recognized as an unconditional promise to give, limited to the fair value of the land and building at the time of the contribution. The fair rental value of the gifted facility is recognized as rent expense over the term of the lease.

(n) Contributions In-Kind

Contributions of goods or services are recognized as contributions in-kind if the goods or services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing such skills, and would have to be purchased if not provided by donation. Other types of contributed or volunteer services are not recognized as revenue.

(o) Advertising Costs

The Organization expenses advertising costs as incurred except for the cost of purchased future advertising which is amortized over the future periods as published. Advertising expense for the years ended September 30, 2014 and 2013 was \$176,033 and \$162,919, respectively.

(p) Fair Value Measurements

The Organization has adopted FASB guidance relating to *Fair Value Measurements* which requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices that are observable for the assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3). The carrying amount reported in the combined statement of financial position for cash, grants receivable, accounts payable, and the line of credit approximate fair value because of the immediate or short-term maturities of these financial instruments.

(q) Reclassifications

Certain amounts in the 2013 combined financial statements have been reclassified for comparative purposes to conform with the presentation in the 2014 combined financial statements.

Notes to Combined Financial Statements

(2) Operating Endowment Pledges Receivable

The following schedule presents when pledges receivable at September 30, 2014 and 2013 are due:

	_	2014	2013
Due within one year	\$	529,998	551,665
Due years two through five	_	35,000	119,000
Total pledges receivable		564,998	670,665
Less discount on pledges due after one year		(1,667)	(4,921)
Less allowance for uncollectible pledges	_	(352,000)	(129,000)
Net pledges receivable	\$	211,331	536,744

The amounts presented in the preceding table represent pledges by donors for the purpose of funding the Organization's Operating Endowment. Contributions to the Operating Endowment are considered to be permanently restricted. Pledges receivable due in years two through five, and thereafter, are discounted to present value using a discount rate of 5%.

In addition, anonymous donors have provided separate challenge grants totaling \$3.3 million. At September 30, 2014, the Organization had recognized all of the matching contributions available under these grants. Of the total recognized, approximately \$3,150,000 has been collected from the challenge grant donors.

(3) <u>Capital Projects Pledges Receivable</u>

The following schedule presents when pledges receivable at September 30, 2014 and 2013 are due:

	_	2014	2013
Due within one year	\$	452,427	639,875
Due years two through five		83,333	104,650
Total pledges receivable		535,760	744,525
Less discount on pledges due after one year		(7,748)	-
Less allowance for uncollectible pledges		(100,000)	(110,315)
		_	
Net pledges receivable	\$	428,012	634,210

Notes to Combined Financial Statements

(3) <u>Capital Projects Pledges Receivable (Continued)</u>

The amounts presented in the preceding table represent pledges by donors for the purpose of raising funds for construction-related costs in connection with the Organization's facility. Contributions to the capital projects campaign were previously considered to be temporarily restricted. Cumulative expenditures for capital projects have exceeded the amount of capital campaign funds raised and therefore the outstanding pledges and related collections are considered to be available for unrestricted use. Pledges receivable due in years two through five, and thereafter, are discounted to present value using a discount rate of 5%.

At September 30, 2014 and 2013, cash and cash equivalents includes approximately \$770 and \$61,000, respectively, of capital projects contributions.

(4) <u>Investments</u>

At September 30, 2014 and 2013, the cost and market value of the Organization's investments were as follows:

		2014		20	2013	
		Cost	Market	Cost	Market	
Cultural Endowment Program Fund	•	_				
Cash equivalent and money						
market investments	\$	12,792	12,792	34,189	34,189	
Corporate bonds		251,296	244,142	295,744	286,993	
Government bonds		387,892	372,941	335,652	328,276	
	,	651,980	629,875	665,585	649,458	
Operating Endowment Fund						
Cash equivalent and money						
market investments		873,652	873,652	857,726	857,726	
Mutual funds		4,044,789	4,082,576	4,322,858	4,840,724	
Common and preferred stocks		4,894,171	6,449,571	3,660,241	5,111,219	
		9,812,612	11,405,799	8,840,825	10,809,669	
	\$	10,464,592	12,035,674	9,506,410	11,459,127	

Investments include amounts which have been permanently restricted by donors for endowment purposes.

