

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

HOLOCAUST MUSEUM HOUSTON
Houston, Texas

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Holocaust Museum Houston

To the Board of Directors of
Holocaust Museum Houston Foundation

Houston, Texas

Opinion

We have audited the consolidated financial statements of Holocaust Museum Houston (a nonprofit corporation) and Holocaust Museum Houston Foundation (a nonprofit corporation) (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

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 and Consolidating Statements of Activities and Changes in Net Assets are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations 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 consolidating 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.



Crowe LLP

Houston, Texas
November 28, 2023

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 244,488	\$ 623,897
Pledges receivable		
Capital campaign, net	1,526,740	2,802,887
Other, net	1,622,078	677,812
Employee retention credit receivable	299,855	717,363
Inventory, net	71,071	60,152
Prepaid expenses and other assets	417,845	285,147
Investments	11,739,441	10,443,489
Property and equipment, net	<u>35,636,686</u>	<u>37,307,712</u>
 Total assets	 <u>\$ 51,558,204</u>	 <u>\$ 52,918,459</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 339,980	\$ 400,317
Lines of credit	5,150,336	5,860,000
Deferred revenue	<u>244,162</u>	<u>-</u>
Total liabilities	5,734,478	6,260,317
Net assets		
Without donor restrictions	36,313,503	39,544,262
With donor restrictions	<u>9,510,223</u>	<u>7,113,880</u>
Total net assets	<u>45,823,726</u>	<u>46,658,142</u>
 Total liabilities and net assets	 <u>\$ 51,558,204</u>	 <u>\$ 52,918,459</u>

See accompanying notes to consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Contributions	\$ 1,194,895	\$ 3,000,084	\$ 4,194,979
Special events, net (revenues of \$2,370,851 less expenses of \$717,757)	1,653,094	-	1,653,094
Membership fees	294,399	-	294,399
Admissions, tours, and programs	454,879	-	454,879
Merchandise sales	101,262	-	101,262
Rental and other income	202,810	-	202,810
Employee retention credit	299,855	-	299,855
Investment return, net	376,750	723,506	1,100,256
	<u>4,577,944</u>	<u>3,723,590</u>	<u>8,301,534</u>
Net assets released from donor restrictions	<u>1,327,247</u>	<u>(1,327,247)</u>	<u>-</u>
 Total support and revenues	 5,905,191	 2,396,343	 8,301,534
 Expenses			
Program services	5,830,623	-	5,830,623
Management and general	1,774,900	-	1,774,900
Fundraising	1,530,427	-	1,530,427
Total expenses	<u>9,135,950</u>	<u>-</u>	<u>9,135,950</u>
 Change in net assets	 (3,230,759)	 2,396,343	 (834,416)
 Net assets, beginning of fiscal year	 <u>39,544,262</u>	 <u>7,113,880</u>	 <u>46,658,142</u>
 Net assets, end of fiscal year	 <u><u>\$ 36,313,503</u></u>	 <u><u>\$ 9,510,223</u></u>	 <u><u>\$ 45,823,726</u></u>

See accompanying notes to consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Contributions	\$ 1,551,034	\$ 1,500,068	\$ 3,051,102
Special events, net (revenues of \$2,784,205 less expenses of \$683,887)	2,100,318	-	2,100,318
Membership fees	495,980	-	495,980
Admissions, tours, and programs	498,155	-	498,155
Merchandise sales	139,535	-	139,535
Rental and other income	153,168	-	153,168
Employee retention credit	280,840	-	280,840
Investment loss, net	(741,542)	(1,016,366)	(1,757,908)
Forgiveness of note payable and interest	<u>707,638</u>	<u>-</u>	<u>707,638</u>
	5,185,126	483,702	5,668,828
Net assets released from donor restrictions	<u>1,227,609</u>	<u>(1,227,609)</u>	<u>-</u>
 Total support and revenues	 6,412,735	 (743,907)	 5,668,828
 Expenses			
Program services	5,605,365	-	5,605,365
Management and general	1,803,842	-	1,803,842
Fundraising	<u>1,709,787</u>	<u>-</u>	<u>1,709,787</u>
Total expenses	<u>9,118,994</u>	<u>-</u>	<u>9,118,994</u>
 Change in net assets	 (2,706,259)	 (743,907)	 (3,450,166)
 Net assets, beginning of fiscal year	 <u>42,250,521</u>	 <u>7,857,787</u>	 <u>50,108,308</u>
 Net assets, end of fiscal year	 <u>\$ 39,544,262</u>	 <u>\$ 7,113,880</u>	 <u>\$ 46,658,142</u>

See accompanying notes to consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2023

