

Holocaust Museum Houston
Consolidated Financial Statements and Supplementary Schedules
For the Fiscal Years Ended June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Holocaust Museum Houston

To the Board of Directors of
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 (a nonprofit corporation), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, 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 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.

To the Board of Trustees of
Holocaust Museum Houston

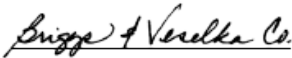
To the Board of Directors of
Holocaust Museum Houston Foundation
Re: Independent Auditors' Report

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, 2018 and 2017, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedules I – III are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit 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

October 18, 2018

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 8,123,637	\$ 4,697,890
Pledges receivable – capital campaign, net	18,821,215	18,819,549
Pledges receivable – other, net	290,796	1,302,235
Inventory, net	26,260	32,637
Prepaid expenses and other assets	57,867	63,753
Investments	9,824,236	8,793,285
Property and equipment, net	14,132,217	6,893,378
Collections	-	-
TOTAL ASSETS	<u>\$ 51,276,228</u>	<u>\$ 40,602,727</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 2,154,798	\$ 800,854
Deferred revenue	10,250	2,649
Note payable	572,115	572,115
Total liabilities	<u>2,737,163</u>	<u>1,375,618</u>
Net assets		
Unrestricted	14,575,573	6,446,028
Unrestricted – Board-designated	5,746,698	5,712,916
Temporarily restricted	24,536,356	24,511,242
Permanently restricted	3,680,438	2,556,923
Total net assets	<u>48,539,065</u>	<u>39,227,109</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 51,276,228</u>	<u>\$ 40,602,727</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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues				
Contributions	\$ 978,106	\$ 403,661	\$ 1,088,693	\$ 2,470,460
Contributions – capital campaign, net	-	10,041,865	34,822	10,076,687
Special events, net (revenues of \$2,512,328 less expenses of \$599,186)	1,913,142	-	-	1,913,142
Membership fees	359,980	-	-	359,980
Admissions, tours and programs	119,048	-	-	119,048
Book sales	48,488	-	-	48,488
Rental and other income	127,538	-	-	127,538
Investment return, net	355,919	181,691	-	537,610
	<u>3,902,221</u>	<u>10,627,217</u>	<u>1,123,515</u>	<u>15,652,953</u>
Net assets released from restrictions	<u>10,602,103</u>	<u>(10,602,103)</u>	<u>-</u>	<u>-</u>
Total support and revenues	14,504,324	25,114	1,123,515	15,652,953
Expenses				
Program services	3,293,798	-	-	3,293,798
Management and general	1,104,415	-	-	1,104,415
Fundraising	1,942,784	-	-	1,942,784
Total expenses	<u>6,340,997</u>	<u>-</u>	<u>-</u>	<u>6,340,997</u>
Change in net assets	<u>8,163,327</u>	<u>25,114</u>	<u>1,123,515</u>	<u>9,311,956</u>
Net assets, beginning of year	<u>12,158,944</u>	<u>24,511,242</u>	<u>2,556,923</u>	<u>39,227,109</u>
NET ASSETS, END OF YEAR	<u>\$ 20,322,271</u>	<u>\$ 24,536,356</u>	<u>\$ 3,680,438</u>	<u>\$ 48,539,065</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues				
Contributions	\$ 884,536	\$ 1,480,556	\$ 83,950	\$ 2,449,042
Contributions – capital campaign, net	-	23,715,989	193,653	23,909,642
Special events, net (revenues of \$1,830,586 less expenses of \$247,605)	1,582,980	-	-	1,582,980
Membership fees	314,979	-	-	314,979
Admissions, tours and programs	305,633	-	-	305,633
Book sales	107,833	-	-	107,833
Rental and other income	234,160	-	-	234,160
Investment return, net	637,349	311,822	-	949,171
	<u>4,067,470</u>	<u>25,508,367</u>	<u>277,603</u>	<u>29,853,440</u>
Net assets released from restrictions	<u>6,120,558</u>	<u>(6,120,558)</u>	<u>-</u>	<u>-</u>
Total support and revenues	10,188,028	19,387,809	277,603	29,853,440
Expenses				
Program services	6,079,061	-	-	6,079,061
Management and general	1,085,674	-	-	1,085,674
Fundraising	1,950,195	-	-	1,950,195
Total expenses	<u>9,114,930</u>	<u>-</u>	<u>-</u>	<u>9,114,930</u>
Change in net assets before building impairment	1,073,098	19,387,809	277,603	20,738,510
Building impairment	<u>492,420</u>	<u>-</u>	<u>-</u>	<u>492,420</u>
Change in net assets	580,678	19,387,809	277,603	20,246,090
Net assets, beginning of year	<u>11,578,266</u>	<u>5,123,433</u>	<u>2,279,320</u>	<u>18,981,019</u>
NET ASSETS, END OF YEAR	<u>\$ 12,158,944</u>	<u>\$ 24,511,242</u>	<u>\$ 2,556,923</u>	<u>\$ 39,227,109</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 9,311,956	\$ 20,246,090
Adjustments to reconcile change in net assets to net cash from operating activities:		
Bad debt expense	-	171,422
Change in discount on pledges	(126,538)	474,460
Change in reserve for slow moving inventory	(5,091)	(11,797)
Depreciation	277,468	214,794
Building impairment	-	492,420
Fair value of stock contributed	(1,077,674)	(315,209)
Contributions restricted for endowment	(1,123,515)	(277,603)
Contributions for capital campaign	(9,925,149)	(24,384,102)
Net realized and unrealized gain on investments	(252,393)	(768,901)
Changes in operating assets and liabilities:		
Pledges receivable – other	1,011,439	(724,205)
Inventory	11,468	28,903
Prepaid expenses and other assets	5,886	1,914
Accounts payable and accrued expenses	(261,418)	83,400
Deferred revenue	7,601	(2,984)
Net cash from operating activities	(2,145,960)	(4,771,398)
Cash flows from investing activities		
Purchases of property and equipment	(5,900,945)	(912,922)
Purchases of investments	(1,341,023)	(15,120,091)
Proceeds from sale of investments	1,640,139	15,321,409
Net cash from investing activities	(5,601,829)	(711,604)
Cash flows from financing activities		
Contributions restricted for endowment	1,123,515	277,603
Contributions for capital campaign	10,050,021	9,407,143
Net cash from financing activities	11,173,536	9,684,746
Net change in cash and cash equivalents	3,425,747	4,201,744
Cash and cash equivalents, beginning of year	4,697,890	496,146
Cash and cash equivalents, end of year	\$ 8,123,637	\$ 4,697,890
Supplemental cash flow information:		
Noncash investing and financing activities:		
Property purchases included in accounts payable	\$ 1,615,362	\$ 261,390