The total cash equivalent and money market balances were covered by federal deposit insurance at September 30, 2014 and 2013. None of the Organization's mutual fund investments are concentrated in a specific company or industry.

Investment management fees for the years ended September 30, 2014 and 2013 were \$85,652 and \$74,272, respectively.

(Continued)

Notes to Combined Financial Statements

(4) <u>Investments (Continued)</u>

The Organization has entered into an agreement with the Community Foundation of Tampa Bay, Inc. ("Community Foundation") pursuant to which the Community Foundation has established the "Tampa Bay History Center Fund" (the "fund") for the purpose of allowing donors to make contributions to the Community Foundation for the benefit of the Organization. Contributions to the Community Foundation for the benefit of the Organization are not reflected in the Organization's combined financial statements as the Community Foundation retains the right to re-direct assets held in the fund. As of September 30, 2014, donors had contributed \$166,480 to the fund. The market value of the fund, as reported by the Community Foundation, was \$179,594 and \$164,293 as of September 30, 2014 and 2013, respectively.

The following schedule summarizes investment return for the years ended September 30, 2014 and 2013:

	 2014	2013
Interest and dividends	\$ 255,631	262,214
Net realized and unrealized gains	 741,015	1,038,120
Total investment return	\$ 996,646	1,300,334

(5) **Property and Equipment**

Property and equipment at September 30, 2014 and 2013 is summarized as follows:

	2014	2013
Furniture and equipment	\$ 616,130	612,897
Computer software	38,022	38,022
Leasehold improvements	5,743,369	5,717,756
Fixtures and equipment	9,219,256	9,212,563
	15,616,777	15,581,238
Less accumulated depreciation		
and amortization	(8,879,895)	(7,469,849)
	\$ 6,736,882	8,111,389

Depreciation and amortization expense relating to property and equipment for the years ended September 30, 2014 and 2013 was \$1,410,046 and \$1,639,661, respectively.

Notes to Combined Financial Statements

(6) Gifted Facility

Gifted facility represents the present value of the fair rental value of a land and building lease which approximates the fair value of the land and building contributed by Hillsborough County, Florida. The land and building in which the Organization operates is leased from Hillsborough County, Florida under a 33 year lease. The lease requires a payment of \$1 during the entire term of the agreement.

Recognition of the fair value of this lease and related rental expense for the years ended September 30, 2014 and 2013 are summarized as follows:

	-	2014	2013
Balance at beginning of year Recognition of rent expense	\$	16,693,182 (590,909)	17,284,091 (590,909)
Balance at end of year	\$	16,102,273	16,693,182

(7) <u>Line of Credit</u>

The Organization has a \$500,000 revolving line of credit payable to a bank. Advances under the line accrue interest at the Bank's prime rate (3.250% at September 30, 2014). The line of credit was renewed (and reduced from \$1 million) in 2014 and matures in 2015. The line of credit is unsecured. At September 30, 2014 and 2013 the balance outstanding under the line of credit was \$228,000 and \$346,000, respectively.

(8) Temporarily Restricted Net Assets

Temporary restrictions on net assets consisted of the following at September 30, 2014 and 2013:

	· -	2014	2013
Exhibits	\$	40,244	36,814
Contingency Fund		100,000	-
Gifted facility – time restriction		16,102,273	16,693,182
Unappropriated investment return	-	2,163,195	1,716,067
	\$	18,405,712	18,446,063

During the years ended September 30, 2014 and 2013, the Organization received several grants totaling \$65,345 and \$147,020, respectively, which were restricted to supporting certain exhibits or programs. Of the amounts received, \$40,244 and \$36,814 were not expended for the restricted purposes.

