

**UTAH HERITAGE FOUNDATION
dba PRESERVATION UTAH**

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2017 AND 2016

**UTAH HERITAGE FOUNDATION
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**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

Board of Trustees
Utah Heritage Foundation
dba Preservation Utah

We have audited the accompanying financial statements of Utah Heritage Foundation dba Preservation Utah (the Foundation), a nonprofit organization, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Heritage Foundation dba Preservation Utah as of December 31, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2018, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Osborne Robbins & Baker PLLC

April 17, 2018

FINANCIAL STATEMENTS

Utah Heritage Foundation
dba Preservation Utah

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,

	2017	2016
Assets		
Cash and cash equivalents	\$ 297,872	\$ 624,816
Marketable securities	220,700	-
Receivables	1,402	1,616
Unconditional promises to give	-	4,000
Property and equipment	215	386
Restricted assets		
Cash and cash equivalents	470,572	383,799
Unconditional promises to give	23,500	2,500
Mortgages receivable	208,249	250,438
Work in process - Preservation at Work project costs	78,979	32,135
Total assets	\$ 1,301,489	\$ 1,299,690
Liabilities		
Accounts payable	\$ 5,231	\$ 34,196
Deferred revenue	16,205	16,835
Accrued liabilities	10,726	14,729
Payable to Salt Lake City Corporation	300,000	300,000
Total liabilities	332,162	365,760
Commitments and contingencies	-	-
Net Assets		
Unrestricted		
Board Designated Reserves		
Michael Mahaffey Historic Properties Program	11,377	11,377
Operations	144,000	144,000
Undesignated and unrestricted	332,650	409,681
	488,027	565,058
Temporarily restricted	81,718	60,095
Permanently restricted	399,582	308,777
	969,327	933,930
Total liabilities and net assets	\$ 1,301,489	\$ 1,299,690

The accompanying notes are an integral part of these statements.

Utah Heritage Foundation
dba Preservation Utah

STATEMENTS OF ACTIVITIES

Years ended December 31,

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and support								
Grants and contributions	\$ 109,602	\$ 142,254	\$ 90,805	\$ 342,661	\$ 106,688	\$ 173,655	\$ 1,325	\$ 281,668
Donated facilities	62,885	-	-	62,885	62,706	-	-	62,706
Event income	77,610	-	-	77,610	87,763	-	-	87,763
Interest and dividend income	8,617	-	-	8,617	1,443	-	-	1,443
Unrealized gain on investments	3,005	-	-	3,005				
Interest income on mortgages receivable	5,402	-	-	5,402	5,916	-	-	5,916
Rental revenues								
Memorial House	219,972	-	-	219,972	242,826	-	-	242,826
Ladies Literary Club	-	-	-	-	1,657	-	-	1,657
Memberships	13,230	-	-	13,230	14,700	-	-	14,700
Other revenue	1,613	-	-	1,613	1,070	-	-	1,070
Gain on sale of property and equipment	-	-	-	-	84,991	-	-	84,991
Net assets released from restrictions								
Restrictions satisfied by payments	120,631	(120,631)	-	-	217,515	(217,515)	-	-
Total revenues and support	622,567	21,623	90,805	734,995	827,275	(43,860)	1,325	784,740
Expenses								
Program services								
Education and advocacy	247,353	-	-	247,353	217,668	-	-	217,668
Memorial House	205,294	-	-	205,294	214,843	-	-	214,843
Ladies Literary Club	-	-	-	-	46,498	-	-	46,498
Historic Properties Program	32,571	-	-	32,571	45,606	-	-	45,606
Support services								
General and administrative	147,276	-	-	147,276	191,472	-	-	191,472
Fundraising	67,104	-	-	67,104	73,015	-	-	73,015
Total expenses	699,598	-	-	699,598	789,102	-	-	789,102
Increase (decrease) in net assets	(77,031)	21,623	90,805	35,397	38,173	(43,860)	1,325	(4,362)
Net assets at beginning of year	565,058	60,095	308,777	933,930	526,885	103,955	307,452	938,292
Net assets at end of year	\$ 488,027	\$ 81,718	\$ 399,582	\$ 969,327	\$ 565,058	\$ 60,095	\$ 308,777	\$ 933,930

The accompanying notes are an integral part of these statements.