	Program Services			Total Program Services	Supporting Services		Total
	Exhibitions	Education	Other		Management and General	Fundraising	
Salaries and benefits	\$ 711,680	\$ 658,779	\$ 839,462	\$ 2,209,921	\$ 888,853	\$ 998,250	\$ 4,097,024
Advertising	127,276	1,000	2,748	131,024	22,540	50,123	203,687
Audiovisual	-	150	100	250	-	-	250
Awards	420	680	2,797	3,897	6,776	14,439	25,112
Bad debt expense	-	-	-	-	2,515	2,486	5,001
Bank and merchant fees	3	-	24	27	84,023	187	84,237
Catering	18,125	30,902	20,272	69,299	12,503	29,592	111,394
Computer services and software	42,937	22,754	69,078	134,769	61,309	84,715	280,793
Contract services	255,252	77,440	64,259	396,951	102,870	106,616	606,437
Depreciation	1,208,642	138,975	227,129	1,574,746	156,162	63,152	1,794,060
Dues and subscriptions	7,135	3,866	6,094	17,095	14,557	7,722	39,374
Education sponsorships	-	949	435	1,384	-	-	1,384
Equipment	10,286	1,397	2,603	14,286	1,177	1,389	16,852
Honorariums	100	45,594	6,784	52,478	-	530	53,008
Insurance	103,885	17,049	30,161	151,095	31,793	9,802	192,690
Interest expense	-	-	-	-	220,977	-	220,977
Janitorial	66,545	11,556	20,906	99,007	11,882	4,819	115,708
Legal fees	-	850	-	850	-	-	850
Meals and entertainment	2,797	5,562	4,478	12,837	15,915	5,045	33,797
Permits	-	-	-	-	818	-	818
Photography	3,200	1,550	2,525	7,275	1,000	8,000	16,275
Postage and shipping	90,997	413	1,613	93,023	4,345	34,559	131,927
Printing and publications	18,714	10,681	8,015	37,410	20,926	67,505	125,841
Professional development	1,424	6,559	3,119	11,102	10,832	1,315	23,249
Rentals	109,647	16,076	7,836	133,559	8,589	9,074	151,222
Repairs and maintenance	95,188	16,646	30,144	141,978	16,996	6,892	165,866
Security	17,172	2,982	5,389	25,543	3,253	1,243	30,039
Signage	11,575	1,330	156	13,061	1,023	4,744	18,828
Storage	37,823	-	4,410	42,233	14,141	-	56,374
Store cost of sales	-	-	70,877	70,877	-	-	70,877
Supplies	7,298	25,884	7,571	40,753	13,347	2,966	57,066
Travel	47,113	115,821	9,929	172,863	8,196	4,826	185,885
Utilities	97,953	19,484	31,337	148,774	30,562	7,094	186,430
Other expenses	17,568	353	4,335	22,256	7,020	3,342	32,618
Total expenses	\$ 3,110,755	\$ 1,235,282	\$ 1,484,586	\$ 5,830,623	\$ 1,774,900	\$ 1,530,427	\$ 9,135,950

See accompanying notes to consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2022

	Program Services			Total Program Services	Supporting Services		Total
	Exhibitions	Education	Other		Management and General	Fundraising	
Salaries and benefits	\$ 638,582	\$ 575,786	\$ 837,978	\$ 2,052,346	\$ 913,780	\$ 885,506	\$ 3,851,632
Advertising	160,577	-	1,323	161,900	13,618	38,920	214,438
Audiovisual	20,967	647	277	21,891	-	147	22,038
Awards	1,422	1,206	4,802	7,430	8,136	11,909	27,475
Bad debt expense	-	-	-	-	-	110,975	110,975
Bank and merchant fees	2	12	66	80	93,531	285	93,896
Catering	10,096	26,255	47,266	83,617	14,611	73,462	171,690
Computer services and software	42,043	17,115	65,387	124,545	51,414	77,796	253,755
Contract services	233,842	40,732	82,602	357,176	171,050	206,303	734,529
Depreciation	1,204,715	147,825	267,691	1,620,231	156,340	89,065	1,865,636
Dues and subscriptions	6,250	3,048	7,327	16,625	15,842	8,460	40,927
Equipment	1,883	2,193	10,923	14,999	7,488	3,775	26,262
Honorariums	209	52,537	8,863	61,609	1,264	17,903	80,776
Insurance	95,098	16,521	30,653	142,272	35,106	9,398	186,776
Interest expense	-	-	-	-	126,319	-	126,319
Janitorial	75,731	13,151	23,765	112,647	13,522	5,484	131,653
Meals and entertainment	2,396	948	7,143	10,487	7,268	6,002	23,757
Photography	1,425	1,364	6,175	8,964	2,000	8,298	19,262
Postage and shipping	51,034	1,957	2,641	55,632	4,337	30,343	90,312
Printing and publications	16,657	13,487	12,318	42,462	28,710	65,403	136,575
Professional development	1,171	16,386	2,672	20,229	29,500	22,193	71,922
Rentals	101,165	14,359	7,747	123,271	12,270	6,144	141,685
Repairs and maintenance	61,872	10,912	19,561	92,345	14,590	4,480	111,415
Security	8,836	1,501	3,312	13,649	1,543	1,226	16,418
Signage	32,220	101	1,912	34,233	1,488	2,737	38,458
Storage	23,628	-	5,339	28,967	11,394	-	40,361
Store cost of sales	-	-	67,559	67,559	-	-	67,559
Supplies	9,820	31,212	12,612	53,644	14,593	2,172	70,409
Travel	17,625	91,014	15,604	124,243	7,159	11,707	143,109
Utilities	81,274	16,514	26,104	123,892	26,943	5,921	156,756
Other expenses	21,219	1,045	6,156	28,420	20,026	3,773	52,219
Total expenses	\$ 2,921,759	\$ 1,097,828	\$ 1,585,778	\$ 5,605,365	\$ 1,803,842	\$ 1,709,787	\$ 9,118,994