Notes to Combined Financial Statements

(8) Temporarily Restricted Net Assets (Continued)

The gifted facility transaction described in note 6 was considered to be temporarily restricted at its inception and the remaining unamortized balance at September 30, 2014 and 2013 is considered to be subject to a continuing time restriction.

(9) Permanently Restricted Net Assets

During the year ended September 30, 2001, the Organization established the Tampa Bay History Center Operating Endowment Fund in order to establish an Operating Endowment to fund the general operations of the Organization. As of September 30, 2014 and 2013, \$564,998 and \$670,665, respectively, represented the outstanding balance of pledges to the Operating Endowment. Contributions by donors to the Operating Endowment are considered to be permanently restricted. There were no permanently restricted contributions to the Operating Endowment for the years ended September 30, 2014 and 2013.

For the years ended September 30, 2014 and 2013, \$234,815 and \$238,421, respectively, in interest was earned on the Operating Endowment Fund. Fund earnings are considered to be temporarily restricted until appropriated for expenditure.

During the year ended September 30, 1999, the Organization was awarded \$360,000 from a foundation for the sole purpose of providing the matching funds required to secure a matching grant of \$240,000 from the State of Florida Cultural Endowment Program (the State). The matching funds from the State were received during December 2000. Both grants are permanently restricted by the donor and the State of Florida. As permanently restricted contributions, the Organization is required to maintain a minimum balance in the endowment fund assets of \$600,000.

For the years ended September 30, 2014 and 2013, \$20,704 and \$23,586, respectively, in interest was earned on the Cultural Endowment Program Funds. Fund earnings are considered to be temporarily restricted until appropriated for expenditure.

At September 30, 2014 and 2013, total permanently restricted net assets were \$10,098,860 and \$10,322,606, respectively.

(10) Fair Value Measurements

The Organization has adopted the provisions of ASC 820, *Fair Value Measurements*, which provides a common definition of fair value, establishes a framework for measuring fair value under U.S. generally accepted accounting principles and requires additional disclosures about fair value.

Financial instruments measured at fair value are classified and disclosed in the following categories:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 are cash, money market mutual funds, fixed income mutual funds, equity mutual funds and preferred and common stock.

Notes to Combined Financial Statements

(10) Fair Value Measurements (Continued)

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. The types of investments included in Level 2 are corporate and government bonds.

Level 3 - Valuation is based on unobservable inputs.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Fair values measured on a recurring basis at September 30, 2014 are as follows:

	,	Fair Value	Level 1	Level 2	Level 3
Assets:					
Fixed Income Securities:					
Corporate obligations	\$	244,142	-	244,142	-
U.S. government and					
agency obligations		372,941	-	372,941	-
Mutual Funds:					
Intermediate bond fund		1,535,381	1,535,381	-	-
Short-term bond fund		1,175,153	1,175,153	-	-
Emerging markets fund		518,430	518,430	-	-
Global allocation fund		260,106	260,106	-	-
Mid cap equity fund		224,879	224,879	-	-
Large cap equity fund		1,416,646	1,416,646	-	-
REIT index fund		112,192	112,192	-	-
Corporate Stock:					
Consumer discretionary		524,463	524,463	-	-
Energy		335,414	335,414	-	-
Financials		947,250	947,250	-	-
Health care		558,061	558,061	-	-
Industrial		893,269	893,269	-	-
Information technology		528,710	528,710	-	-
International		1,413,015	1,413,015	-	-
Materials		12,760	12,760	-	-
Other		76,418	76,418	-	_
Money market funds		886,444	886,444	-	-
	•				
	\$	12,035,674	11,418,591	617,083	

Notes to Combined Financial Statements

(10) Fair Value Measurements (Continued)

Fair values measured on a recurring basis at September 30, 2013 are as follows:

		Fair Value	Level 1	Level 2	Level 3
Assets:	•	_			
Fixed Income Securities:					
Corporate obligations	\$	286,993	-	286,993	-
U.S. government and					
agency obligations		328,276	-	328,276	-
Mutual Funds:					
Intermediate bond fund		1,327,241	1,327,241	-	-
Short-term bond fund		1,251,494	1,251,494	-	-
Emerging markets fund		460,542	460,542	-	-
Global allocation fund		376,217	376,217	-	-
Large cap equity fund		2,689,956	2,689,956	-	-
REIT index fund		99,108	99,108	-	-
Corporate Stock:					
Consumer discretionary		466,565	466,565	-	-
Energy		163,487	163,487	-	-
Financials		455,754	455,754	-	-
Health care		247,998	247,998	-	-
Industrial		673,493	673,493	-	-
Information technology		317,197	317,197	-	-
International		1,360,272	1,360,272	-	-
Materials		14,968	14,968	-	-
Other		47,651	47,651	-	-
Money market funds		891,915	891,915		
	,				
	\$	11,459,127	10,843,858	615,269	

Notes to Combined Financial Statements

(11) Gift Agreement with the University of South Florida Foundation, Inc.

During the year ended September 30, 2000, the Organization entered into a Gift Agreement with the University of South Florida (the University) and the University of South Florida Foundation, Inc. (the USF Foundation) and also entered into an Affiliation Agreement with the University.

The Affiliation Agreement recognized the many similarities in the mission of the Organization and the University, and more specifically, the USF Libraries Florida Studies Center (formerly known as the USF Resource Center for Florida History and Politics), a division of the University's Library, relative to the history of Florida and the Tampa Bay region. Under the Affiliation Agreement, the Organization and the USF Libraries Florida Studies Center will, among other things, collaborate to:

- Provide for University faculty and graduate students to make use of and contribute to the Organization's resources in collaboration with the Organization.
- Provide for the University's Library to work with the Organization to develop the Organization's artifacts and materials and make them available to scholars and the public, through cataloging and digitization.
- Provide the Organization's staff, researchers and potentially the Organization's members to utilize
 resources of the University's Library, particularly special collections materials on local and
 Florida history.
- Mount joint exhibits and conferences.
- Provide for significant educational programs including:
 - O Developing educational classroom materials, such as lesson plans, posters, videos, CD-ROMS and other multimedia materials, in the field of Florida and Tampa Bay regional history, and forging links with the local public schools, with a goal of exposing every 4th grade student in Hillsborough County, and surrounding counties, to the joint resources of the University and the Organization.
- Initiate a program of history excursions in the area, whereby participants can experience a nearby historic site in the company of trained professionals and/or expert volunteers who can offer perspective and point out interesting aspects and details of the site.
- Conduct an ongoing program of public lectures at the Organization, the University's main and regional campuses, and at other locations on subjects of local history which may be of interest to the general public.
- Explore offering University academic courses in various disciplines, on both a credit and non-credit basis, at the Organization and the University and via distance learning technology.
- Reflect upon the developing nature of the partnership over time, including its potential for change and development.

Notes to Combined Financial Statements

(11) Gift Agreement with the University of South Florida Foundation, Inc. (Continued)

As a result of the Gift Agreement, private donors contributed \$2,000,001 to the Organization over the period of September 2000 through September 2002. These funds were remitted to the University of South Florida Foundation, Inc. where they have been used to establish the "Tampa Bay History Center Endowment Fund," an academic endowment for teaching, research, and public education programs about Florida and regional history. These gifts qualified for a 100% match from the State of Florida for a total match of \$2,000,001. At September 30, 2014, the total market value of the fund, as reported by the USF Foundation, was \$4,492,846.

(12) Endowment Investment and Spending Policies

Effective July 1, 2012, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) and in accordance with ASC Topic 958-205-45-28 *Classification of Donor Restricted Endowment Funds Subject to UPMIFA*, the Organization classifies investment earnings on endowments as a component of temporarily restricted net assets if not appropriated for expenditure in the period earned. Once investment earnings are appropriated for expenditure, the Organization reclassifies the amount appropriated as a component of unrestricted net assets.

