

Holocaust Museum Houston
Consolidated Financial Statements
For the Fiscal Years Ended June 30, 2015 and 2014

CONTENTS

	Page
Independent Auditors' Report.....	1
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements.....	7
Supplementary Schedules	
Schedule I – Consolidating Statements of Financial Position	22
Schedule II – Consolidating Statements of Activities and Changes in Net Assets.....	24
Schedule III – Consolidated Statements of Functional Expenses	26



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Holocaust Museum Houston and
Holocaust Museum Houston Foundation
Houston, Texas

We have audited the accompanying consolidated financial statements of Holocaust Museum Houston (a nonprofit corporation) and Holocaust Museum Houston Foundation (collectively, the "Holocaust Museum" or the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and changes in net assets, and cash flows for the fiscal years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Organization'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 Organization'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.

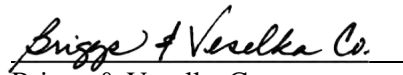
To the Board of Trustees of
Holocaust Museum Houston and
Holocaust Museum Houston Foundation
Re: Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Holocaust Museum Houston and Holocaust Museum Houston Foundation as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position, consolidating statements of activities and changes in net assets and consolidated statements of functional expenses as of and for the fiscal years ended June 30, 2015 and 2014, are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position or changes in net assets of the individual entities. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with 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 consolidated financial statements as a whole.


Briggs & Veselka Co.
Houston, Texas

December 18, 2015

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 193,746	\$ 263,019
Pledges receivable – capital campaign, net	4,073,504	-
Pledges receivable – other, net	237,803	449,908
Inventory, net	43,229	39,731
Prepaid expenses and other assets	146,391	70,184
Investments	8,506,809	9,174,480
Property and equipment, net	<u>6,368,351</u>	<u>5,895,076</u>
TOTAL ASSETS	<u>\$ 19,569,833</u>	<u>\$ 15,892,398</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 529,958	\$ 342,452
Line of credit	-	196,853
Deferred revenue	14,183	5,000
Deferred compensation payable	-	172,716
Note payable	<u>572,115</u>	<u>572,115</u>
Total liabilities	1,116,256	1,289,136
Net assets		
Unrestricted	5,639,129	5,228,112
Unrestricted – Board-designated	6,042,084	6,448,526
Temporarily restricted	5,033,567	1,264,114
Permanently restricted	<u>1,738,797</u>	<u>1,662,510</u>
Total net assets	<u>18,453,577</u>	<u>14,603,262</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,569,833</u>	<u>\$ 15,892,398</u>

The accompanying notes are an integral part of these consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues				
Contributions	\$ 529,272	\$ 756,084	\$ 76,287	\$ 1,361,643
Contributions – capital campaign	-	4,507,446	-	4,507,446
Special events, net (revenues of \$2,003,697 less expenses of \$212,907)	1,790,790	-	-	1,790,790
Membership fees	324,228	-	-	324,228
Admissions, tours and programs	272,954	-	-	272,954
Book sales	126,001	-	-	126,001
Rental and other income	150,582	-	-	150,582
Investment return, net	(59,427)	(16,410)	-	(75,837)
	<u>3,134,400</u>	<u>5,247,120</u>	<u>76,287</u>	<u>8,457,807</u>
Net assets released from restrictions	<u>1,477,667</u>	<u>(1,477,667)</u>	<u>-</u>	<u>-</u>
Total support and revenues	4,612,067	3,769,453	76,287	8,457,807
Expenses				
Program services	2,493,542	-	-	2,493,542
Management and general	1,013,212	-	-	1,013,212
Fundraising	1,100,738	-	-	1,100,738
Total expenses	<u>4,607,492</u>	<u>-</u>	<u>-</u>	<u>4,607,492</u>
Change in net assets	4,575	3,769,453	76,287	3,850,315
Net assets, beginning of year	<u>11,676,638</u>	<u>1,264,114</u>	<u>1,662,510</u>	<u>14,603,262</u>
NET ASSETS, END OF YEAR	<u>\$ 11,681,213</u>	<u>\$ 5,033,567</u>	<u>\$ 1,738,797</u>	<u>\$ 18,453,577</u>

The accompanying notes are an integral part of these consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues				
Contributions	\$ 707,206	\$ 839,435	\$ 66,802	\$ 1,613,443
Federal grants	54,188	-	-	54,188
Special events, net (revenues of \$1,916,071 less expenses of \$212,286)	1,703,785	-	-	1,703,785
Membership fees	303,362	-	-	303,362
Admissions, tours and programs	58,871	-	-	58,871
Book sales	108,539	-	-	108,539
Rental and other income	116,261	-	-	116,261
Investment return, net	682,828	252,556	-	935,384
	<u>3,735,040</u>	<u>1,091,991</u>	<u>66,802</u>	<u>4,893,833</u>
Net assets released from restrictions	<u>728,905</u>	<u>(728,905)</u>	<u>-</u>	<u>-</u>
Total support and revenues	4,463,945	363,086	66,802	4,893,833
Expenses				
Program services	2,095,411	-	-	2,095,411
Management and general	1,173,638	-	-	1,173,638
Fundraising	844,603	-	-	844,603
Total expenses	<u>4,113,652</u>	<u>-</u>	<u>-</u>	<u>4,113,652</u>
Change in net assets	350,293	363,086	66,802	780,181
Net assets, beginning of year, as previously reported	11,157,347	1,139,453	1,526,281	13,823,081
Restatements (<i>Note 2</i>)	168,998	(238,425)	69,427	-
Net assets, beginning of year, restated	<u>11,326,345</u>	<u>901,028</u>	<u>1,595,708</u>	<u>13,823,081</u>
NET ASSETS, END OF YEAR	<u>\$ 11,676,638</u>	<u>\$ 1,264,114</u>	<u>\$ 1,662,510</u>	<u>\$ 14,603,262</u>