See accompanying notes to consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (834,416)	\$ (3,450,166)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in allowance for uncollectible pledges receivable	(74,583)	102,720
Change in discount on pledges receivable – capital campaign	(31,435)	(70,303)
Change in reserve for slow-moving inventory	-	(35,571)
Depreciation	1,794,060	1,865,636
Fair value of contributed property	(46,990)	-
Fair value of stock contributed	(29,016)	(65,381)
Contributions restricted for endowment	(1,122,947)	(695,066)
Realized and unrealized loss (gain) on investments	(982,433)	2,075,897
Forgiveness of note payable and interest	-	(707,638)
Changes in operating assets and liabilities:		
Pledges receivable – other	(888,722)	3,147
Employee retention credit receivable	417,508	(280,840)
Inventory	(10,919)	16,547
Prepaid expenses and other assets	(132,698)	73,540
Accounts payable and accrued expenses	(60,337)	179,737
Deferred revenue	244,162	(46,015)
Net cash from operating activities	<u>(1,758,766)</u>	<u>(1,033,756)</u>
Cash flows from investing activities		
Purchases of property and equipment	(76,044)	(322,546)
Reinvestment of dividends and interest	(143,910)	(339,848)
Purchases of investments	(7,352,354)	(2,314,448)
Proceeds from sale of investments	7,211,761	2,820,046
Net cash from investing activities	<u>(360,547)</u>	<u>(156,796)</u>
Cash flows from financing activities		
Borrowings on lines of credit	2,437,000	390,000
Payments on lines of credit	(3,146,664)	(2,630,000)
Contributions restricted for endowment	1,122,947	695,066
Collections on pledges receivable – capital campaign	1,326,621	2,399,636
Payments on capital lease obligation	-	(29,121)
Net cash from financing activities	<u>1,739,904</u>	<u>825,581</u>
Net change in cash and cash equivalents	(379,409)	(364,971)
Cash and cash equivalents, beginning of fiscal year	<u>623,897</u>	<u>988,868</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 244,488</u>	<u>\$ 623,897</u>
Supplemental cash flow information:		
Interest paid	\$ 220,977	\$ 126,319

See accompanying notes to consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

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. dba Holocaust Museum Houston Foundation (the “Foundation”) is a Texas nonprofit corporation. 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).

Program Services: The Organization’s program services, which are fully bilingual in English and Spanish, consists of the following:

- *Exhibitions* – There are four permanent exhibitions: 1) the Holocaust Gallery, 2) the Human Rights Gallery, 3) the Diaries Gallery, and 4) the Samuel Bak Gallery. Rotating temporary exhibitions explore a variety of themes including the Holocaust, human rights, and genocide. Virtual tours are available for all permanent exhibitions except the Diaries Gallery and select temporary exhibitions.
- *Education* – Teaches students and teachers about the dangers of hatred, apathy, and prejudice through a variety of programs including on-site workshops, virtual sessions, and sending educators to Houston area classrooms.
- *Other* –
 - *Library Services* – Provides research materials serving the needs of students and researchers of all ages. The collection houses over 10,000 items relating to the Holocaust, human rights, and genocide.
 - *Public Programming* – Offers a variety of lectures, panel discussions, and film viewings for public in-person and virtual attendance relating to the Holocaust, genocide, and human rights with both a local and world-wide view.
 - *Visitor and Volunteer Services* – Trains volunteers and docents to serve visitors and enhance the visitor’s experience using their knowledge of the galleries and exhibition content. They stand as Museum ambassadors teaching how each of us can emulate upstander behavior.

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:

- *Net Assets Without Donor Restrictions* – Net assets without donor restrictions may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Trustees and Board of Directors.

(Continued)

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 – FORM OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

- *Net Assets With Donor Restrictions* – Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby, the donor has stipulated the funds be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities and changes in net assets.

Cash and Cash Equivalents: Highly liquid investments with original maturities of three months or less are considered cash and cash equivalents.

Pledges Receivable, Net: 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 flow 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 \$45,078 and \$119,661 at June 30, 2023 and 2022, respectively.

Inventory: Inventory is valued at the lower of cost or net realizable value. Inventory is reported net of a reserve for slow-moving inventory of \$33,468 at June 30, 2023 and 2022, respectively. No change in the reserve was considered necessary for the fiscal year ended June 30, 2023.

Investments and Investment Return, Net: 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 or decrease in net assets without donor restrictions unless its use is limited by donor-imposed restrictions. Investment income (loss) whose use is restricted by the donor is reported as an increase or decrease in net assets with donor restrictions until expended in accordance with donor-imposed restrictions. Donated marketable securities are recorded as contributions at their 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 fair value and the proceeds from the sale of securities as a realized gain or loss.