Operating Endowment:

The Board of Trustees, on the advice of legal counsel, has determined that contributions to the Foundation are subject to donor intent and the terms of its governing documents as well as the provisions of FUPMIFA. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation. Under the terms of the Foundation's governing documents, the Board of Trustees has the ability to distribute so much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

The Foundation has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return growth of 1% over inflation as measured by CPI, spending policy payout and investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation 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 Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's funds for distribution to the History Center operating budget for a fiscal year. Under the current spending policy, up to 5% of the 3-year average of prior June 30 market values may be distributed annually.

Notes to Combined Financial Statements

(12) Endowment Investment and Spending Policies (Continued)

Operating Endowment net asset composition by type of fund as of September 30, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	\$ -	2,133,320	9,498,860	11,632,180
Total funds	\$ -	2,133,320	9,498,860	11,632,180

Changes in Operating endowment net assets for the year ended September 30, 2014 are as follows:

				Total
		Temporarily	Permanently	Endowment
	Unrestricted	Restricted	Restricted	Net Assets
Endowment net assets at September 30, 2013	\$ -	1,666,609	9,722,606	11,389,215
Contributions and transfers	-	-	3,254	3,254
Investment income, net	-	898,028	-	898,028
Provision for uncollectible pledges	-	-	(227,000)	(227,000)
Distributions		(431,317)		(431,317)
Endowment net assets, at September 30, 2014	\$ -	2,133,320	9,498,860	11,632,180

Cultural Endowment:

The History Center's donors have placed the restriction on investment income or net appreciation resulting from the donor-restricted endowment funds be expended only for operating costs incurred while engaged in programs directly related to cultural activities. The History Center has adopted an investment and spending policy, approved by the Board of Trustees, for endowment assets that meets the requirements set forth in the agreement which require the preservation of the \$600,000 capital value and the use of investment quality fixed income instruments as the primary investment vehicle.

Notes to Combined Financial Statements

(12) Endowment Investment and Spending Policies (Continued)

Cultural Endowment net asset composition by type of fund as of September 30, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	\$ -	29,875	600,000	629,875
Total funds	\$ 	29,875	600,000	629,875

Changes in Cultural Endowment net assets for the year ended September 30, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets				
at September 30, 2013	\$ -	49,458	600,000	649,458
Contributions and transfers	-	(25,954)	-	(25,954)
Investment income, net	-	17,899	-	17,899
Net depreciation		(11,528)		(11,528)
Endowment net assets, at September 30, 2014	\$ 	29,875	600,000	629,875

(13) Florida New Markets Development Program

During the year ended September 30, 2011 the Organization completed a \$10 million transaction (the "Transaction") under the Florida New Markets Development Program (the "Program") with Stonehenge Community Development, LLC and its affiliates ("Stonehenge"). As part of the transaction, the Organization was required to create two new affiliated entities, the TBHC Facility Corporation ("Facility") and the TBHC Historical Collections Corporation ("Collections"). Facility used a portion of the Program proceeds to purchase the gifted facilities asset held by the Tampa Bay History Center, Inc. The historical collection held by Tampa Bay History Center, Inc. was transferred to Collections as part of the transaction.

Notes to Combined Financial Statements

(13) Florida New Markets Development Program (Continued)

The Transaction includes a gross subsidy to the Organization of \$1,509,750 which represents the amount of long-term debt expected to be extinguished and forgiven at the conclusion of the transaction. The Transaction resulted in a note receivable from Stonehenge in the amount of \$8,490,250 and two notes payable to Stonehenge in the total amount of \$10,000,000. The difference between the notes payable and the note receivable of \$1,509,750 represents the gross subsidy to the Organization from participating in the Program. Fees and costs related to the Organization's participation in the program are expected to consume approximately \$800,000 of the gross subsidy.