The accompanying notes are an integral part of these consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 3,850,315	\$ 780,181
Adjustments to reconcile change in net assets to net cash from operating activities:		
Bad debt expense	-	160,216
Change in present value of pledges	197,554	-
Change in reserve for slow moving inventory	16,471	-
Depreciation	201,747	156,765
Contributions restricted for endowment	(76,287)	(66,802)
Net realized and unrealized (gain) loss on investments	556,302	(655,222)
Changes in operating assets and liabilities:		
Pledges receivable – other	212,105	(292,574)
Pledges receivable – capital campaign	(4,271,058)	-
Inventory	(19,969)	49,112
Prepaid expenses and other assets	(76,207)	6,323
Accounts payable and accrued expenses	187,506	(52,570)
Deferred revenue	9,183	5,000
Net cash from operating activities	<u>787,662</u>	<u>90,429</u>
Cash flows from investing activities		
Purchases of property and equipment	(675,022)	(362,163)
Purchases of investments	(4,693,359)	(6,871,675)
Proceeds from sale of investments	4,632,012	6,647,782
Net cash from investing activities	<u>(736,369)</u>	<u>(586,056)</u>
Cash flows from financing activities		
Contributions restricted for endowment	76,287	66,802
Borrowings on the line of credit	-	196,853
Payments on the line of credit	(196,853)	-
Net cash from financing activities	<u>(120,566)</u>	<u>263,655</u>
Net change in cash and cash equivalents	(69,273)	(231,972)
Cash and cash equivalents, beginning of year	<u>263,019</u>	<u>494,991</u>
Cash and cash equivalents, end of year	<u>\$ 193,746</u>	<u>\$ 263,019</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 3,968	\$ 615
Noncash investing and financing activities:		
Increase in value of deferred compensation plan	\$ 8,932	\$ 26,979
Distributions from the deferred compensation plan	\$ 181,648	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 – FORM OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Holocaust Museum Houston (the “Museum”) is a Texas nonprofit corporation located in Houston, Texas. The Museum’s mission is to establish and maintain a memorial to the millions of individuals who perished during World War II at the hands of the Nazis, and to continue to educate and enlighten people by promoting and presenting programs on remembrance, understanding and prevention.

The Houston Holocaust Museum Foundation, Inc. (the “Foundation”) is a Texas nonprofit corporation. In December 2014, the Foundation legally assumed the name of Holocaust Museum Houston Foundation. The Foundation operates exclusively for charitable, educational or religious purposes in connection with the Museum. The Museum is the sole member of the Foundation. Distributions by the Foundation are limited to the Museum or to another qualified organization designated by the Museum.

Basis of Consolidation – These consolidated financial statements include the assets, liabilities, net assets and activities of the Museum and the Foundation (collectively, the “Holocaust Museum” or “Organization”). All balances and transactions between the consolidated entities have been eliminated. The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Financial Statement Presentation – The Holocaust Museum’s resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Holocaust Museum and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** – Net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or Board designation.
- **Temporarily Restricted Net Assets** – Contributions and investment return restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.
- **Permanently Restricted Net Assets** – Contributions that donors have restricted in perpetuity. Generally, the donors of these assets permit the use of all, or part of, the income earned on the related investments for specific purposes.

Cash and Cash Equivalents – Highly liquid investments with original maturities of three months or less are considered cash equivalents. Cash and cash equivalents held by the Foundation’s investment custodians are classified as investments.

Pledges Receivable – Pledges are recorded as revenue in the year they are received unless they contain a conditional promise to give. Pledges receivable that are expected to be collected within one year are recorded at their realizable value. Pledges that are expected to be collected in more than one year are recorded at the present value of estimated future cash flows. The present value of the estimated future cash flows is recorded as pledges receivable.

An allowance is made for uncollectible pledges receivable based on the Holocaust Museum’s analysis of past collection experience and other judgmental factors. Based on these factors, the allowance for uncollectible pledges totaled \$1,341 and \$7,500 at June 30, 2015 and 2014, respectively.

Inventory – Inventory is valued at the lower of cost (moving weighted-average method) or market. Inventory is reported net of a reserve for slow-moving inventory of \$16,471 and \$-0- at June 30, 2015 and 2014, respectively.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Investments and Investment Income – Investments in marketable equity and debt securities are reported at fair value. Investment income, including unrealized gains and losses, is reported in the consolidated statements of activities and changes in net assets as an increase in unrestricted net assets unless its use is limited by donor-imposed restrictions. Investment income whose use is restricted by the donor is reported as an increase in temporarily restricted net assets until expended in accordance with donor-imposed restrictions.

Property and Equipment – Property and equipment are reported at cost if purchased and at estimated fair market value at the date of contribution if donated. The Museum capitalizes additions and improvements with a cost of more than \$1,000. Depreciation is computed using the straight-line method over estimated useful lives of the assets ranging from two to forty years.

Collections – The Museum’s collections are made up of historical artifacts, works of art, books and other items pertaining to education, research and curatorial purposes. Each of the items are preserved and cared for and activities verifying existence and assessing condition are performed periodically. Collections are not recorded as assets in the consolidated statements of financial position. Purchases of collection items are reflected as decreases in unrestricted net assets in the year in which the items are acquired or as decreases in temporarily restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected in the financial statements. The Museum has never sold an item from its collection. In the unlikely event that a collection item was sold or disposed of, the proceeds would be used to further the Museum’s mission.

Deferred Revenue – The Holocaust Museum accounts for income collected in the current period but relating to future events as deferred revenue.

Revenue Recognition – The Holocaust Museum records contributions and revenue on an accrual basis. The Holocaust Museum records revenue from the following types of contributions when they are received unconditionally, at their fair value: cash, promises to give, certain contributed services, and gifts of long-lived and other assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

The Holocaust Museum records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. It is the Holocaust Museum’s policy to record all temporarily restricted contributions received as temporarily restricted net assets until expiration of the restriction when they are reclassified to unrestricted net assets.

Donated Materials and Services – Donated materials and use of facilities are recognized at estimated fair value when an unconditional commitment is received from a donor. The related expense is recorded as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Fair Value Measurements – The carrying amounts of receivables, accounts payable, and accrued expenses approximate fair value because of the short-term nature of these instruments. Investments are carried at fair value.

Advertising – Advertising costs are expensed as incurred. The Museum expensed \$256,170 and \$176,758 during the fiscal years ended June 30, 2015 and 2014, respectively, for advertising costs.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Federal Income Tax – The Holocaust Museum is exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code (the Code). The Museum is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi) and the Foundation is classified as a Type I supporting organization under §509(a)(3). Contributions to the Museum and the Foundation are tax deductible within the limitations prescribed by the Code. The Museum may receive income from unrelated business activities; however, no unrelated business income tax was due at June 30, 2015 and 2014. The Holocaust Museum files annual federal information returns.