Property and Equipment, Net: Property and equipment are reported at cost if purchased and at estimated fair market value at the date of contribution if donated. Expenditures for major additions and improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over estimated useful lives of the assets ranging from three to forty years.

Impairment 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. There was no impairment loss recorded during the fiscal years ended June 30, 2023 and 2022.

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.

(Continued)

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 – FORM OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Deferred Revenue: Deferred revenue consists of amounts received for special events and membership fees collected in connection with the Organization's activities that apply to future periods. Revenue recognized during the fiscal years ended June 30, 2023 and 2022 relating to deferred revenue was \$244,162 and \$-0-, respectively.

Contributions: The Organization records contributions on an accrual basis. Revenue from the following types of contributions are recorded when they are received unconditionally, at their fair value: cash, promises to give, donated materials and services, and gifts of long-lived and other assets.

Conditional contributions are those with measurable performance or other barriers, and a right of return, and are not recognized until the conditions on which they depend have been substantially met.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from donor restrictions.

Special Events: The Organization records special events revenue equal to the gross proceeds paid by participants less the fair value of costs directly benefitting the participants.

Merchandise Sales: Merchandise sales consist primarily of book sales, exhibition related items, and other branded items.

Donated Materials and Services: Donated materials and services 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 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 \$203,687 and \$214,438 during the fiscal years ended June 30, 2023 and 2022, respectively.

Use of Estimates: Management uses estimates and assumptions in preparing the consolidated 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 services. 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, and estimated useful life of property and equipment.

(Continued)

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 – FORM OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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, 2023 and 2022. The Organization files annual federal information returns.

Uncertain tax positions are recognized in the consolidated 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.

As of June 30, 2023, the Organization is not currently under audit by any tax authority. Tax returns for fiscal year 2020 and forward remain subject to examination by federal and state authorities.

Functional Expenses: The costs of providing the Organization’s various programs and activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. The majority of expenses can generally be directly identified with the program or supporting services to which they relate and are charged accordingly. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques as determined by management.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Depreciation	Square footage
Computer services and software	Department head count
Rentals	Square footage
Utilities	Square footage
Other occupancy	Square footage

Investment Risk: Investment securities consist primarily of mutual funds that could subject the Organization to losses in the event of a general downturn in the public securities markets. Due to normal security market fluctuations, it is 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.

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist primarily of cash and cash equivalents and pledges receivable. 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 and for the fiscal years ended June 30, 2023 and 2022, pledges from one donor accounted for approximately 36% and 49%, respectively, of pledges receivable and there were no concentrations from donor contributions received.

(Continued)

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 1 – FORM OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Reclassifications: Certain reclassifications have been made to the prior year consolidated financial statements in order for them to be in conformity with the current year presentation. These reclassifications had no effect on previously reported net assets or changes in net assets.

NOTE 2 – AVAILABILITY AND LIQUIDITY

Total financial assets held by the Organization, and the amounts of those financial assets that could be made readily available to meet general expenditures within one year of the consolidated statement of financial position dates, were as follows at June 30:

	<u>2023</u>	<u>2022</u>
Financial assets at fiscal year-end:		
Cash and cash equivalents	\$ 244,488	\$ 623,897
Pledges receivable – capital campaign, net	1,526,740	2,802,887
Pledges receivable – other, net	1,622,078	677,812
Investments	<u>11,739,441</u>	<u>10,443,489</u>
Total financial assets	15,132,747	14,548,085
Financial assets not available for general expenditure:		
Less: net assets with donor restrictions	(9,510,223)	(7,113,880)
Less: board-designated for endowment	(4,073,438)	(4,307,749)
Less: amounts held as collateral under lending agreements	(1,698,460)	(82,904)
Add: net assets with purpose restrictions to be met in less than one year	186,867	249,032
Add: budget approved releases of board-designated funds and endowment appropriation approved for upcoming year	<u>224,270</u>	<u>575,000</u>
Financial assets available to meet general expenditures within one year	<u>\$ 261,763</u>	<u>\$ 3,867,584</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities (see Note 4), and lines of credit (see Note 7).

The Organization's governing board has designated a portion of its net assets without donor restrictions for endowment purposes. These funds are invested for long-term appreciation and current income, but remain available and may be spent at the discretion of the board. At June 30, 2023 and 2022, \$4,073,438 and \$4,307,749, respectively, was designated for the endowment. The board-designated endowment is governed by the Foundation board. As discussed in Note 7, the Museum has an operating line of credit that matures in July 2024 and has a capital campaign line of credit that requires a principal payment of \$1,345,000 in April 2024. The Foundation board has committed to provide on-going support to the Museum as needed through November 2024 to fund on-going operations and long-term debt requirements.

(Continued)

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 3 – PLEDGES RECEIVABLE, NET

In October 2014, the Organization’s Board of Trustees approved a capital campaign to expand and improve the permanent exhibits of the Organization and its building (see Note 12).