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

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 “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 Organization’s resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization 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. Restricted cash is limited in use to payment of costs of constructing and operating the Museum expansion and the related capital campaign (*see Note 13*).

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 net of a discount to reflect the present value of the estimated future cash flows of the pledges.

An allowance is made for uncollectible pledges receivable based on the Organization’s analysis of past collection experience and other judgmental factors. Based on these factors, the allowance for uncollectible pledges totaled \$147,378 and \$169,973 at June 30, 2018 and 2017, respectively.

Inventory – Inventory is valued at the lower of cost (moving weighted-average method) or net realizable value. Inventory is reported net of a reserve for slow-moving inventory of \$41,528 and \$46,619 at June 30, 2018 and 2017, respectively.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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. Donated marketable securities are recorded as contributions at their estimated fair market values at the date of donation. The Organization’s policy is to sell donated securities within a short period of time and to record the difference between the estimated fair value and the proceeds from the sale of the stock as a realized gain or loss and investment fees expense.

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 Organization capitalizes additions, improvements and permanent exhibits 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.

Impairment Loss of Long-Lived Assets – The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. At June 30, 2017, the Organization had plans for the current building from the core exhibit and memorial room north to be demolished in order to construct an expanded museum as a part of the capital campaign (*see Note 13*). The Organization recorded a building impairment loss of \$492,420, shown as a separate line item on the consolidated statement of activities and changes in net assets. Such assets were determined to be impaired by the percentage of square footage that will be demolished. There was no impairment loss recorded as of June 30, 2018.

Collections – The Organization’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, rather they are recorded as an expense in the period they are acquired. The Organization 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 Organization’s mission.

Deferred Revenue – The Organization accounts for revenues collected in the current period, but relating to future events, as deferred revenue.

Revenue Recognition – The Organization records contributions and revenue on an accrual basis. 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 Organization 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.

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.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Fair Value Measurements – The carrying amounts of pledges receivable and 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 Organization expensed \$60,379 and \$167,002 during the fiscal years ended June 30, 2018 and 2017, respectively.

Federal Income Tax – The Organization 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 Organization 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, 2018 and 2017. The Organization files annual federal information returns.

Uncertain tax positions are recognized in the financial statements only if that position is more-likely-than-not of being sustained upon examination by taxing authorities, based on the technical merits of the position. The Organization did not recognize any uncertain tax positions or any interest and penalties related to uncertain tax positions.

The Organization 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 allowance for uncollectible pledges receivable, discounted present value of future pledges, reserve for slow-moving inventory, and estimated useful life of property and equipment.

Functional Expenses – The costs of providing the Organization’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 – Investment securities consist primarily of mutual funds which could subject the Organization 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 – Financial instruments that potentially subject the Organization to a significant concentration of credit risk consists primarily of cash and cash equivalents. At times, the Organization maintains deposits in federally insured financial institutions in excess of federally insured limits. The Organization 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.

As of June 30, 2018, pledges from one donor accounted for approximately 46% of pledges receivable. One donor accounted for approximately 11% of contributions received in 2018. As of June 30, 2017, pledges from two donors accounted for approximately 67% of pledges receivable. One of these donors also accounted for approximately 55% of contributions received in 2017.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts With Customers (Topic 606)*, establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This update provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. This guidance is effective for annual reporting periods beginning after December 15, 2018, for nonpublic entities. The Organization is currently assessing the impact this new accounting standard and its subsequent amendments will have on its financial statements and related disclosures.