The Holocaust Museum records charges for uncertain tax positions when they are considered probable. Based on its evaluation, the Holocaust Museum has concluded that there are no significant uncertain tax positions requiring recognition in the financial statements.

The Holocaust Museum is subject to routine examinations of its returns; however, there are no examinations for any tax periods currently in progress.

Use of Estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the reported revenues and expenses, and the allocation of expenses among various functions. Accordingly, actual results could differ from those estimates. Significant estimates include, but are not limited to, the estimated useful life of property and equipment, the allowance for uncollectible pledges receivable, and the discounted present value of future pledges.

Functional Expenses – The costs of providing the Holocaust Museum’s various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

Investment Risk – Certain financial instruments potentially subject the Holocaust Museum to concentrations of credit risk. Investment securities consist primarily of mutual funds which could subject the Holocaust Museum to losses in the event of a general downturn in the public market. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in net values of investment securities will occur in the near term and that such change could materially affect the amounts recorded in the consolidated statements of financial position.

Concentrations of Credit Risk – The Holocaust Museum maintains cash in financial institution accounts which, at times, exceed federally insured limits. The Holocaust Museum has not experienced any losses related to such accounts. Cash and cash equivalents are placed with highly-accredited, quality financial institutions and management believes it is not exposed to any significant credit risk.

Reclassifications – Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Recent Accounting Pronouncements – The Holocaust Museum has implemented all new accounting pronouncements and does not believe there are any new pronouncements that have been issued that may have a material impact on the financial statements.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 – RESTATEMENTS

The Organization restated beginning net assets at June 30, 2013 as previously reported for the Museum and the Foundation to reflect errors discovered by management during the 2014 fiscal year. Management discovered that certain contributions received in prior fiscal years were not recorded in the correct entity or correct net asset classification. While there was no effect on consolidated total net assets as of the beginning of fiscal year 2014, as a result of the restatement, the Museum’s total beginning net assets decreased by \$184,910 (of which \$154,497 increased beginning unrestricted net assets and \$339,407 decreased beginning temporarily restricted net assets) and the Foundation’s total beginning net assets were increased by \$184,910 (of which \$14,501 increased beginning unrestricted net assets, \$100,982 increased beginning temporarily restricted net assets, and \$69,427 increased beginning permanently restricted net assets).

A summary of the restatement adjustment and its effect on the net asset classifications for the Museum, the Foundation, and the financial statements as of the beginning of the 2014 fiscal year is as follows:

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Restated</u>
Consolidated statement of activities and changes in net assets, June 30, 2013			
Net assets, June 30, 2013			
Unrestricted	\$ 11,157,347	\$ 168,998	\$ 11,326,345
Temporarily restricted	1,139,453	(238,425)	901,028
Permanently restricted	<u>1,526,281</u>	<u>69,427</u>	<u>1,595,708</u>
Net assets, June 30, 2013 (restated)	<u>\$ 13,823,081</u>	<u>\$ -</u>	<u>\$ 13,823,081</u>
Consolidating statement of activities and changes in net assets			
<u>Museum</u>			
Net assets, June 30, 2013			
Unrestricted	\$ 5,072,183	\$ 154,497	\$ 5,226,680
Temporarily restricted	601,419	(339,407)	262,012
Permanently restricted	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, June 30, 2013 (restated)	<u>\$ 5,673,602</u>	<u>\$ (184,910)</u>	<u>\$ 5,488,692</u>
<u>Foundation</u>			
Net assets, June 30, 2013			
Unrestricted	\$ 6,085,164	\$ 14,501	\$ 6,099,665
Temporarily restricted	538,034	100,982	639,016
Permanently restricted	<u>1,526,281</u>	<u>69,427</u>	<u>1,595,708</u>
Net assets, June 30, 2013 (restated)	<u>\$ 8,149,479</u>	<u>\$ 184,910</u>	<u>\$ 8,334,389</u>

In addition, the Organization has restated beginning assets and liabilities as previously reported to reflect a deferred compensation plan asset and liability that had not been previously reported. Management discovered that the plan established in prior fiscal years had been established and funded, but not recorded on the books. While there was no effect on consolidated net assets as of the beginning of the 2014 fiscal year, as a result of the restatement, the Museum’s beginning total assets and total liabilities increased by \$145,737. There was no effect on the consolidated statement of activities and changes in net assets.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Demand deposits	\$ 193,237	\$ 261,861
Money market funds	<u>509</u>	<u>1,158</u>
Total cash and cash equivalents	<u>\$ 193,746</u>	<u>\$ 263,019</u>

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable consist mainly of pledges for the Museum’s capital campaign, which total \$4,073,504 at June 30, 2015. In October 2014, the Museum’s Board of Trustees approved a capital campaign. The intention of the campaign is to expand and improve the permanent exhibits of the Museum and its building.

Pledges receivable for all campaigns are as follows at June 30:

	<u>2015</u>	<u>2014</u>
Pledges receivable are expected to be collected as follows:		
Receivables in less than one year	\$ 1,140,535	\$ 457,408
Receivables in one to five years	<u>3,369,667</u>	<u>-</u>
Total pledges receivable	4,510,202	457,408
Less:		
Allowance for uncollectible pledges	(1,341)	(7,500)
Discount to net present value	<u>(197,554)</u>	<u>-</u>
Total pledges receivable, net	<u>\$ 4,311,307</u>	<u>\$ 449,908</u>

Pledges receivable in more than one year are discounted to their present value at the time the pledge is made using the current risk free interest rate of 2.5%.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Land	\$ 3,577,887	\$ 3,577,887
Building and building improvements	4,461,127	4,461,117
Furniture and equipment	1,309,873	1,237,544
Artwork	<u>50,104</u>	<u>50,104</u>
	9,398,991	9,326,652
Less: accumulated depreciation	<u>(3,653,748)</u>	<u>(3,454,076)</u>
Net depreciable assets	5,745,243	5,872,576
Construction in progress	<u>623,108</u>	<u>22,500</u>
Total property and equipment, net	<u>\$ 6,368,351</u>	<u>\$ 5,895,076</u>

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Depreciation expense amounted to \$201,747 and \$156,765 for the fiscal years ended June 30, 2015 and 2014, respectively.