Pledges receivable, net, for all campaigns were as follows at June 30:

	<u>2023</u>	<u>2022</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 2,789,511	\$ 2,157,943
One to five years	417,637	1,297,104
Five to ten years	10,000	200,000
Total pledges receivable	3,217,148	3,655,047
Less: allowance for uncollectible pledges	(45,078)	(119,661)
Less: discount to present value	(23,252)	(54,687)
 Total pledges receivable, net	 \$ 3,148,818	 \$ 3,480,699

Pledges receivable due greater 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 fiscal years-ended 2023 and 2022 ranged from 1.0% - 3.5%.

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.

(Continued)

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Financial instruments measured at fair value on a recurring basis were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2023				
Investments				
Domestic equity mutual funds	\$ 4,199,984	\$ -	\$ -	\$ 4,199,984
Fixed income mutual funds	3,442,696	-	-	3,442,696
International equity mutual funds	2,031,413	-	-	2,031,413
Emerging markets mutual funds	1,062,201	-	-	1,062,201
Real estate investment trust mutual funds	<u>1,003,147</u>	<u>-</u>	<u>-</u>	<u>1,003,147</u>
Total investments	<u>\$11,739,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,739,441</u>
June 30, 2022				
Investments				
Domestic equity mutual funds	\$ 3,626,559	\$ -	\$ -	\$ 3,626,559
Fixed income mutual funds	2,998,969	-	-	2,998,969
International equity mutual funds	1,902,432	-	-	1,902,432
Emerging markets mutual funds	955,097	-	-	955,097
Real estate investment trust mutual funds	<u>960,432</u>	<u>-</u>	<u>-</u>	<u>960,432</u>
Total investments	<u>\$10,443,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$10,443,489</u>

Mutual funds are valued at the publicly-quoted daily closing price as reported by the fund and are deemed to be actively-traded.

The valuation method 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, 2023 and 2022.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 3,577,887	\$ 3,577,887
Building and building improvements	37,511,067	37,511,067
Furniture and equipment	3,113,579	3,042,958
Artwork	<u>534,953</u>	<u>534,953</u>
	44,737,486	44,666,865
Less: accumulated depreciation	<u>(9,100,800)</u>	<u>(7,359,153)</u>
Total property and equipment, net	<u>\$ 35,636,686</u>	<u>\$ 37,307,712</u>

Depreciation expense amounted to \$1,794,060 and \$1,865,636 for the fiscal years ended June 30, 2023 and 2022, respectively.

(Continued)

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 6 – INVESTMENT RETURN

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 143,910	\$ 339,848
Realized and unrealized gain (loss) on investments	982,433	(2,075,897)
Custodial and management fees	<u>(26,087)</u>	<u>(21,859)</u>
Total investment return (loss), net	<u>\$ 1,100,256</u>	<u>\$ (1,757,908)</u>

NOTE 7 – LINES OF CREDIT

Operating Line of Credit: The Organization has an unsecured line of credit agreement with a bank. The agreement was re-negotiated in May 2020 to increase the line to \$2,500,000 and to extend the term to July 2022. The line was re-negotiated for a second time in July 2022 to extend the credit line through July 2024 and reduce the principal to \$1,000,000. The line of credit bore interest at 30-day London Inter-Bank Offered Rate (LIBOR) plus 2% until July 2022 when the line was re-negotiated to bear interest at the 30-day Secured Overnight Financing Rate (SOFR) plus 2%. Interest rates applied to the credit line were 7.17% and 3.12% at June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, there was \$305,336 and \$0- outstanding to be repaid on the line of credit.

Capital Campaign Line of Credit: The Organization entered into a \$15,000,000 revolving line of credit agreement with a bank to finance the construction and campaign operations of the capital campaign (see Note 12). As of October 4, 2020, advances were no longer available. In April 2021, terms of the note were amended to adjust the interest rate to bear interest at 30-day LIBOR plus 1.50%. In February 2023, terms of the note were amended to adjust the interest rate to bear interest at the Term SOFR-1 month rate plus 1.50% (6.67% at June 30, 2023). The line is secured by capital campaign pledges receivable and cash amounting to \$1,698,460 at June 30, 2023. Effective April 1, 2021, the Organization entered into an interest rate swap agreement with the bank to cap interest at 2% of the following notional amounts: \$3,500,000 at the effective date, decreasing to \$1,500,000 in March 2023, \$500,000 in March 2024 and expiring in March 2025. Monthly interest payments are due through April 2028.

Beginning April 2023, installments of principal are due and payable to reduce the maximum outstanding balance to the following: \$5,000,000 in April 2023, \$3,500,000 in April 2024, \$2,500,000 in April 2025, \$1,500,000 in April 2026, and \$500,000 in April 2027, with the final payment of interest and principal due in April 2028.. At June 30, 2023 and 2022, the outstanding balance on the line of credit was \$4,845,000 and \$5,860,000, respectively.

Management believes the Organization will have sufficient liquidity to pay the required \$1,345,000 reduction on the revolving line of credit in April 2024. Management believes the commitment from the Foundation to provide on-going support (Note 2) will provide sufficient liquidity to fund operations for the period one year from the financial statement issuance date.