On February 25, 2016, the FASB issued its new lease accounting guidance in ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize for all leases (with the exception of short-term leases) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis and a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. For nonpublic entities, the new standard is effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Organization is evaluating the effect the guidance will have on its financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. Effective for not-for-profit organizations for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments is permitted. The Organization is currently evaluating the effect that the adoption of this standard would have on its financial statements and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This update provides guidance on how to record eight specific cash flow issues, and how the predominant principle should be applied when cash receipts and cash payments have more than one class of cash flows. This standard is effective for fiscal years beginning after December 15, 2018 and interim periods beginning after December 15, 2019, with early adoption permitted. Adoption will be applied retrospectively to all periods presented. The Organization is currently evaluating the effect that the adoption of this standard would have on its financial statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations (NFP)’s and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellations of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. With some exceptions, the guidance is effective for annual periods beginning after December 15, 2018 or December 15, 2019 if the NFP is a resource recipient or a resource provider, respectively.

NOTE 2 – CASH AND CASH EQUIVALENTS

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

	<u>2018</u>	<u>2017</u>
Demand deposits	\$ 1,602,770	\$ 229,227
Demand deposits restricted for the capital campaign	6,520,358	4,468,154
Money market funds	<u>509</u>	<u>509</u>
Total cash and cash equivalents	<u>\$ 8,123,637</u>	<u>\$ 4,697,890</u>

NOTE 3 – PLEDGES RECEIVABLE

In October 2014, the Organization’s Board of Trustees approved a capital campaign (*see Note 13*). Pledges receivable, net, consist mainly of pledges for the capital campaign, which total \$18,821,215 and \$18,819,549 at June 30, 2018 and 2017, respectively. The intention of the campaign is to expand and improve the permanent exhibits of the Organization and its building.

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

	<u>2018</u>	<u>2017</u>
Pledges receivable are expected to be collected as follows:		
Receivables in less than one year	\$ 6,176,999	\$ 6,034,490
Receivables in one to five years	12,587,584	12,830,666
Receivables in five to ten years	<u>1,025,000</u>	<u>2,083,333</u>
Total pledges receivable	19,789,583	20,948,489
Less: allowance for uncollectible pledges - capital campaign	(147,378)	(169,973)
Less: discount to present value	<u>(530,194)</u>	<u>(656,732)</u>
Total pledges receivable, net	<u>\$ 19,112,011</u>	<u>\$ 20,121,784</u>

Pledges receivable in more than one year are discounted to their present value at the time the pledge is made using the current U.S. Treasury security rate. The discount rates during 2018 and 2017 ranged from 1.0% - 2.5%.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 – 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 the Organization’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, 2018 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Blended equity mutual funds	\$ 2,980,703	\$ -	\$ -	\$ 2,980,703
Fixed income mutual funds	2,840,371	-	-	2,840,371
International equity mutual funds	1,870,990	-	-	1,870,990
Emerging markets mutual funds	897,988	-	-	897,988
Master limited partnership mutual funds	596,549	-	-	596,549
Real estate investment trust mutual funds	412,282	-	-	412,282
Commodities mutual funds	207,304	-	-	207,304
Exchange traded funds	11,976	-	-	11,976
Bonds	<u>6,073</u>	-	-	<u>6,073</u>
Total investments	<u>9,824,236</u>	-	-	<u>9,824,236</u>
Money market mutual funds held as cash equivalents				
	<u>509</u>	-	-	<u>509</u>
Total at fair value	<u>\$ 9,824,745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,824,745</u>

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Financial instruments measured at fair value on a recurring basis at June 30, 2017 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Blended equity mutual funds	\$ 2,669,682	\$ -	\$ -	\$ 2,669,682
Fixed income mutual funds	2,359,349	-	-	2,359,349
International equity mutual funds	1,713,845	-	-	1,713,845
Emerging markets mutual funds	970,020	-	-	970,020
Master limited partnership mutual funds	492,345	-	-	492,345
Real estate investment trust mutual funds	346,109	-	-	346,109
Commodities mutual funds	152,720	-	-	152,720
Government money market mutual funds	81,926	-	-	81,926
Bonds	-	7,289	-	7,289
Total investments	<u>8,785,996</u>	<u>7,289</u>	-	<u>8,793,285</u>
Money market mutual funds held as cash equivalents				
	<u>509</u>	<u>-</u>	<u>-</u>	<u>509</u>
Total at fair value	<u>\$ 8,786,505</u>	<u>\$ 7,289</u>	<u>\$ -</u>	<u>\$ 8,793,794</u>

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 Organization 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, 2018 and 2017.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 3,577,887	\$ 3,577,887
Building and building improvements	3,576,868	3,434,313
Furniture and equipment	1,692,264	1,376,597
Artwork	<u>136,364</u>	<u>96,364</u>
	8,983,383	8,485,161
Less: accumulated depreciation	<u>(3,532,222)</u>	<u>(3,473,323)</u>
Net depreciable assets	5,451,161	5,011,838
Construction in progress – Museum expansion	5,685,494	799,455
Construction in progress – permanent exhibits and other	<u>2,995,562</u>	<u>1,082,085</u>
	\$ 14,132,217	\$ 6,893,378

Depreciation expense amounted to \$277,468 and \$214,794 for the fiscal years ended June 30, 2018 and 2017, respectively.