The note receivable from Stonehenge accrues interest at 1% which is payable quarterly through July 1, 2017. Beginning October 1, 2017, principal and interest will be payable quarterly sufficient to fully amortize the note with the final payment due April 1, 2040.

The two notes payable in the amounts of \$1,509,750 and \$8,490,250 accrue interest at 1.724% which is payable quarterly through April 1, 2017. Beginning July 1, 2017, principal and interest will be payable quarterly sufficient to fully amortize the loans with final payment due July 1, 2041.

The aggregate maturities of long-term notes payable for each of the five years subsequent to September 30, 2014 and thereafter are as follows:

Year ending September 30:

2015	\$	-
2016		-
2017		-
2018		339,217
2019		345,111
Thereafter	9	,315,672
	\$ 10	0,000,000

The Transaction includes an Investment Fund Call Agreement ("Call Agreement") whereby the Organization can elect to purchase Stonehenge's investment in the Transaction. The Organization can exercise the Call Agreement on the 181st day following the seventh anniversary of the Transaction. The purchase price of Stonehenge's interest shall be an amount equal to the greater of (1) the fair market value of the interest as agreed to by Stonehenge and the Organization or, if an amount cannot be agreed upon, the price shall be determined by an independent appraiser, and (2) the aggregate amount owed by Stonehenge on the note receivable. The call price shall be payable by the Organization first by forgiving the principal and interest due on the note receivable and if the purchase amount exceeds that amount, the remaining balance will be payable in cash.

(14) Contributed Services and Facilities

Contributions in-kind were \$245,357 and \$90,120 during the years ended September 30, 2014 and 2013, respectively, which consisted primarily of a donated exhibit, and accounting and advertising services.

Notes to Combined Financial Statements

(15) Lease Commitment

The Organization leases office equipment under a long term lease classified as an operating lease. Rent expense, including short-term storage and equipment rentals was approximately \$5,600 and \$6,000 for the years ended September 30, 2014 and 2013, respectively. Future minimum annual rentals for leases having initial or remaining noncancellable lease terms in excess of one year are as follows: 2015, \$5,591; 2016, \$2,199; 2017, \$1,068; and 2018, \$534; for a total of \$9,392.

(16) Employee Benefit Plan

The Organization has adopted a 401(k) salary reduction defined contribution plan for the benefit of its employees. Full-time employees with one year of service are eligible to participate in the plan. Participants may contribute up to the maximum amount allowable by law. All participant contributions, as well as the Organization's contributions are fully vested at all times. Retirement expense for the years ended September 30, 2014 and 2013 was \$25,554 and \$25,038, respectively.

(17) Credit and Funding Concentrations

The Organization relies to a significant extent on Hillsborough County and the City of Tampa as sources of funding. During the year ended September 30, 2014, Hillsborough County and the City of Tampa accounted for approximately 9% and 4%, respectively, of total unrestricted revenues (excluding investment return).

During the year ended September 30, 2013, Hillsborough County and the City of Tampa accounted for approximately 16% and 7%, respectively, of total unrestricted revenues (excluding investment return).

The Organization maintains its primary deposit accounts with several local commercial banks. At September 30, 2014 and 2013 deposits with these banks did not exceed federal insurance limits. Additional credit concentrations are described in note 4.

(18) Subsequent Events

The Organization has evaluated subsequent events through February 13, 2015, the date the combined financial statements were available for issuance.