(Continued)

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 8 – EMPLOYEE RETENTION CREDIT

Prior to the 2021 fiscal year end, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The CARES Act provided for an employee retention tax credit (ERC), which is a refundable credit against certain employee qualified wages. For 2020, the credit is equal to qualified wages paid to employees, up to \$5,000, from March 13, 2020 through December 31, 2020. For 2021, the credit is equal to qualified wages paid to employees, up to \$7,000 per calendar quarter for the first three quarters.

The Museum has elected to account for the ERC under Topic 958 which allows for treatment of the tax credit as contribution revenue. Under the guidance, the Organization has recognized the credit as employee retention credit revenue in the consolidated statements of activities and changes in net assets as of and for the years ended June 30, 2023 and 2022, totaling \$299,855 and \$280,840, respectively. Employee retention credit receivable was \$299,855 and \$717,363 at June 30, 2023 and 2022, respectively and is included in the consolidated statements of financial position.

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions were as follows for the fiscal years ended June 30:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 32,240,065	\$ 35,236,513
Board-designated for endowment	<u>4,073,438</u>	<u>4,307,749</u>
Total net assets without donor restrictions	<u>\$ 36,313,503</u>	<u>\$ 39,544,262</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2023</u>	<u>2022</u>
Docent program	\$ 169,153	\$ 136,977
Educational programs	6,113,822	4,878,430
Exhibits	1,421,388	650,372
Lecture series	533,948	317,563
Visitor and volunteer services	704,282	626,824
Yom Ha'Shoah program	189,966	179,822
Other	<u>377,664</u>	<u>323,892</u>
Total net assets with donor restrictions	<u>\$ 9,510,223</u>	<u>\$ 7,113,880</u>

Net assets with donor restrictions includes \$6,748,552 and \$5,606,766 of donor restricted endowment funds, restricted in perpetuity at June 30, 2023 and June 30, 2022, respectively.

(Continued)

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets released from donor restrictions were as follows for fiscal years ended June 30:

	<u>2023</u>	<u>2022</u>
Capital campaign – museum expansion	\$ -	\$ 40,963
Educational programs	856,433	829,542
Exhibits	113,194	131,687
Lecture Series	13,150	-
Visitor and volunteer services	164,516	71,729
Other	<u>179,954</u>	<u>153,688</u>
Total net assets released from donor restrictions	<u>\$ 1,327,247</u>	<u>\$ 1,227,609</u>

NOTE 11 – 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 endowment as net assets with donor restrictions.

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 net assets with donor restrictions is classified as net assets with donor restrictions 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 net assets without donor restrictions. There were no deficiencies at June 30, 2023 and 2022.

(Continued)

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 11 – ENDOWMENT FUNDS (Continued)

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:

	Without Donor Restrictions – <u>Board-Designated</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2021	\$ 5,685,572	\$ 7,486,114	\$ 13,171,686
Investment return, net	(741,092)	(1,016,366)	(1,757,458)
Contributions	3,780	695,066	698,846
Operating expenses	(365,759)	-	(365,759)
Releases of board-designated funds	(274,752)	-	(274,752)
Appropriations for expenditure	-	(414,559)	(414,559)
Endowment net assets, June 30, 2022	4,307,749	6,750,255	11,058,004
Investment return, net	376,750	723,506	1,100,256
Contributions	5,000	1,122,947	1,127,947
Operating expenses	(338,280)	-	(338,280)
Releases of board-designated funds	(277,781)	-	(277,781)
Appropriations for expenditure	-	(297,219)	(297,219)
Endowment net assets, June 30, 2023	<u>\$ 4,073,438</u>	<u>\$ 8,299,489</u>	<u>\$ 12,372,927</u>

Endowment net assets composition as of June 30, 2023 and 2022 are as follows:

	Without Donor Restrictions – <u>Board-Designated</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 4,073,438	\$ -	\$ 4,073,438
Donor-restricted endowment funds	-	8,299,489	8,299,489
Total endowment net assets, June 30, 2023	<u>\$ 4,073,438</u>	<u>\$ 8,299,489</u>	<u>\$ 12,372,927</u>
Board-designated endowment funds	\$ 4,307,749	\$ -	\$ 4,307,749
Donor-restricted endowment funds	-	6,750,255	6,750,255
Total endowment net assets, June 30, 2022	<u>\$ 4,307,749</u>	<u>\$ 6,750,255</u>	<u>\$ 11,058,004</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, restricted funds (those donated with express donor intention) will not be appropriated for use by the Foundation. If a 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.

(Continued)

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 11 – ENDOWMENT FUNDS (Continued)

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 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 12 – CAPITAL CAMPAIGN

In October 2014, the Organization commenced a capital campaign to fund the expansion and improvement of the Museum building and associated endowment. The Organization raised approximately \$45,983,000 in contributions for the capital campaign. The capital campaign was formally concluded in April 2019. Contributions to the capital campaign were recorded as net assets with donor restrictions until the funds were expended. As of June 30, 2023, approximately \$45,083,000 of contributions related to the capital campaign were released from donor restrictions.