NOTE 6 – INVESTMENT RETURN

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

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 308,679	\$ 192,925
Realized and unrealized gain on investments	252,393	768,901
Custodial and management fees	<u>(23,462)</u>	<u>(12,655)</u>
	\$ 537,610	\$ 949,171

NOTE 7 – LINE OF CREDIT

The Organization has a \$500,000 unsecured line of credit agreement with a bank due December 24, 2018 with interest calculated at the Prime Rate (5.00% and 4.25% at June 30, 2018 and 2017, respectively). At June 30, 2018 and 2017, there were no advances outstanding or accrued interest on the line of credit. This line of credit was subsequently terminated August 14, 2018.

On March 7, 2018, the Organization entered into a \$500,000 unsecured line of credit agreement with another bank. The line of credit has a maturity date of March 7, 2021 and bears interest at the Prime Rate (5.00% at June 30, 2018). At June 30, 2018 there were no advances outstanding or accrued interest on the line of credit.

On April 4, 2018, the Organization entered into a \$15,000,000 revolving line of credit agreement with a bank, maturing April 4, 2028 to finance the construction and campaign operations of the Capital Campaign (Note 13). The note bears interest at a fixed rate of 3.50% through April 4, 2023. Commencing on April 5, 2023 interest accrues at a fixed rate equal to the sum of the Treasury Rate in effect on April 5, 2023 plus 1.50%. The Organization has the option if exercised between February 5 and March 5, 2023 of accruing interest at a varying rate equal to 30-day LIBOR plus 1.50%.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Advances can be drawn until October 4, 2020, at which time the line of credit will convert to a traditional note. Monthly interest payments will be made through April 1, 2023. Monthly principal and interest payments will be made beginning May 1, 2023. The note is secured by Capital Campaign proceeds and pledges excluding those designated by their donor to be endowed. At June 30, 2018, there were no advances outstanding or accrued interest on the note.

NOTE 8 – NOTE PAYABLE

In January 2009, the Organization entered into an agreement to purchase from the city of Houston (the “City”), a public street right-of-way easement in the amount of \$572,115. 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. Effective October 26, 2016, the Organization entered into a new development and construction agreement with the City, whereby the Organization will complete certain improvements to the public space outside of the Clayton Library in return for complete forgiveness of the debt and accrued interest due. The agreement is in force for three years or until the Organization completes the improvements, whichever comes first, extending the maturity date to October 26, 2019. The improvements will be transferred to the City within 30 days after final completion and acceptance by the City, and the note payable of \$527,115, along with its accrued interest of \$135,523, will be forgiven in full.

At June 30, 2018 and 2017, the balance on the note payable was \$572,115. The Organization also has accrued interest on the note payable prior to January 9, 2014, at 8% as called for under the original agreement.

In accordance with the extension agreement, the Organization has not accrued interest after January 9, 2014. Accordingly, the Organization has recorded total accrued interest on the note payable of \$135,523 at June 30, 2018 and 2017, which is included in accounts payable and accrued expenses on the consolidated statements of financial position.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Capital campaign – Museum expansion	\$ 23,491,883	\$ 22,584,591
General operations - time restricted	-	950,000
Educational programs	661,382	655,422
Lecture series	116,518	103,123
Conservation	106,458	100,865
Visitor and volunteer services	94,584	48,037
Exhibits	9,898	19,874
Other	<u>55,633</u>	<u>49,330</u>
Total temporarily restricted net assets	<u>\$ 24,536,356</u>	<u>\$ 24,511,242</u>

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 10 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the fiscal years ended June 30, 2018 and 2017 by incurring expenses satisfying the restricted purposes specified by the donor as follows:

	<u>2018</u>	<u>2017</u>
Capital campaign	\$ 9,134,574	\$ 5,510,105
General operations - time restricted	950,000	-
Educational programs	355,899	352,673
Lecture series	11,807	108,536
Conservation	19,836	7,891
Visitor and volunteer services	17,757	69,653
Exhibits	78,669	51,490
Other	<u>33,561</u>	<u>20,210</u>
Total net assets released from restrictions	<u>\$ 10,602,103</u>	<u>\$ 6,120,558</u>

NOTE 11 – PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Teacher education	\$ 2,243,028	\$ 1,274,551
Visitors	465,160	315,878
Conservation	311,215	311,215
Garden	200,000	200,000
Yom Ha'Shoah program	143,002	143,002
Lecture series	117,305	117,205
Docent program	100,765	100,665
Exhibits	41,953	40,000
Other	<u>58,010</u>	<u>54,407</u>
Total permanently restricted net assets	<u>\$ 3,680,438</u>	<u>\$ 2,556,923</u>

NOTE 12 – 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.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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.

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, 2018 and 2017.