Combining Statement of Financial Position

September 30, 2014

<u>Assets</u>	-	The Tampa Bay History Center, Inc.	The Tampa Bay History Center Foundation, Inc.	TBHC Facility Corporation	TBHC Historical Collections Corporation	Eliminations	Combined Total
Cash and cash equivalents	\$	93,242	15,050	3,818	21	_	112,131
Receivable from Hillsborough County, Florida		7,908	-	-	-	-	7,908
Other receivables		34,506	-	-	21,226	-	55,732
Interorganizational receivable (payable)		(1,075,888)	-	14,779	1,061,109	-	-
Prepaid expenses and other		158,962	-	-	-	-	158,962
Inventory		37,214	-	-	-	-	37,214
Property and equipment, net		6,736,882	-	-	-	-	6,736,882
Gifted facilities - land and building use		-	-	16,102,273	-	-	16,102,273
Capital projects pledges receivable, net		428,012	-	-	-	-	428,012
Contingency funds pledges receivable, net		50,000	-	-	-	-	50,000
Operating endowment pledges receivable, net		-	211,331	-	-	-	211,331
Note receivable - new markets tax credit		-	-	-	8,490,250	-	8,490,250
Deferred financing costs - new markets tax credit, net		59,073	-	169,453	-	-	228,526
Cultural endowment program fund		629,875	-	-	-	-	629,875
Operating endowment fund	-	-	11,405,799				11,405,799
	\$	7,159,786	11,632,180	16,290,323	9,572,606		44,654,895
Liabilities and Net Assets							
Liabilities:							
Accounts payable	\$	34,565	-	-	-	-	34,565
Accrued expenses		178,429	-	1,853	-	-	180,282
Line of credit		228,000	-	-	-	-	228,000
Long term debt	-	-		10,000,000			10,000,000
Total liabilities	-	440,994		10,001,853			10,442,847
Net assets:							
Unrestricted		5,948,673	-	(253,637)	12,440	-	5,707,476
Temporarily restricted		170,119	2,133,320	6,542,107	9,560,166	-	18,405,712
Permanently restricted	_	600,000	9,498,860	<u> </u>			10,098,860
Total net assets	_	6,718,792	11,632,180	6,288,470	9,572,606		34,212,048
	\$ _	7,159,786	11,632,180	16,290,323	9,572,606		44,654,895

Combining Statement of Activities and Changes in Net Assets

Year ended September 30, 2014

	-	The Tampa Bay History Center, Inc.	The Tampa Bay History Center Foundation, Inc.	TBHC Facility Corporation	TBHC Historical Collections Corporation	Eliminations	Combined Total
Changes in unrestricted net assets:							
Revenues:							
Government support - Hillsborough							
County, Florida	\$	184,908	-	-	-	-	184,908
Government support - City of Tampa, Florida		72,000	-	-	-	-	72,000
Admissions		279,095	-	-	-	-	279,095
Memberships		175,022	-	-	-	-	175,022
USF Foundation endowment income		94,250	-	-	-	-	94,250
Contributions and donations		826,526	-	-	-	(381,317)	445,209
Contributions in-kind		245,357	-	-	-	-	245,357
Investment return		9,253	89,365	-	-	-	98,618
Retail sales, net		43,724	-	-	-	-	43,724
Special event revenue		99,613	-	-	- 05.103	(450,652)	99,613
Other revenue		352,850	-	324,751	85,103	(459,653)	303,051
Net assets released from restrictions	-	47,121	658,317	590,909			1,296,347
Total revenues	-	2,429,719	747,682	915,660	85,103	(840,970)	3,337,194
Expenses:							
Program services		2,695,720	-	628,427	-	(108,250)	3,215,897
Management and general		546,648	139,366	289,682	88,719	(243,154)	821,261
Development		758,764	227,000	30,824	-	(108,250)	908,338
Donations made to others	-	-	381,316	<u> </u>		(381,316)	
Total expenses	-	4,001,132	747,682	948,933	88,719	(840,970)	4,945,496
Decrease in unrestricted net assets	-	(1,571,413)		(33,273)	(3,616)		(1,608,302)
Changes in temporarily restricted net assets:							
Grants and donations		130,968	_	-	_	_	130,968
Investment return		-	898,028	-	_	_	898,028
Net assets released from restrictions		(47,121)	(431,317)	(590,909)			(1,069,347)
Increase (decrease) in temporarily restricted							
net assets	-	83,847	466,711	(590,909)			(40,351)
Changes in permanently restricted net assets:							
Operating endowment fund contributions			3,254	_	_	_	3,254
Change in provision for uncollectible pledges		_	(227,000)	_	_	_	(227,000)
change in provision for anconceutore preages	-		(227,000)				(227,000)
Decrease in permanently restricted net assets	-		(223,746)	<u> </u>			(223,746)
Increase (decrease) in net assets		(1,487,566)	242,965	(624,182)	(3,616)	-	(1,872,399)
Net assets, beginning of year	-	8,206,358	11,389,215	6,912,652	9,576,222		36,084,447
Net assets, end of year	\$	6,718,792	11,632,180	6,288,470	9,572,606		34,212,048