At June 30, 2023 and 2022, the Organization had pledges receivable – capital campaign, net, of \$1,526,740 and \$2,802,887, respectively (see Note 3).

At June 30, 2023 and 2022, the Organization has approximately \$7,471,000 of revocable planned gifts outstanding, which are not recorded in these consolidated financial statements.

NOTE 13 – RETIREMENT PLANS

The Organization had a §403(b) defined contribution plan that covered all employees working at least 1,000 hours during the fiscal year. An employee was eligible to participate in the plan within 90 days of employment and is fully vested immediately. The Organization matched 100% of employee contributions up to 3% of employee compensation and then 50% of employee contributions up to 6% of employee compensation. Employees were able to contribute amounts to the plan up to the limits established by the Code.

Effective in February 2022, the Organization terminated its current plan and adopted a Safe Harbor 401(k) plan (the "401(k) Plan") covering the same employees as the previous plan. The 401(k) Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Under the plan, participating employees may elect to defer up to 90% of their compensation and may elect to invest in any combination of the investment choices offered. The Organization matched 100% of employee contributions up to 3% of employee compensation and then 50% of employee contributions up to 6% of employee compensation.

(Continued)

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE 13 – RETIREMENT PLANS (Continued)

The Organization made contributions to the plans of \$101,294 and \$94,374 during the fiscal years ended June 30, 2023 and 2022, respectively, which is included in salaries and benefits on the consolidated statements of functional expenses.

NOTE 14 – INTER-ENTITY 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 also makes periodic grants to the Museum to support Museum operations. The Foundation's contributions to the Museum totaled \$575,000 and \$689,311 during the fiscal years ended June 30, 2023 and 2022, respectively. These transactions were eliminated within consolidation.

NOTE 15 – RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2023, certain members of the Board of Trustees contributed \$1,405,875 and paid \$23,850 of membership dues to the Organization. During the fiscal year ended June 30, 2022, certain members of the Board of Trustees contributed \$788,301 and paid \$32,100 of membership dues to the Organization. Board contributions and membership dues are included in net assets without donor restrictions on the consolidated statements of activities and changes in net assets.

At June 30, 2023 and 2022, certain members from the Board of Trustees pledged gifts in the amount of \$415,417 and \$261,000, respectively. At June 30, 2023 and 2022, the full amount was included in pledges receivable – other, net.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 28, 2023, the date which the consolidated financial statements were available to be issued.

SUPPLEMENTARY SCHEDULES

HOLOCAUST MUSEUM HOUSTON
SCHEDULE I – CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2023

	<u>Museum</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
ASSETS				
Cash and cash equivalents	\$ 213,124	\$ 31,364	\$ -	\$ 244,488
Pledges receivable:				
Capital campaign, net	1,408,500	118,240	-	1,526,740
Other, net	1,101,545	520,533	-	1,622,078
Employee retention credit receivable	299,855	-	-	299,855
Inventory, net	71,071	-	-	71,071
Prepaid expenses and other assets	417,845	-	-	417,845
Due from affiliate	53,304	-	(53,304)	-
Investments	-	11,739,441	-	11,739,441
Property and equipment, net	35,620,033	16,653	-	35,636,686
	<u>\$ 39,185,277</u>	<u>\$ 12,426,231</u>	<u>\$ (53,304)</u>	<u>\$ 51,558,204</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 339,980	\$ -	\$ -	\$ 339,980
Lines of credit	5,150,336	-	-	5,150,336
Due to affiliate	-	53,304	(53,304)	-
Deferred revenue	244,162	-	-	244,162
Total liabilities	<u>5,734,478</u>	<u>53,304</u>	<u>(53,304)</u>	<u>5,734,478</u>
Net assets				
Without donor restrictions	32,240,065	4,073,438	-	36,313,503
With donor restrictions	1,210,734	8,299,489	-	9,510,223
Total net assets	<u>33,450,799</u>	<u>12,372,927</u>	<u>-</u>	<u>45,823,726</u>
	<u>\$ 39,185,277</u>	<u>\$ 12,426,231</u>	<u>\$ (53,304)</u>	<u>\$ 51,558,204</u>

(Continued)

HOLOCAUST MUSEUM HOUSTON
SCHEDULE I – CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2022