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

Certain of Holocaust Museum’s financial assets are measured at fair value on a recurring basis. The three levels of the fair value hierarchy are as follows:

- **Level 1** – Quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- **Level 2** – Inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities that are not active; or other inputs that are observable or can be corroborated by observable market data.
- **Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the financial instruments. The fair value of Level 3 financial instruments is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Financial instruments measured at fair value on a recurring basis at June 30, 2015 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Blended equity mutual funds	\$ 2,415,892	\$ -	\$ -	\$ 2,415,892
Fixed income mutual funds	2,507,774	-	-	2,507,774
International equity mutual funds	1,315,659	-	-	1,315,659
Exchange-traded funds	1,965,964	-	-	1,965,964
Government money market mutual funds	294,082	-	-	294,082
Bonds	-	7,438	-	7,438
Total investments	8,499,371	7,438	-	8,506,809
Money market mutual funds held as cash equivalents	<u>509</u>	<u>-</u>	<u>-</u>	<u>509</u>
Total at fair value	<u>\$ 8,499,880</u>	<u>\$ 7,438</u>	<u>\$ -</u>	<u>\$ 8,507,318</u>

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Financial instruments measured at fair value on a recurring basis at June 30, 2014 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Blended equity mutual funds	\$ 3,204,410	\$ -	\$ -	\$ 3,204,410
Fixed income mutual funds	3,519,496	-	-	3,519,496
International equity mutual funds	1,725,909	-	-	1,725,909
Marketfield multi-asset mutual fund (a)	356,455	-	-	356,455
Government money market mutual funds	138,004	-	-	138,004
Bonds	-	57,490	-	57,490
Pooled separate accounts	<u>-</u>	<u>172,716</u>	<u>-</u>	<u>172,716</u>
Total investments	8,944,274	230,206	-	9,174,480
Money market mutual funds held as cash equivalents				
	<u>1,158</u>	<u>-</u>	<u>-</u>	<u>1,158</u>
Total at fair value	<u>\$ 8,945,432</u>	<u>\$ 230,206</u>	<u>\$ -</u>	<u>\$ 9,175,638</u>

(a) Marketfield multi-asset mutual fund consists of investments in equity securities, fixed-income securities and other investment companies, including exchange-traded funds, in proportions consistent with the evaluation of their expected risks and returns. The fund may invest up to 50% of its net assets in equity securities of foreign companies of any size, including up to 35% of its net assets in securities issued by corporations or governments located in developing or emerging markets. The fund may borrow money from banks or other financial institutions to purchase securities. The fund seeks capital appreciation and income.

Valuation methods used for assets measured at fair value are as follows:

- Mutual funds are valued at the publicly quoted daily closing price as reported by the fund and are deemed to be actively traded.
- Bonds are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes, to calculate fair values.
- Pooled separate accounts are valued at the net asset value (NAV) of units of a pooled separate account. The NAV, as provided by the custodian, is used as a practical expedient to estimate fair value. The NAV is based on the market value of its underlying investments held by the account less its liabilities. This practical expedient is not used when it is determined to be probable that the account will sell the investment for an amount different than the reported NAV.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Holocaust Museum believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date. There have been no changes in methodologies used at June 30, 2015 and 2014.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 7 – INVESTMENT RETURN

Investment return consists of the following for the fiscal years ended June 30:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 492,965	\$ 292,687
Realized and unrealized gain (loss) on investments	(556,302)	655,222
Custodial and management fees	<u>(12,500)</u>	<u>(12,525)</u>
Investment return, net	<u>\$ (75,837)</u>	<u>\$ 935,384</u>

NOTE 8 – LINE OF CREDIT

The Museum had a \$200,000 bank line of credit which matured February 6, 2015. Amounts borrowed under this agreement bore interest at the three month LIBOR rate plus 2.125% (2.36% at June 30, 2014). The line of credit was unsecured. At June 30, 2014, there was \$196,853 outstanding on this line of credit which was paid off during the fiscal year ended June 30, 2015.

On November 10, 2014, the Museum entered into a new line of credit agreement in the amount of \$500,000 with a maturity date of November 5, 2015. Amounts borrowed under this agreement bear interest at the three month LIBOR rate plus 2.125% (2.41% at June 30, 2015). The line of credit is unsecured. At June 30, 2015, there were no advances outstanding on the line of credit. Subsequent to year-end, the Organization extended the line of credit with a new maturity date of November 16, 2016 (*see Note 20*).

NOTE 9 – NOTE PAYABLE

In January 2009, the Museum entered into an agreement to purchase from the City of Houston (the “City”) a public street right-of-way easement. Under the terms of the agreement, the Museum had agreed to engage a consultant to pursue federal transportation funding for improvements in the area and deposit any amounts raised with the City to fund transit improvements in the City’s Museum District. If, after five years from the date of the agreement, the Museum had not obtained federal funding equal to the \$572,115 appraised value of the easement, the Museum was obligated to pay to the City the difference between the amount of federal funding raised and the appraised value of the easement plus interest at 8% per year commencing two years after the date of the agreement. The note payable was originally due on January 9, 2014; however, on December 17, 2013, the City passed an ordinance extending the term of the agreement by three years and modifying the amount of interest charged during the extension period. If, after the new due date of January 9, 2017, the Museum does not meet its obligations, interest will begin to accrue again at the previous rate.

During the fiscal years ended June 30, 2015 and 2014, the Museum accrued \$-0- and \$22,885, respectively, of interest related to the note payable, resulting in total accrued interest of and \$135,523 as of June 30, 2015 and 2014, which is included in accounts payable and accrued expenses on the consolidated statements of financial position. As the Museum expects to meet its obligation under the extension agreement with the City, it has not recorded any interest expense after January 9, 2014.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2015</u>	<u>2014</u>
Capital campaign	\$ 4,064,768	\$ -
Educational programs	489,639	625,242
Visitor and volunteer services	141,019	71,048
Lecture series	100,847	102,642
20th Anniversary	19,200	-
Conservation	89,700	113,915
Exhibits	60,893	146,009
Library	7,337	150,897
Other	<u>60,164</u>	<u>54,361</u>
Total temporarily restricted net assets	<u>\$ 5,033,567</u>	<u>\$ 1,264,114</u>

NOTE 11 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the fiscal years ended June 30, 2015 and 2014 by incurring expenses satisfying the restricted purposes specified by the donor as follows:

	<u>2015</u>	<u>2014</u>
Capital campaign	\$ 442,678	\$ -
Educational programs	378,815	285,529
Visitor and volunteer services	131,623	22,689
Lecture series	12,879	22,976
Conservation	21,126	22,214
Exhibits	113,519	277,599
Library	311,350	15,590
Other	<u>65,677</u>	<u>82,308</u>
Total net assets released from restrictions	<u>\$ 1,477,667</u>	<u>\$ 728,905</u>