Utah Heritage Foundation
dba Preservation Utah
STATEMENTS OF CASH FLOWS
Years Ended December 31,

	2017	2016
Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 35,397	\$ (4,362)
Adjustments to reconcile decrease in net assets to net cash used in operating activities		
Depreciation and amortization	171	7,312
Loss on disposal of property and equipment	-	(84,991)
Unrealized gain on marketable securities	(3,005)	-
Changes in operating assets and liabilities		
Receivables	214	2,120
Unrestricted promises to give	4,000	(4,000)
Accounts payable	(28,965)	27,412
Deferred revenue	(630)	(10,520)
Accrued liabilities	(4,003)	(117)
Use of restricted assets included in expenses		
Other program expenses	120,631	217,515
Contributions restricted for long-term purposes		
Cash contributions	(212,059)	(173,530)
Net cash used in operating activities	(88,249)	(23,161)
Cash flows from investing activities		
Payments received on mortgages receivable	63,189	109,350
Mortgages disbursed	(21,000)	-
Preservation at work project costs paid	(46,844)	(32,135)
Marketable securities purchased	(217,695)	-
Proceeds from sale of property and equipment	-	605,000
Other program expenses paid	(120,631)	(217,515)
Change in assets restricted for specific programs	(107,773)	(34,680)
Net cash provided by (used in) investing activities	(450,754)	430,020
Cash flows from financing activities		
Collection of contributions restricted for long-term purposes	212,059	173,530
Net cash provided by financing activities	212,059	173,530
Net increase (decrease) in cash and cash equivalents	(326,944)	580,389
Cash and cash equivalents at beginning of year	624,816	44,427
Cash and cash equivalents at end of year	\$ 297,872	\$ 624,816

The accompanying notes are an integral part of these statements.

Utah Heritage Foundation
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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

History and organization activity

Utah Heritage Foundation dba Preservation Utah (the Foundation) was established in 1966 to keep the past alive, not only for preservation, but to inspire and provoke a more creative present and sustainable future. The Foundation conducts public education including historic building tours, presentations and lectures, workshops, a Heritage Awards ceremony, and specific programs for school-aged children and teachers. The organization advocates for policies, practices, incentives, and making strategic personal choices to achieve its mission. The Foundation also oversees a Historic Properties Program that includes revolving loan funds, direct property protection through easements, and direct property rehabilitation. In addition, to demonstrate stewardship of historic properties, the Foundation leases the historic Memorial House in Memory Grove Park and makes it available to the public for events.

During 2016, the Foundation underwent a re-branding in which it changed its legal name to Utah Heritage Foundation dba Preservation Utah.

Vacancies in the Board of Trustees are filled by majority vote of the remaining Board members. Every Foundation dba member is entitled to vote when a new Board member is presented.

Financial statement presentation

The Foundation reports 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.

Contributions

Contributions are recognized when the grantor or donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions are reported as increases in temporarily or permanently restricted net assets when restrictions are imposed by grantors or donors. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. 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.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Utah Heritage Foundation
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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Contributions - continued

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Donated use of facilities are recorded as support at the fair value in the period in which it is received and the corresponding expense is recognized in the period in which the assets are used.

Cash equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

Marketable securities

Marketable securities are composed of mutual funds and are carried at fair value.

Property and equipment

Depreciation and amortization of property and equipment is provided by the straight-line method over estimated lives of 3 to 39 years. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Utah Heritage Foundation
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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Income taxes

The Foundation is exempt from federal income taxes as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code and qualifies for deductible contributions. There was no unrelated business income for 2017 or 2016.

Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2014, 2015, 2016 and 2017 tax years. However, the Foundation is not currently under audit nor has the Foundation been contacted by any jurisdiction.

Mortgages, accounts receivable and unconditional promises to give

Mortgages, accounts receivable and unconditional promises to give are stated at the amount management expects to collect from outstanding balances. Based on management's assessment of the credit history of those parties having outstanding balances, it has concluded that realization of losses on balances outstanding at year-end will be immaterial. Consequently no allowance is considered necessary at December 31, 2017.

Interest income on mortgages receivable is recognized as it becomes due. Mortgages receivable are considered past due when payments are delinquent by 30 days. Mortgages are never placed on nonaccrual status – interest continues to accrue until the obligation is met.

Accounts receivable are considered past due when payments are delinquent by 60 days.

Functional expenses

Expenses are charged directly to program or support categories based on specific identification. Indirect expenses have been allocated based on salary expenditures.

Subsequent events

Management has evaluated subsequent events through April 17, 2018, the date the financial statements were available to be issued.

Utah Heritage Foundation
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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE B - CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash balances in two accounts with one financial institution located in Salt Lake City, Utah. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017, the Foundation's uninsured balances (including outstanding checks) totaled approximately \$528,000.

NOTE C – MARKETABLE SECURITIES

For assets and liabilities measured at fair value, the Foundation uses the following hierarchy of inputs:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than level one inputs that are either directly or indirectly observable;
- Level 3: Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would see.