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:

	Unrestricted – Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2016	\$ 5,444,820	\$ 553,469	\$ 2,279,320	\$ 8,277,609
Investment return				
Interest and dividends	130,530	62,395	-	192,925
Net realized and unrealized gain	<u>506,819</u>	<u>249,427</u>	<u>-</u>	<u>756,246</u>
Total investment return	637,349	311,822	-	949,171
Contributions	-	81,994	277,603	359,597
Operating expenses	(63,504)	-	-	(63,504)
Releases of Board-designated funds	(305,749)	-	-	(305,749)
Appropriations for expenditure	<u>-</u>	<u>(92,961)</u>	<u>-</u>	<u>(92,961)</u>
Endowment net assets, June 30, 2017	5,712,916	854,324	2,556,923	9,124,163

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

	Unrestricted – Board Designated	Temporarily Restricted	Permanently Restricted	Total
Investment return				
Interest and dividends	184,148	107,695	-	291,843
Net realized and unrealized gain	154,935	73,996	-	228,931
Total investment return	339,083	181,691	-	520,774
Contributions	-	42,902	1,123,515	1,166,417
Operating expenses	(51,689)	-	-	(51,689)
Releases of Board-designated funds	(253,612)	-	-	(253,612)
Appropriations for expenditure	-	(149,648)	-	(149,648)
Endowment net assets, June 30, 2018	<u>\$ 5,746,698</u>	<u>\$ 929,269</u>	<u>\$ 3,680,438</u>	<u>\$ 10,356,405</u>

Endowment net asset compositions as of June 30 are as follows:

	Unrestricted – Board Designated	Temporarily Restricted	Permanently Restricted	Total
June 30, 2018				
Board-designated endowment funds	\$ 5,746,698	\$ -	\$ -	\$ 5,746,698
Donor-restricted endowment funds	-	929,269	3,680,438	4,609,707
Total endowment net assets	<u>\$ 5,746,698</u>	<u>\$ 929,269</u>	<u>\$ 3,680,438</u>	<u>\$ 10,356,405</u>
June 30, 2017				
Board-designated endowment funds	\$ 5,712,916	\$ -	\$ -	\$ 5,712,916
Donor-restricted endowment funds	-	854,324	2,556,923	3,411,247
Total endowment net assets	<u>\$ 5,712,916</u>	<u>\$ 854,324</u>	<u>\$ 2,556,923</u>	<u>\$ 9,124,163</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.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 are 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.

NOTE 13 – CAPITAL CAMPAIGN

In October 2014, the Organization entered into a capital campaign to fund the expansion and improvement of the permanent exhibits of the Organization and its building. The goal of the capital campaign is to raise approximately \$49,400,000, with \$33,800,000 to be used for construction related costs, \$11,700,000 for an endowment to be used to cover future operating expenses of the Organization, and approximately \$3,900,000 for campaign operations. Unless otherwise directed by the donor, all contributions to the capital campaign are to be recorded as temporarily restricted net assets until the funds are expended. Any unexpended funds will be transferred to the Foundation’s quasi-endowment fund and recorded as unrestricted – board-designated net assets.

In August 2017, the Organization relocated into a temporary space and began the construction phase of the expansion and improvement of the permanent exhibits of the Organization and its building. The Organization has entered into multi-year contracts with design firms and a construction company for this phase. These contracts may be terminated at any time with proper written notice. At June 30, 2018 and 2017, the Organization has incurred approximately \$8,322,000 and \$1,279,000, respectively, of design, architectural and construction expenses, which are reported within construction in progress.

During the fiscal years ended June 30, 2018 and 2017, the Organization received pledges in connection with the capital campaign of \$9,925,149 and \$24,384,102, respectively, which have been recorded as temporarily or permanently restricted net assets. During the fiscal year ended June 30, 2017, the Organization also received donations of collections valued at approximately \$3,600,000, to be displayed in the expanded museum. The Organization does not capitalize its collections (*see Notes 1 and 14*). At June 30, 2018 and 2017, the Organization has pledges receivable – capital campaign, net of \$18,821,215 and \$18,819,549, respectively (*see Note 3*).

The capital campaign contributions reported in the consolidated statements of activities and changes in net assets consists of the following for the fiscal years ended June 30:

	<u>2018</u>	<u>2017</u>
Pledges and contributions – temporarily restricted	\$ 9,920,149	\$ 20,612,802
Pledges and contributions – permanently restricted	30,000	180,000
Pledges and contributions – in-kind contributions	-	3,591,300
Change in discount on pledges – temporarily restricted	121,716	(488,113)
Change in discount on pledges – permanently restricted	<u>4,822</u>	<u>13,653</u>
Total capital campaign contributions, net	<u>\$ 10,076,687</u>	<u>\$ 23,909,642</u>

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 14 – IN-KIND CONTRIBUTIONS

Individuals and other organizations have provided or donated property, materials, and services to the Organization 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 collections that are recorded as contributions in temporarily restricted net assets, at their estimated fair value during the fiscal years ended June 30:

	<u>2018</u>	<u>2017</u>
Advertising	\$ 47,012	\$ 60,691
Audio visual services	25,763	17,500
Catering	5,001	9,937
Collections	-	3,591,300
Contract services	604	8,987
Design services	1,831	-
Honorariums	225,525	-
Other	10,000	-
Rentals	200	-
Travel - non staff	73,300	-
Vehicle	<u>25,000</u>	<u>-</u>
Total in-kind contributions	<u>\$ 414,236</u>	<u>\$ 3,688,415</u>

NOTE 15 – LEASING ACTIVITIES

The Organization currently leases a portion of its parking lot under short-term noncancelable operating leases. During the fiscal years ended June 30, 2018 and 2017, the Organization recorded \$30,418 and \$32,560, respectively, of rental income in rental and other income on the consolidated statements of activities and changes in net assets.