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 12 – PERMANENTLY RESTRICTED NET ASSETS

At June 30, permanently restricted net assets were available to support the following:

	<u>2015</u>	<u>2014</u>
Teacher education	\$ 497,766	\$ 486,028
Conservation	311,216	311,215
Educational programs	308,051	306,041
Garden	200,000	200,000
Lecture series	117,205	117,205
Docent program	100,565	100,565
Yom Ha'Shoah program	143,002	103,002
Child survivors	38,578	38,454
Exhibits	20,000	-
Library	<u>2,414</u>	<u>-</u>
Total permanently restricted net assets	<u>\$ 1,738,797</u>	<u>\$ 1,662,510</u>

NOTE 13 – ENDOWMENT FUNDS

The Foundation has donor-restricted endowment funds that are maintained in accordance with explicit donor stipulations. The Board of Directors of the Foundation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies the original value of gifts donated to the permanent endowment as permanently restricted net assets.

The remaining portion of the donor-restricted endowment fund including earnings that have not been explicitly designated as unrestricted by the donor that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by TUPMIFA.

In accordance with TUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds;
- The purposes of the Foundation and the donor-restricted endowment funds;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Museum; and
- The investment policies and objectives of the Foundation.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

From time-to-time, the fair value of assets associated with the endowment fund may fall below the level that the donor or TUPMIFA requires the Foundation to retain as a fund of perpetual duration as a result of temporary unfavorable market fluctuations. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies at June 30, 2015 and 2014.

The following table reports the composition of the Foundation's endowment by net asset class and a reconciliation of the beginning and ending balance of the Foundation's endowment funds:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2013	\$ 6,085,164	\$ 538,034	\$ 1,526,281	\$ 8,149,479
Restatements	<u>14,501</u>	<u>100,982</u>	<u>69,427</u>	<u>184,910</u>
Endowment net assets, July 1, 2013, as restated	6,099,665	639,016	1,595,708	8,334,389
Investment return				
Interest and dividends	214,064	78,545	-	292,609
Net realized and unrealized gain	<u>468,686</u>	<u>174,011</u>	<u>-</u>	<u>642,697</u>
Total investment return	682,750	252,556	-	935,306
Operating expenses	(337,765)	-	-	(337,765)
Contributions	3,876	105,050	66,802	175,728
Appropriations for expenditure	<u>-</u>	<u>(104,670)</u>	<u>-</u>	<u>(104,670)</u>
Endowment net assets, June 30, 2014	6,448,526	891,952	1,662,510	9,002,988
Investment return				
Interest and dividends	353,280	139,967	-	493,247
Net realized and unrealized loss	<u>(412,425)</u>	<u>(156,377)</u>	<u>-</u>	<u>(568,802)</u>
Total investment return	(59,145)	(16,410)	-	(75,555)
Operating expenses	(348,368)	-	-	(348,368)
Contributions	1,071	45,000	76,287	122,358
Appropriations for expenditure	<u>-</u>	<u>(229,459)</u>	<u>-</u>	<u>(229,459)</u>
Endowment net assets, June 30, 2015	<u>\$ 6,042,084</u>	<u>\$ 691,083</u>	<u>\$ 1,738,797</u>	<u>\$ 8,471,964</u>

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Endowment net asset composition as of June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 6,042,084	\$ -	\$ -	\$ 6,042,084
Donor-restricted endowment funds	<u>-</u>	<u>691,083</u>	<u>1,738,797</u>	<u>2,429,880</u>
Total endowment net assets	<u>\$ 6,042,084</u>	<u>\$ 691,083</u>	<u>\$ 1,738,797</u>	<u>\$ 8,471,964</u>

Endowment net asset composition as of June 30, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 6,448,526	\$ -	\$ -	\$ 6,448,526
Donor-restricted endowment funds	<u>-</u>	<u>891,952</u>	<u>1,662,510</u>	<u>2,554,462</u>
Total endowment net assets	<u>\$ 6,448,526</u>	<u>\$ 891,952</u>	<u>\$ 1,662,510</u>	<u>\$ 9,002,988</u>

Endowment Spending Policy – The Foundation recognizes that the rationale for investing funds for future use assumes that the purchasing power of those funds will not be diminished over time. Therefore, the level of appropriation will be adjusted from time-to-time such that the endowment fund purchasing power will not be eroded by appropriation. Currently, this policy is to appropriate between -0-% and 5% of the fair market value of the funds annually. Additionally, permanently restricted funds (those donated with express donor intention) will not be appropriated for use by the Foundation. If a permanently restricted fund has not generated income or appreciation sufficiently to accommodate otherwise allowed appropriates, the Foundation will attempt to fund such appropriation from unrestricted funds.

Endowment Return Objectives and Risk Parameters – The investment objective of the Foundation for all funds is to ensure that future growth is sufficient to offset normal inflation plus support spending requirements of the Museum up to 5% of the fair value of the funds annually. The Foundation believes that overall, the portfolio can endure average market risk over the long-term to achieve a level of income necessary to support the Museum.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate of return objectives, the assets will be managed as a balanced portfolio having two major asset components: an equity portion comprised of common stocks and a fixed income portion comprised of bonds and preferred stocks. Equity holdings in any one company should not exceed more than 10% of the market value of the Foundation’s equity portfolio. Not more than 25% of the market value of the equity portfolio should be invested in any one economic sector.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 14 – CAPITAL CAMPAIGN

In October 2014, the Museum’s Board of Trustees approved a capital campaign to fund the expansion and improvement of the permanent exhibits of the Museum and its building. The goal of the capital campaign is to raise approximately \$37,600,000, with \$25,900,000 to be used for capital expenditures and \$11,700,000 for an endowment to be used to cover future operating expenses of the Museum. All contributions to the capital campaign are recorded as temporarily restricted net assets until the capital expenditures are complete and placed in service, at which time any additional contributions received will fund a quasi-endowment fund and be recorded as unrestricted – board-designated net assets.

The Museum has begun the design phase of the expansion and improvement of the permanent exhibits of the Museum and its building. During the fiscal year ended June 30, 2015, the Museum entered into multi-year contracts with both a design firm and an architect for this phase. These contracts may be terminated at any time with proper written notice. At June 30, 2015, the Museum has incurred approximately \$260,000 of design and architectural expenses, which are included in property and equipment on the consolidated statements of financial position.