Combined Schedule of Functional Expenses

Year ended September 30, 2014 (with comparative totals for 2013)

	Supporting Services							
		Program	Management		Total Expenses			
		Services	and General	Development	2014	2013		
Colories and wages	\$	521 201	227,154	181,760	930,195	948,471		
Salaries and wages	Φ	521,281		·	· · · · · · · · · · · · · · · · · · ·	,		
Payroll taxes		38,922	16,961	13,571	69,454	73,033		
Employee benefits		76,406	33,295	26,641	136,342	137,534		
Total salaries and related expenses		636,609	277,410	221,972	1,135,991	1,159,038		
Rent - contributed use of land and building		555,455	29,545	5,909	590,909	590,909		
Rent - facility and storage		2,054	-	-	2,054	1,960		
Rent - furniture and equipment		2,847	2,088	1,392	6,327	5,946		
Utilities		181,781	9,669	1,934	193,384	190,228		
Insurance		96,509	5,133	1,027	102,669	115,680		
Other occupancy expenses		21,901	1,165	233	23,299	52,915		
Design, fabrication and graphic		2,161	-	8,013	10,174	8,567		
Specific program expense		58,392	_	-	58,392	40,892		
Education materials & expense		6,238	-	-	6,238	22,501		
Advertising and promotion		_	-	176,033	176,033	162,919		
Collections supplies and expenses		7,068	_	-	7,068	4,049		
Reference books and materials		142	_	_	142	130		
MAP Library projects		60,529	_	_	60,529	110,306		
Publications		-	_	4,726	4,726	10,930		
Contract Labor		2,500	_	-	2,500	3,418		
Development and marketing		-,	_	85,737	85,737	63,865		
Honorarium and awards		500	694	-	1,194	1,751		
Website		7,090	-	788	7,878	7,436		
Printing		8,502	1,700	6,802	17,004	12,126		
Postage		3,858	2,829	1,886	8,573	7,480		
Seminars and conventions		1,527	1,120	747	3,394	5,731		
Computer hardware and software		7,850	5,757	3,838	17,445	15,273		
Travel and entertainment		5,598	4,198	4,198	13,994	5,015		
Professional fees and memberships		7,084	2,834	2,962	12,880	13,968		
Office supplies		9,639	7,068	4,712	21,419	21,245		
Meetings and hospitality		1,360	3,173	4,533	9,066	8,580		
Janitorial services		46,512	2,474	495	49,481	46,081		
Other general and administrative		6,555	39,695	19,661	65,911	46,708		
Provision for uncollectible pledges		-	-	331,000	331,000			
Accounting and audit		32,937	18,396	4,392	55,725	65,242		
Interest		3,597	172,591	38	176,226	179,607		
Investment management fees		4,373	81,232	47	85,652	74,272		
Repairs and maintenance		109,285	5,813	1,163	116,261	108,128		
Depreciation and amortization		1,325,444	146,677	14,100	1,486,221	1,715,837		
Depreciation and amortization		1,323,777	140,077	14,100	1,700,221	1,/13,03/		
Total expenses - 2014	\$	3,215,897	821,261	908,338	4,945,496			
Total expenses - 2013	\$	3,507,820	793,606	577,307		4,878,733		