In February 2014, the Organization entered into a five-year 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 Organization collects 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, 2018 and 2017, the Organization recorded \$88,296 and \$119,105, respectively, of rental income in rental and other income on the consolidated statements of activities and changes in net assets.

Effective August 4, 2017, the Museum relocated operations to a temporary space, which is leased for 36 months, beginning August 1, 2017, with monthly rent of \$24,006. The Museum has the right to cancel the lease, without penalty, following the 20th month with 60 days' notice. The Museum opened to the public in its temporary space effective October 20, 2017. Total lease expense at June 30, 2018 was approximately \$289,000.

NOTE 16 – RETIREMENT PLANS

The Organization has a §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 Organization 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.

The Organization made a contribution to its 403(b) plan of approximately \$74,000 and \$70,000 during the fiscal years ended June 30, 2018 and 2017, respectively, which is included in salary and benefits on the consolidated statements of functional expenses.

NOTE 17 – 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. No contributions and/or transfers were made by the Museum to the Foundation during the fiscal years ended June 30, 2018 and 2017.

The Foundation also makes periodic grants to the Museum to support Museum operations. The Foundation's distributions to the Museum totaled \$454,949 and \$462,214 during the fiscal years ended June 30, 2018 and 2017, respectively. These transactions are eliminated within consolidation.

NOTE 18 – RELATED PARTY TRANSACTIONS

During the fiscal years ended June 30, 2018 and 2017, a member of the Board of Trustees contributed \$17,500 of audio visual services (*see Note 14*) which are included as unrestricted contributions on the consolidated statements of activities and changes in net assets.

During the fiscal years ended June 30, 2018 and 2017, \$555,000 and \$491,000, respectively, of the contributions received related to the capital campaign were from Board of Trustees members. At June 30, 2018 and 2017, the pledges receivable – capital campaign, net, from all Board of Trustee members amounted to \$1,169,505 and \$791,611.

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 18, 2018, the date which the financial statements were available to be issued. Except as disclosed below, management has determined there are no other subsequent events that require disclosure in these financial statements.

Subsequent to year-end, the Organization had received approximately \$1,778,000 of additional pledges associated with the capital campaign described in *Note 13* that have not been recorded in the financial statements for the fiscal year ended June 30, 2018.

HOLOCAUST MUSEUM HOUSTON
SCHEDULE I – CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

	<u>Museum</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
ASSETS				
Cash and cash equivalents	\$ 7,922,105	\$ 201,532	\$ -	\$ 8,123,637
Pledges receivable – capital campaign, net	18,462,926	358,289	-	18,821,215
Pledges receivable – other, net	274,596	16,200	-	290,796
Inventory, net	26,260	-	-	26,260
Prepaid expenses and other assets	57,867	-	-	57,867
Due from affiliate	37,862	83	(37,945)	-
Investments	6,073	9,818,163	-	9,824,236
Property and equipment, net	14,132,217	-	-	14,132,217
Collections	-	-	-	-
TOTAL ASSETS	<u><u>\$ 40,919,906</u></u>	<u><u>\$ 10,394,267</u></u>	<u><u>\$ (37,945)</u></u>	<u><u>\$ 51,276,228</u></u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 2,154,798	\$ -	\$ -	\$ 2,154,798
Due to affiliate	83	37,862	(37,945)	-
Deferred revenue	10,250	-	-	10,250
Note payable	<u>572,115</u>	<u>-</u>	<u>-</u>	<u>572,115</u>
Total liabilities	<u>2,737,246</u>	<u>37,862</u>	<u>(37,945)</u>	<u>2,737,163</u>
Net assets				
Unrestricted	14,575,573	-	-	14,575,573
Unrestricted – Board-designated	-	5,746,698	-	5,746,698
Temporarily restricted	23,607,087	929,269	-	24,536,356
Permanently restricted	<u>-</u>	<u>3,680,438</u>	<u>-</u>	<u>3,680,438</u>
Total net assets	<u><u>38,182,660</u></u>	<u><u>10,356,405</u></u>	<u><u>-</u></u>	<u><u>48,539,065</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 40,919,906</u></u>	<u><u>\$ 10,394,267</u></u>	<u><u>\$ (37,945)</u></u>	<u><u>\$ 51,276,228</u></u>

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HOLOCAUST MUSEUM HOUSTON
SCHEDULE I – CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