During the fiscal year ended June 30, 2015, the Museum received pledges of \$4,555,000 in connection with the capital campaign, which have been recorded as temporarily restricted contributions for capital expenditures. During the fiscal year ended June 30, 2015, the Museum also received an in-kind contribution in the amount of \$150,000 for design services that were received and are included in property and equipment on the consolidated statements of financial position (*see Note 15*). At June 30, 2015, \$4,271,058 of the pledges are outstanding and included in pledges receivable – capital campaign, net on the consolidated statements of financial position, and have been discounted to their net present value of \$4,073,504 (*see Note 4*).

The capital campaign support in the consolidated statements of activities consists of the following for the fiscal years ended June 30:

	<u>2015</u>	<u>2014</u>
Pledges and contributions – temporarily restricted	\$ 4,555,000	\$ -
Pledges and contributions – in-kind contributions	150,000	-
Change in present value discount	<u>(197,554)</u>	<u>-</u>
Total capital campaign contributions, net	<u>\$ 4,507,446</u>	<u>\$ -</u>

NOTE 15 – IN-KIND CONTRIBUTIONS

Individuals and other organizations have provided or donated property, materials, and services to the Museum at no cost or at costs significantly below market value. These items are recorded as contributions in unrestricted net assets on the consolidated statements of activities and changes in net assets, except for design services that are recorded as contributions in temporarily restricted net assets, at their estimated fair value during the fiscal years ended June 30:

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Advertising	\$ 96,828	\$ 94,499
Catering	1,747	7,500
Computer services and software	13,844	9,420
Design services	150,000	-
Repairs and maintenance	7,676	27,836
Supplies	1,759	25,387
Travel	<u>6,000</u>	<u>3,046</u>
Total in-kind contributions	<u>\$ 277,854</u>	<u>\$ 167,688</u>

NOTE 16 – LEASING ACTIVITIES

The Museum currently leases a portion of its parking lot under short-term noncancelable operating leases. During the fiscal years ended June 30, 2015 and 2014, the Museum recorded \$29,834 and \$18,050, respectively, of rental income in rental and other income on the consolidated statements of activities and changes in net assets.

Effective February 28, 2014, the Museum entered into an agreement with a third-party to lease a portion of its parking lot. The agreement provides for monthly rental payments to be received from the third-party based on usage levels. The Museum will collect 70% of the gross revenue collected by the parking management service for the use of its parking lot. During the fiscal years ended June 30, 2015 and 2014, the Museum recorded \$100,718 and \$28,778, respectively, of rental income in rental and other income on the consolidated statements of activities and changes in net assets.

NOTE 17 – RETIREMENT PLANS

Effective July 1, 2005, the Museum had established a §403(b) defined contribution plan. This plan was frozen as to future contributions from both employee deferrals and the employer as of September 2010. No contributions had been made to this plan since September 2010. Effective October 1, 2014, the Museum terminated its services with the provider of this plan.

Effective September 1, 2010, the Museum had established an additional §403(b) defined contribution plan that covered all full-time employees. An employee was eligible to participate in the plan and was fully vested upon completion of 1,000 hours of service. The Museum made contributions of 2% of employee compensation. Employees may have contributed amounts to the plan up to the limits established by the Code. Effective October 1, 2014, the Museum terminated its services with the provider of this plan.

Effective August 1, 2014, the Museum established a new §403(b) defined contribution plan that covers all employees working at least 1,000 hours during the fiscal year. An employee is eligible to participate in the plan within 90 days of employment and is fully vested immediately. The Museum matches 100% of employee contributions up to 3% of employee compensation and then 50% of employee contributions up to 6% of employee compensation. Employees may contribute amounts to the plan up to the limits established by the Code.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Effective July 1, 2005, the Museum had established a §457(b) deferred compensation plan. The amount of contribution made each plan year was within the Organization's discretion and may have been zero in some years. For the fiscal years ended June 30, 2015 and 2014, the Museum did not make a contribution to this plan. Assets held for this plan were \$172,716 as of June 30, 2014, and were reported as investments with a corresponding liability to plan participants reported in deferred compensation payable on the consolidated statements of financial position. In February 2015, the Museum terminated this plan and the \$181,648 of assets were distributed to the participants.

The Museum made contributions to retirement plans of approximately \$42,000 and \$26,000 during the fiscal years ended June 30, 2015 and 2014, respectively.

NOTE 18 – INTERCOMPANY TRANSACTIONS

From time-to-time, the Museum may transfer excess operating funds, at its discretion, to the Foundation to manage as part of the Board-designated operating endowment. These amounts, along with other funds received by the Foundation, are invested to support various aspects of the Museum's operations. The Foundation makes periodic grants to the Museum for these purposes. The Museum did not make any contributions and/or transfers to the Foundation during the fiscal years ended June 30, 2015 and 2014. The Foundation's distributions to the Museum totaled \$569,594 and \$437,883 during the fiscal years ended June 30, 2015 and 2014, respectively. These transactions are eliminated within consolidation.

NOTE 19 – RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2015, a Board of Trustee member contributed \$150,000 of design services (*see Note 15*) toward the expansion and improvement of the permanent exhibits of the Museum and building. The services have been recorded as temporarily restricted contributions – capital campaign and are included in construction in progress. There were no in-kind contributions received from related parties during the fiscal year ended June 30, 2014.

During the fiscal year ended June 30, 2015, approximately 14% of the contributions the Holocaust Museum received related to the capital campaign were from Board of Trustees members. At June 30, 2015, the pledges receivable from these individuals, net of discount, approximated 9% of pledges receivable – capital campaign. There were no material pledges received from related parties during the fiscal year ended June 30, 2014.

NOTE 20 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 18, 2015, the date which the financial statements were available to be issued. Management has determined that no other subsequent events require disclosure in these financial statements.

Subsequent to year-end, the Holocaust Museum had received approximately \$1,065,000 of additional pledges and donations associated with the capital campaign described in *Note 14* that have not been recorded in the financial statements for the fiscal year ended June 30, 2015.

In November 2015, the Organization extended the line of credit with a new maturity date of November 16, 2016 (*see Note 8*) and modified the interest rate to the prime rate plus 0.25%.