Marketable securities measured at fair value at December 31, 2017 are summarized as follows:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 220,700	\$ -	\$ -	\$ 220,700

NOTE D – PROMISES TO GIVE

Unconditional promises to give consisted of the following at December 31:

	2017	2016
Unrestricted	\$ -	\$ 4,000
Restricted for use in programs		
Education and Advocacy	23,500	2,500
	\$ 23,500	\$ 6,500
Amounts due in		
Less than one year	\$ 23,500	\$ 6,500
One to five years	-	-
	\$ 23,500	\$ 6,500

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE E - PROPERTY AND EQUIPMENT

	2017	2016
Leasehold improvements, at cost	\$ 218,953	\$ 218,953
Building and improvements, at cost or fair market value at date of donation	-	-
Furniture and equipment, at cost	91,404	91,404
	310,357	310,357
Accumulated depreciation and amortization	310,142	309,971
	\$ 215	\$ 386

During 2013, a historic building in Salt Lake City which had been owned by the Ladies Literary Club, was contributed to the Foundation. Personal property that was contained in the building, valued at \$59,625, was also donated to the Foundation. Renovations totaling approximately \$48,000 were completed in 2013, with approximately \$22,000 of this total having been donated as in-kind services to the Foundation.

At the time the building was donated, the Foundation's intent was to maintain the historic and architectural significance of the building while operating it as an event center, with an effort to keep rates low for non-profit and community use.

Various operational factors required management of the Foundation to assess the long-term feasibility of owning and operating the building, which led to the decision to list the building for sale late in 2014. It was sold during 2016 for \$600,000.

Utah Heritage Foundation
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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE F – RESTRICTED ASSETS

Restricted assets are held for the following uses at December 31, 2017:

	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Payable to Salt Lake City Corporation	Total
Cash and cash equivalents				
Education and advocacy programs	\$ 27,144	\$ -	\$ -	\$ 27,144
Revolving loan programs	11,074	362,748	69,606	443,428
Total cash and cash equivalents	<u>38,218</u>	<u>362,748</u>	<u>69,606</u>	<u>470,572</u>
Unconditional promises to give				
Education and advocacy programs	23,500	-	-	23,500
Total unconditional promises to give	<u>23,500</u>	<u>-</u>	<u>-</u>	<u>23,500</u>
Mortgages receivables				
Statewide loan program	20,000	36,834	-	56,834
Citywide loan program			151,415	151,415
Preservation at Work project costs	-	-	78,979	78,979
Total mortgages and Preservation at Work costs	<u>20,000</u>	<u>36,834</u>	<u>230,394</u>	<u>287,228</u>
	<u>\$ 81,718</u>	<u>\$ 399,582</u>	<u>\$ 300,000</u>	<u>\$ 781,300</u>

Utah Heritage Foundation
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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE G – HISTORIC PROPERTIES PROGRAM

The Foundation has received grant funds from Salt Lake City Corporation (the City) totaling \$300,000 for the purpose of preserving architecturally and historically significant real property. The grant funds were received on a revolving loan agreement with the City and the grant is known as the Citywide Grant. The funds are used in a revolving loan program whereby the Foundation makes low interest loans to qualifying property owners with the loan proceeds to be used for preservation and restoration of qualifying real property. The grant funds can also be used to purchase real property which would then be sold to a buyer willing to execute a preservation easement on the property. At December 31, 2017, the Foundation was using the grant funds primarily for the revolving fund loan program and did not own any property as part of this preservation program. If the grant funds are not being used as stipulated, or if the grant agreements expire or are terminated by either party, all grant funds must be returned to the City, excluding loans outstanding which would be returned to the City as amounts are received from the borrowers.

Interest earned on the unused invested funds or from loans may be, and is, used by the Foundation to cover costs of administering the revolving fund loan program.

The Foundation also receives contributions from individuals, corporations and foundations for use in a revolving fund loan program known as the Statewide program. All contributions and related program income from the Statewide program are retained by the Foundation. The interest from the loans in the Statewide program is available to cover administrative costs of the program and the principal is permanently restricted to be available for loans.

During 2012, the Foundation received \$175,000 in grant funds from Utah Transit Authority (UTA) for use in a new loan program known as the Gateway District Loan Fund. The initial use of these funds is restricted to projects within Salt Lake City's Gateway District (as defined in the grant agreement) with priority given to projects involving buildings associated with the railroad history of Salt Lake City. As loans are repaid, after the initial distribution of the funds, other projects can be considered. No loans had been made from this program as of December 31, 2017.