	<u>Museum</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
ASSETS				
Cash and cash equivalents	\$ 4,679,099	\$ 18,791	\$ -	\$ 4,697,890
Pledges receivable – capital campaign, net	18,442,269	377,280	-	18,819,549
Pledges receivable – other, net	1,300,152	2,083	-	1,302,235
Inventory, net	32,637	-	-	32,637
Prepaid expenses and other assets	63,753	-	-	63,753
Due from affiliate	68,581	1,305	(69,886)	-
Investments	-	8,793,285	-	8,793,285
Property and equipment, net	6,893,378	-	-	6,893,378
Collections	-	-	-	-
TOTAL ASSETS	<u>\$ 31,479,869</u>	<u>\$ 9,192,744</u>	<u>\$ (69,886)</u>	<u>\$ 40,602,727</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 800,854	\$ -	\$ -	\$ 800,854
Due to affiliate	1,305	68,581	(69,886)	-
Deferred revenue	2,649	-	-	2,649
Note payable	<u>572,115</u>	<u>-</u>	<u>-</u>	<u>572,115</u>
Total liabilities	<u>1,376,923</u>	<u>68,581</u>	<u>(69,886)</u>	<u>1,375,618</u>
Net assets				
Unrestricted	6,446,028	-	-	6,446,028
Unrestricted – Board-designated	-	5,712,916	-	5,712,916
Temporarily restricted	23,656,918	854,324	-	24,511,242
Permanently restricted	<u>-</u>	<u>2,556,923</u>	<u>-</u>	<u>2,556,923</u>
Total net assets	<u>30,102,946</u>	<u>9,124,163</u>	<u>-</u>	<u>39,227,109</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 31,479,869</u>	<u>\$ 9,192,744</u>	<u>\$ (69,886)</u>	<u>\$ 40,602,727</u>

See independent auditors' report

HOLOCAUST MUSEUM HOUSTON
**SCHEDULE II – CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Museum			Foundation			Eliminations	Consolidated Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted Board-designated	Temporarily Restricted	Permanently Restricted		
Support and revenues								
Contributions	\$ 1,419,166	360,759	\$ -	\$ -	\$ 42,902	\$ 1,088,693	\$ (441,060)	\$ 2,470,460
Contributions – capital campaign, net	-	10,041,865	-	-	-	34,822	-	10,076,687
Special events, net	1,913,142	-	-	-	-	-	-	1,913,142
Membership fees	359,980	-	-	-	-	-	-	359,980
Admissions, tours and programs	119,048	-	-	-	-	-	-	119,048
Book sales	48,488	-	-	-	-	-	-	48,488
Rental and other income	127,538	-	-	-	-	-	-	127,538
Investment return, net	16,836	-	-	339,083	181,691	-	-	537,610
	4,004,198	10,402,624	-	339,083	224,593	1,123,515	(441,060)	15,652,953
Net assets released from restrictions	10,452,455	(10,452,455)	-	149,648	(149,648)	-	-	-
Total support and revenues	14,456,653	(49,831)	-	488,731	74,945	1,123,515	(441,060)	15,652,953
Expenses								
Program services	3,293,798	-	-	-	-	-	-	3,293,798
Management and general	1,090,526	-	-	454,949	-	-	(441,060)	1,104,415
Fundraising	1,942,784	-	-	-	-	-	-	1,942,784
Total expenses	6,327,108	-	-	454,949	-	-	(441,060)	6,340,997
Change in net assets	8,129,545	(49,831)	-	33,782	74,945	1,123,515	-	9,311,956
Net assets, beginning of year	6,446,028	23,656,918	-	5,712,916	854,324	2,556,923	-	39,227,109
NET ASSETS, END OF YEAR	<u>\$14,575,573</u>	<u>\$23,607,087</u>	<u>\$ -</u>	<u>\$ 5,746,698</u>	<u>\$ 929,269</u>	<u>\$ 3,680,438</u>	<u>\$ -</u>	<u>\$ 48,539,065</u>

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HOLOCAUST MUSEUM HOUSTON

SCHEDULE II – CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Museum			Foundation			Eliminations	Consolidated Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted Board-designated	Temporarily Restricted	Permanently Restricted		
Support and revenues								
Contributions	\$ 1,320,891	\$ 1,398,562	\$ -	\$ -	\$ 81,994	\$ 83,950	\$ (436,355)	\$ 2,449,042
Contributions – capital campaign, net	-	23,715,989	-	-	-	193,653	-	23,909,642
Special events, net	1,582,980	-	-	-	-	-	-	1,582,980
Membership fees	314,979	-	-	-	-	-	-	314,979
Admissions, tours and programs	305,633	-	-	-	-	-	-	305,633
Book sales	107,833	-	-	-	-	-	-	107,833
Rental and other income	234,160	-	-	-	-	-	-	234,160
Investment return, net	-	-	-	637,349	311,822	-	-	949,171
	3,866,476	25,114,551	-	637,349	393,816	277,603	(436,355)	29,853,440
Net assets released from restrictions	6,027,597	(6,027,597)	-	92,961	(92,961)	-	-	-
Total support and revenues	9,894,073	19,086,954	-	730,310	300,855	277,603	(436,355)	29,853,440
Expenses								
Program services	6,079,061	-	-	-	-	-	-	6,079,061
Management and general	1,059,815	-	-	462,214	-	-	(436,355)	1,085,674
Fundraising	1,950,195	-	-	-	-	-	-	1,950,195
Total expenses	9,089,071	-	-	462,214	-	-	(436,355)	9,114,930
Change in net assets before building impairment	805,002	19,086,954	-	268,096	300,855	277,603	-	20,738,510
Building impairment	492,420	-	-	-	-	-	-	492,420
Change in net assets	312,582	19,086,954	-	268,096	300,855	277,603	-	20,246,090
Net assets, beginning of year	6,133,446	4,569,964	-	5,444,820	553,469	2,279,320	-	18,981,019
NET ASSETS, END OF YEAR	<u>\$ 6,446,028</u>	<u>\$ 23,656,918</u>	<u>\$ -</u>	<u>\$ 5,712,916</u>	<u>\$ 854,324</u>	<u>\$ 2,556,923</u>	<u>\$ -</u>	<u>\$ 39,227,109</u>