HOLOCAUST MUSEUM HOUSTON
SCHEDULE I – CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

	<u>Museum</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
ASSETS				
Cash and cash equivalents	\$ 172,810	\$ 20,936	\$ -	\$ 193,746
Pledges receivable – capital campaign, net	4,073,504	-	-	4,073,504
Pledges receivable – other, net	237,803	-	-	237,803
Inventory, net	43,229	-	-	43,229
Prepaid expenses and other assets	140,141	6,250	-	146,391
Due from affiliate	62,295	264	(62,559)	-
Investments	-	8,506,809	-	8,506,809
Property and equipment, net	<u>6,368,351</u>	<u>-</u>	<u>-</u>	<u>6,368,351</u>
TOTAL ASSETS	<u>\$ 11,098,133</u>	<u>\$ 8,534,259</u>	<u>\$ (62,559)</u>	<u>\$ 19,569,833</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 529,958	\$ -	\$ -	\$ 529,958
Due to affiliate	264	62,295	(62,559)	-
Deferred revenue	14,183	-	-	14,183
Note payable	<u>572,115</u>	<u>-</u>	<u>-</u>	<u>572,115</u>
Total liabilities	<u>1,116,520</u>	<u>62,295</u>	<u>(62,559)</u>	<u>1,116,256</u>
Net assets				
Unrestricted	5,639,129	-	-	5,639,129
Unrestricted – Board-designated	-	6,042,084	-	6,042,084
Temporarily restricted	4,342,484	691,083	-	5,033,567
Permanently restricted	<u>-</u>	<u>1,738,797</u>	<u>-</u>	<u>1,738,797</u>
Total net assets	<u>9,981,613</u>	<u>8,471,964</u>	<u>-</u>	<u>18,453,577</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,098,133</u>	<u>\$ 8,534,259</u>	<u>\$ (62,559)</u>	<u>\$ 19,569,833</u>

See accompanying notes to consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON
SCHEDULE I – CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

	<u>Museum</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
ASSETS				
Cash and cash equivalents	\$ 262,275	\$ 744	\$ -	\$ 263,019
Pledges receivable – other, net	449,908	-	-	449,908
Inventory, net	39,731	-	-	39,731
Prepaid expenses and other assets	70,184	-	-	70,184
Due from affiliate	25	505	(530)	-
Investments	172,716	9,001,764	-	9,174,480
Property and equipment, net	<u>5,895,076</u>	<u>-</u>	<u>-</u>	<u>5,895,076</u>
TOTAL ASSETS	<u>\$ 6,889,915</u>	<u>\$ 9,003,013</u>	<u>\$ (530)</u>	<u>\$ 15,892,398</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 342,452	\$ -	\$ -	\$ 342,452
Due to affiliate	505	25	(530)	-
Line of credit	196,853	-	-	196,853
Deferred revenue	5,000	-	-	5,000
Deferred compensation payable	172,716	-	-	172,716
Note payable	<u>572,115</u>	<u>-</u>	<u>-</u>	<u>572,115</u>
Total liabilities	1,289,641	25	(530)	1,289,136
Net assets				
Unrestricted	5,228,112	-	-	5,228,112
Unrestricted – Board-designated	-	6,448,526	-	6,448,526
Temporarily restricted	372,162	891,952	-	1,264,114
Permanently restricted	<u>-</u>	<u>1,662,510</u>	<u>-</u>	<u>1,662,510</u>
Total net assets	<u>5,600,274</u>	<u>9,002,988</u>	<u>-</u>	<u>14,603,262</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,889,915</u>	<u>\$ 9,003,013</u>	<u>\$ (530)</u>	<u>\$ 15,892,398</u>

See accompanying notes to consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON
**SCHEDULE II – CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Museum			Foundation			Eliminations	Consolidated Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenues								
Contributions	\$ 1,097,795	\$ 711,084	\$ -	\$ 1,071	\$ 45,000	\$ 76,287	\$ (569,594)	\$ 1,361,643
Contributions – capital campaign	-	4,507,446	-	-	-	-	-	4,507,446
Special events, net	1,790,790	-	-	-	-	-	-	1,790,790
Membership fees	324,228	-	-	-	-	-	-	324,228
Admissions, tours and programs	272,954	-	-	-	-	-	-	272,954
Book sales	126,001	-	-	-	-	-	-	126,001
Rental and other income	150,582	-	-	-	-	-	-	150,582
Investment return, net	(282)	-	-	(59,145)	(16,410)	-	-	(75,837)
	<u>3,762,068</u>	<u>5,218,530</u>	<u>-</u>	<u>(58,074)</u>	<u>28,590</u>	<u>76,287</u>	<u>(569,594)</u>	<u>8,457,807</u>
Net assets released from restrictions	<u>1,248,208</u>	<u>(1,248,208)</u>	<u>-</u>	<u>229,459</u>	<u>(229,459)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	5,010,276	3,970,322	-	171,385	(200,869)	76,287	(569,594)	8,457,807
Expenses								
Program services	2,493,542	-	-	-	-	-	-	2,493,542
Management and general	1,004,979	-	-	577,827	-	-	(569,594)	1,013,212
Fundraising	1,100,738	-	-	-	-	-	-	1,100,738
Total expenses	<u>4,599,259</u>	<u>-</u>	<u>-</u>	<u>577,827</u>	<u>-</u>	<u>-</u>	<u>(569,594)</u>	<u>4,607,492</u>
Change in net assets	411,017	3,970,322	-	(406,442)	(200,869)	76,287	-	3,850,315
Net assets, beginning of year	<u>5,228,112</u>	<u>372,162</u>	<u>-</u>	<u>6,448,526</u>	<u>891,952</u>	<u>1,662,510</u>	<u>-</u>	<u>14,603,262</u>
NET ASSETS, END OF YEAR	<u>\$ 5,639,129</u>	<u>\$ 4,342,484</u>	<u>\$ -</u>	<u>\$ 6,042,084</u>	<u>\$ 691,083</u>	<u>\$ 1,738,797</u>	<u>\$ -</u>	<u>\$ 18,453,577</u>