	<u>Museum</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
ASSETS				
Cash and cash equivalents	\$ 294,017	\$ 329,880	\$ -	\$ 623,897
Pledges receivable:				
Capital campaign, net	2,636,391	166,496	-	2,802,887
Other, net	499,782	178,030	-	677,812
Employee retention credit receivable	717,363	-	-	717,363
Inventory, net	60,152	-	-	60,152
Prepaid expenses and other assets	285,147	-	-	285,147
Due from affiliate	84,971	100	(85,071)	-
Investments	-	10,443,489	-	10,443,489
Property and equipment, net	<u>37,282,732</u>	<u>24,980</u>	<u>-</u>	<u>37,307,712</u>
 Total assets	 <u>\$ 41,860,555</u>	 <u>\$ 11,142,975</u>	 <u>\$ (85,071)</u>	 <u>\$ 52,918,459</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 400,317	\$ -	\$ -	\$ 400,317
Lines of credit	5,860,000	-	-	5,860,000
Due to affiliate	100	84,971	(85,071)	-
Total liabilities	<u>6,260,417</u>	<u>84,971</u>	<u>(85,071)</u>	<u>6,260,317</u>
Net assets				
Without donor restrictions	35,236,513	4,307,749	-	39,544,262
With donor restrictions	<u>363,625</u>	<u>6,750,255</u>	<u>-</u>	<u>7,113,880</u>
Total net assets	<u>35,600,138</u>	<u>11,058,004</u>	<u>-</u>	<u>46,658,142</u>
 Total liabilities and net assets	 <u>\$ 41,860,555</u>	 <u>\$ 11,142,975</u>	 <u>\$ (85,071)</u>	 <u>\$ 52,918,459</u>

HOLOCAUST MUSEUM HOUSTON
SCHEDULE II – CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 2023

	Museum		Foundation		Eliminations	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions – Board- Designated	With Donor Restrictions		
Support and revenues						
Contributions	\$ 1,793,335	\$ 1,877,137	5,000	\$ 1,122,947	\$ (603,440)	\$ 4,194,979
Special events, net	1,653,094	-	-	-	-	1,653,094
Membership fees	294,399	-	-	-	-	294,399
Admissions, tours, and programs	454,879	-	-	-	-	454,879
Merchandise sales	101,262	-	-	-	-	101,262
Rental and other income	202,810	-	-	-	-	202,810
Employee retention credit	299,855	-	-	-	-	299,855
Investment return, net	-	-	376,750	723,506	-	1,100,256
	<u>4,799,634</u>	<u>1,877,137</u>	<u>381,750</u>	<u>1,846,453</u>	<u>(603,440)</u>	<u>8,301,534</u>
Net assets released from donor restrictions	1,030,028	(1,030,028)	297,219	(297,219)	-	-
Total support and revenues	<u>5,829,662</u>	<u>847,109</u>	<u>678,969</u>	<u>1,549,234</u>	<u>(603,440)</u>	<u>8,301,534</u>
Expenses						
Program services	5,830,623	-	-	-	-	5,830,623
Management and general	1,465,060	-	913,280	-	(603,440)	1,774,900
Fundraising	1,530,427	-	-	-	-	1,530,427
Total expenses	<u>8,826,110</u>	<u>-</u>	<u>913,280</u>	<u>-</u>	<u>(603,440)</u>	<u>9,135,950</u>
Change in net assets	(2,996,448)	847,109	(234,311)	1,549,234	-	(834,416)
Net assets, beginning of fiscal year	<u>35,236,513</u>	<u>363,625</u>	<u>4,307,749</u>	<u>6,750,255</u>	<u>-</u>	<u>46,658,142</u>
Net assets, end of fiscal year	<u>\$ 32,240,065</u>	<u>\$ 1,210,734</u>	<u>\$ 4,073,438</u>	<u>\$ 8,299,489</u>	<u>\$ -</u>	<u>\$ 45,823,726</u>

(Continued)

HOLOCAUST MUSEUM HOUSTON
SCHEDULE II – CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 2022

	Museum		Foundation		Eliminations	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions – Board- Designated	With Donor Restrictions		
Support and revenues						
Contributions	\$ 2,267,565	\$ 805,002	\$ 3,780	\$ 695,066	\$ (720,311)	\$ 3,051,102
Special events, net	2,100,318	-	-	-	-	2,100,318
Membership fees	495,980	-	-	-	-	495,980
Admissions, tours, and programs	498,155	-	-	-	-	498,155
Merchandise sales	139,535	-	-	-	-	139,535
Rental and other income	153,168	-	-	-	-	153,168
Employee retention credit	280,840	-	-	-	-	280,840
Investment loss, net	(450)	-	(741,092)	(1,016,366)	-	(1,757,908)
Forgiveness of note payable and interest	707,638	-	-	-	-	707,638
	6,642,749	805,002	(737,312)	(321,300)	(720,311)	5,668,828
Net assets released from donor restrictions	813,050	(813,050)	414,559	(414,559)	-	-
Total support and revenues	7,455,799	(8,048)	(322,753)	(735,859)	(720,311)	5,668,828
Expenses						
Program services	5,605,365	-	-	-	-	5,605,365
Management and general	1,469,083	-	1,055,070	-	(720,311)	1,803,842
Fundraising	1,709,787	-	-	-	-	1,709,787
Total expenses	8,784,235	-	1,055,070	-	(720,311)	9,118,994
Change in net assets	(1,328,436)	(8,048)	(1,377,823)	(735,859)	-	(3,450,166)
Net assets, beginning of fiscal year	36,564,949	371,673	5,685,572	7,486,114	-	50,108,308
Net assets, end of fiscal year	\$ 35,236,513	\$ 363,625	\$ 4,307,749	\$ 6,750,255	\$ -	\$ 46,658,142