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HOLOCAUST MUSEUM HOUSTON
SCHEDULE III – CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total
Advertising	\$ 6,290	\$ 5,505	\$ 48,584	\$ 60,379
Audio visual	36,365	579	143,263	180,207
Awards	17,697	10,436	19,106	47,239
Bank and merchant fees	268	58,090	-	58,358
Catering	99,245	17,668	16,088	133,001
Computer services and software	77,530	48,137	93,088	218,755
Contract services	595,870	54,899	107,151	757,920
Depreciation	234,342	31,784	11,342	277,468
Dues and subscriptions	15,719	19,776	29,632	65,127
Education sponsorships	5,052	-	-	5,052
Equipment	9,455	3,812	1,518	14,785
Honorariums	55,808	-	500	56,308
Insurance	57,348	11,328	3,876	72,552
Inventory	18,986	-	-	18,986
Janitorial	18,580	12,994	-	31,574
Legal fees	-	7,500	4,628	12,128
Meals and entertainment	17,204	10,768	18,337	46,309
Other expenses	1,559	28,154	86,160	115,873
Permits	2,343	1,145	-	3,488
Photography	10,788	-	5,194	15,982
Postage and shipping	37,018	3,689	26,385	67,092
Printing and publications	30,282	13,738	97,893	141,913
Professional development	18,385	6,809	7,782	32,976
Salary and benefits	1,184,960	606,721	1,130,450	2,922,131
Rentals	287,770	44,541	8,545	340,856
Repairs and maintenance	25,016	3,109	-	28,125
Security	101,755	14,314	135	116,204
Signage	10,655	4,597	1,225	16,477
Storage	16,965	27,039	-	44,004
Supplies	20,154	13,236	18,006	51,396
Travel	157,142	16,753	59,696	233,591
Utilities	113,247	27,294	4,200	144,741
Total expenses	<u>\$ 3,293,798</u>	<u>\$ 1,104,415</u>	<u>\$ 1,942,784</u>	<u>\$ 6,340,997</u>

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HOLOCAUST MUSEUM HOUSTON**SCHEDULE III – CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 39,004	\$ 68,887	\$ 59,111	\$ 167,002
Audio visual	2,330	8,335	163,008	173,673
Awards	5,319	6,449	23,178	34,946
Bad debt expense	-	-	171,422	171,422
Bank and merchant fees	226	48,816	-	49,042
Catering	44,217	17,219	15,271	76,707
Collections	3,591,300	-	-	3,591,300
Computer services and software	64,325	40,826	57,313	162,464
Contract services	206,979	88,635	187,980	483,594
Depreciation	171,397	29,491	13,906	214,794
Dues and subscriptions	12,890	13,516	24,845	51,251
Education sponsorships	17,975	-	-	17,975
Equipment	4,690	2,119	55	6,864
Honorariums	79,615	-	30,500	110,115
Insurance	54,357	22,712	2,140	79,209
Inventory	50,170	91	-	50,261
Janitorial	17,757	13,598	-	31,355
Legal fees	6,747	9,634	-	16,381
Meals and entertainment	8,614	10,991	12,833	32,438
Other expenses	1,377	12,461	45,527	59,365
Permits	586	1,108	-	1,694
Photography	11,234	-	3,282	14,516
Postage and shipping	41,234	7,109	20,006	68,349
Printing and publications	26,952	15,272	52,693	94,917
Professional development	9,872	5,030	9,112	24,014
Salary and benefits	1,175,730	543,504	1,030,300	2,749,534
Rentals	30,356	40,232	1,097	71,685
Repairs and maintenance	49,301	6,018	-	55,319
Security	76,327	11,738	288	88,353
Signage	5,985	297	914	7,196
Storage	24,486	13,192	-	37,678
Supplies	19,686	8,609	15,834	44,129
Travel	87,161	7,172	5,380	99,713
Utilities	<u>140,862</u>	<u>32,613</u>	<u>4,200</u>	<u>177,675</u>
Total expenses	<u>\$ 6,079,061</u>	<u>\$ 1,085,674</u>	<u>\$ 1,950,195</u>	<u>\$ 9,114,930</u>

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