See accompanying notes to consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON
**SCHEDULE II – CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Museum			Foundation			Eliminations	Consolidated Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenues								
Contributions	\$ 1,141,213	\$ 734,385	\$ -	\$ 3,876	\$ 105,050	\$ 66,802	\$ (437,883)	\$ 1,613,443
Federal grants	54,188	-	-	-	-	-	-	54,188
Special events, net	1,703,785	-	-	-	-	-	-	1,703,785
Membership fees	303,362	-	-	-	-	-	-	303,362
Admissions, tours and programs	58,871	-	-	-	-	-	-	58,871
Book sales	108,539	-	-	-	-	-	-	108,539
Rental and other income	116,261	-	-	-	-	-	-	116,261
Investment return, net	78	-	-	682,750	252,556	-	-	935,384
	<u>3,486,297</u>	<u>734,385</u>	<u>-</u>	<u>686,626</u>	<u>357,606</u>	<u>66,802</u>	<u>(437,883)</u>	<u>4,893,833</u>
Net assets released from restrictions	<u>624,235</u>	<u>(624,235)</u>	<u>-</u>	<u>104,670</u>	<u>(104,670)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	4,110,532	110,150	-	791,296	252,936	66,802	(437,883)	4,893,833
Expenses								
Program services	2,095,411	-	-	-	-	-	-	2,095,411
Management and general	1,169,086	-	-	442,435	-	-	(437,883)	1,173,638
Fundraising	844,603	-	-	-	-	-	-	844,603
Total expenses	<u>4,109,100</u>	<u>-</u>	<u>-</u>	<u>442,435</u>	<u>-</u>	<u>-</u>	<u>(437,883)</u>	<u>4,113,652</u>
Change in net assets	1,432	110,150	-	348,861	252,936	66,802	-	780,181
Net assets, beginning of year, as previously reported	5,072,183	601,419	-	6,085,164	538,034	1,526,281	-	13,823,081
Restatements (Note 2)	<u>154,497</u>	<u>(339,407)</u>	<u>-</u>	<u>14,501</u>	<u>100,982</u>	<u>69,427</u>	<u>-</u>	<u>-</u>
Net assets, beginning of year, restated	<u>5,226,680</u>	<u>262,012</u>	<u>-</u>	<u>6,099,665</u>	<u>639,016</u>	<u>1,595,708</u>	<u>-</u>	<u>13,823,081</u>
NET ASSETS, END OF YEAR	<u>\$ 5,228,112</u>	<u>\$ 372,162</u>	<u>\$ -</u>	<u>\$ 6,448,526</u>	<u>\$ 891,952</u>	<u>\$ 1,662,510</u>	<u>\$ -</u>	<u>\$ 14,603,262</u>

See accompanying notes to consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON
SCHEDULE III – CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Program	Management and General	Fundraising	Total
Advertising	\$ 197,179	\$ 21,248	\$ 37,743	\$ 256,170
Audio visual	6,814	1,000	54,204	62,018
Awards	1,388	3,862	2,458	7,708
Bank and merchant fees	-	50,413	-	50,413
Catering	35,804	21,794	7,314	64,912
Computer services and software	66,312	21,679	54,531	142,522
Contract services	149,816	76,052	85,980	311,848
Depreciation	158,731	28,842	14,174	201,747
Dues and subscriptions	16,178	7,571	18,345	42,094
Education sponsorships	28,163	-	-	28,163
Equipment	17,652	1,382	2,123	21,157
Honorariums	91,950	250	1,000	93,200
Insurance	45,982	22,425	2,709	71,116
Interest expense	3,968	-	-	3,968
Inventory purchases	103,829	-	-	103,829
Janitorial	13,168	17,540	-	30,708
Legal fees	10,910	11,317	4,194	26,421
Meals and entertainment	16,941	9,883	5,433	32,257
Other expenses	10,567	22,191	27,242	60,000
Permits	-	1,083	-	1,083
Photography	6,505	-	3,087	9,592
Postage and shipping	25,548	6,584	23,891	56,023
Printing and publications	11,772	18,393	71,561	101,726
Professional development	7,939	11,784	11,336	31,059
Salary and benefits	821,358	579,727	631,947	2,033,032
Rentals	89,805	3,910	12,725	106,440
Repairs and maintenance	57,132	11,473	338	68,943
Security	79,267	8,307	-	87,574
Signage	8,768	27	-	8,795
Storage	61,653	4,617	-	66,270
Supplies	38,765	18,124	5,511	62,400
Travel	169,353	6,445	21,667	197,465
Utilities	140,325	25,289	1,225	166,839
	<u>\$ 2,493,542</u>	<u>\$ 1,013,212</u>	<u>\$ 1,100,738</u>	<u>\$ 4,607,492</u>

See accompanying notes to consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON
SCHEDULE III – CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Program	Management and General	Fundraising	Total
Advertising	\$ 120,323	\$ 20,402	\$ 36,033	\$ 176,758
Audio visual	3,858	957	49,288	54,103
Awards	18,985	16,586	3,533	39,104
Bad debt expense	-	6,517	153,699	160,216
Bank and merchant fees	-	29,316	-	29,316
Catering	38,518	14,293	3,572	56,383
Computer services and software	55,535	43,683	19,594	118,812
Contract services	121,781	182,991	31,423	336,195
Depreciation	128,680	21,716	6,369	156,765
Dues and subscriptions	9,307	9,419	3,780	22,506
Education sponsorships	5,500	-	-	5,500
Equipment	28	2,257	1,520	3,805
Honorariums	43,223	-	-	43,223
Insurance	69,745	18,360	1,148	89,253
Interest expense	489	21,226	-	21,715
Inventory purchases	127,809	-	-	127,809
Janitorial	20,333	8,929	-	29,262
Legal fees	4,193	8,786	206	13,185
Meals and entertainment	13,325	14,244	938	28,507
Other expenses	583	39,653	190	40,426
Permits	92	923	25,756	26,771
Photography	3,390	-	2,013	5,403
Postage and shipping	7,776	12,787	13,806	34,369
Printing and publications	12,782	21,659	51,202	85,643
Professional development	9,361	7,604	7,686	24,651
Salary and benefits	699,390	556,222	418,099	1,673,711
Rentals	35,898	12,083	-	47,981
Repairs and maintenance	70,955	19,128	170	90,253
Security	97,071	9,332	360	106,763
Signage	18,404	553	47	19,004
Storage	5,961	1,164	-	7,125
Supplies	76,008	14,464	3,571	94,043
Travel	110,926	22,546	10,600	144,072
Utilities	165,182	35,838	-	201,020
	<u>\$ 2,095,411</u>	<u>\$ 1,173,638</u>	<u>\$ 844,603</u>	<u>\$ 4,113,652</u>

See accompanying notes to consolidated financial statements.