During 2015, the Foundation established an additional revolving loan program, called the Michael Mahaffey Legacy Fund, to honor a former colleague and Foundation trustee. Donations to the fund will be permanently restricted for use in the revolving loan program. Donations totaling \$108,330 had been received through December 31, 2017.

The Foundation has implemented another program in collaboration with the Salt Lake City Redevelopment Agency (the RDA) called Preservation at Work in which the RDA acquires a historic property meeting certain requirements for rehabilitation and then the Foundation utilizes the project for on-site rehabilitation demonstrations. In connection with these projects, the Foundation oversees the rehabilitation of the property and funds the cost of the rehabilitation up to specified levels.

Utah Heritage Foundation
dba Preservation Utah

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE G – HISTORIC PROPERTIES PROGRAM - CONTINUED

As part of the rehabilitation efforts, the Foundation can also obtain in-kind donations to provide labor and materials for the project.

When the project is completed, the property is sold and from the proceeds, the RDA and the Foundation are reimbursed on a pro rata share for their capital outlay during the course of the project. Any remaining proceeds are then allocated between the RDA and the Foundation equally. The Foundation's board has designated that the proceeds received in excess of the Foundation's outlay related to the project is to be used within the revolving loan program and could fund additional Preservation at Work projects. The first property to be rehabilitated as part of this program was sold during 2015 and the Board has designated \$11,377 of the proceeds from that project to be used in this manner. During 2016, another similar project was begun and as of December 31, 2017, the Foundation had incurred project costs totaling \$78,979.

The following summarizes the activity in the historic properties program:

	Mortgages Receivable				Preservation at Work Project Costs	Total
	Citywide Mortgages	Statewide	Michael Mahaffey Legacy Fund	Gateway District		
Balance January 1, 2016	\$ 228,155	\$ 131,633	\$ -	\$ -	\$ -	\$ 359,788
Mortgages issued	-	-	-	-	-	-
Project costs paid	-	-	-	-	32,135	32,135
Principal payments received	(85,375)	(23,975)	-	-	-	(109,350)
Balance December 31, 2016	142,780	107,658	-	-	32,135	282,573
Mortgages issued	21,000	-	-	-	-	21,000
Project costs paid	-	-	-	-	46,844	46,844
Principal payments received	(12,365)	(50,824)	-	-	-	(63,189)
Balance December 31, 2017	<u>\$ 151,415</u>	<u>\$ 56,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,979</u>	<u>\$ 287,228</u>

The payable to Salt Lake City Corporation consists of the following at December 31, 2017:

Cash and cash equivalents	\$ 69,606
Mortgages receivable	151,415
Preservation at Work Project Costs	78,979
	<u>\$ 300,000</u>

Utah Heritage Foundation
dba Preservation Utah

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE H – COMMITMENTS

In 1994, the Foundation entered into a lease agreement with Salt Lake City to lease the building owned by the City which is known as Memorial House. The original lease was amended during the year ended December 31, 2000. In lieu of rent through March 29, 2004, the Foundation was required to rehabilitate the interior of the Memorial House. This was completed at a total cost of \$190,198, with the improvements reverting back to the City upon termination of the lease.

Effective March 30, 2014, the City and the Foundation entered into a new agreement for the management of Memorial House. The new agreement is for an initial term of five years and may be extended by the City for five additional one-year periods.

Under the new agreement, the Foundation must pay the City ten percent of the gross receipts generated by Memorial House, or \$1,000 per month, whichever is greater. Under this agreement, the Foundation incurred rental expense of \$22,615 during 2017 (\$22,794 in 2016).

NOTE I – EMPLOYEE BENEFIT PLAN

During 1999, the Foundation established a defined contribution salary deferral plan covering substantially all employees. Under the plan, the Foundation matches dollar for dollar each eligible employees' elective deferral up to 3 percent of the employees' salary. Matching contributions paid by the Foundation during 2017 were \$6,260 (\$6,733 in 2016).

NOTE J – DONATED SERVICES AND FACILITIES

The Foundation receives donated services from a variety of unpaid volunteers assisting the Foundation with various programs. No amounts have been recognized in the accompanying statements of activities for these services because the criteria for recognition of such volunteer effort under generally accepted accounting principles has not been satisfied.

As noted in Note H, the Foundation has entered into an agreement with Salt Lake City for the management and use of Memorial House. Annual rental expense associated with the use of this facility, based on market rates, would be approximately \$85,000. The Foundation recognized the difference between the market rental rate and what was actually paid to the City as a donation and corresponding expense in the statement of activities. The total recognized for 2017 and 2016 was approximately \$63,000.