

**HOLOCAUST MUSEUM HOUSTON**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES**

For the Fiscal Years Ended June 30, 2022 and 2021

HOLOCAUST MUSEUM HOUSTON  
Houston, Texas

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES  
For the Fiscal Years Ended June 30, 2022 and 2021

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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

**Report on the Audit of the Financial Statements****Opinion**

We have audited the consolidated financial statements of Holocaust Museum Houston (a nonprofit corporation) and Holocaust Museum Houston Foundation (a nonprofit corporation), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the fiscal year 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 Holocaust Museum Houston and Holocaust Museum Houston Foundation as of June 30, 2022, and the changes in their net assets and their cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit 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 Financial Statements section of our report. We are required to be independent of Holocaust Museum Houston and Holocaust Museum Houston Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Other Matter**

The consolidated financial statements of Holocaust Museum Houston and Holocaust Museum Houston Foundation for the fiscal year ended June 30, 2021, were audited by other auditors, who expressed an unmodified opinion on those statements on December 20, 2021.

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(Continued)

## **Responsibilities of Management for the 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 Holocaust Museum Houston and Holocaust Museum Houston Foundation's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

## **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 Holocaust Museum Houston and Holocaust Museum Houston Foundation'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 Holocaust Museum Houston and Holocaust Museum Houston Foundation'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.

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(Continued)

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fiscal year ended June 30, 2022 consolidated financial statements as a whole. The accompanying fiscal year ended June 30, 2022 Schedules I and II 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 other 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 fiscal year ended June 30, 2022 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 fiscal year ended June 30, 2022 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole. The fiscal year ended June 30, 2021 accompanying Schedules I and II are presented for purposes of additional analysis and are not a required part of the fiscal year ended June 30, 2021 consolidated financial statements. The fiscal year ended June 30, 2021 information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the fiscal year ended June 30, 2021 consolidated financial statements. The information has been subjected to the auditing procedures applied by other auditors in the audit of the fiscal year ended June 30, 2021 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 and whose report dated December 20, 2021 expressed an opinion that such information was fairly stated in all material respects in relation to the fiscal year ended June 30, 2021 consolidated financial statements as a whole.

*Crowe LLP*  
Crowe LLP

Houston, Texas  
December 9, 2022

HOLOCAUST MUSEUM HOUSTON  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 623,897	\$ 988,868
Pledges receivable		
Capital campaign, net	2,802,887	5,161,405
Other, net	677,812	754,494
Employee retention credit receivable	717,363	436,523
Inventory, net	60,152	41,128
Prepaid expenses and other assets	285,147	358,687
Investments	10,443,489	12,619,755
Property and equipment, net	37,307,712	38,850,802
Collections	-	-
	-	-
Total assets	<u>\$ 52,918,459</u>	<u>\$ 59,211,662</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 400,317	\$ 356,103
Lines of credit	5,860,000	8,100,000
Note payable	-	572,115
Deferred revenue	-	46,015
Capital lease obligation	-	29,121
	-	29,121
Total liabilities	6,260,317	9,103,354
Net assets		
Without donor restrictions	39,544,262	42,250,521
With donor restrictions	7,113,880	7,857,787
	46,658,142	50,108,308
Total net assets	<u>46,658,142</u>	<u>50,108,308</u>
Total liabilities and net assets	<u>\$ 52,918,459</u>	<u>\$ 59,211,662</u>

See accompanying notes to consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON  
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the fiscal year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and revenues</b>			
Contributions	\$ 1,551,034	\$ 1,459,105	\$ 3,010,139
Contributions – capital campaign, net	-	40,963	40,963
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	707,638	-	707,638
	5,185,126	483,702	5,668,828
Net assets released from donor restrictions	1,227,609	(1,227,609)	-
Total support and revenues	6,412,735	(743,907)	5,668,828
<b>Expenses</b>			
Program services	5,605,365	-	5,605,365
Management and general	1,803,842	-	1,803,842
Fundraising	1,709,787	-	1,709,787
Total expenses	9,118,994	-	9,118,994
Change in net assets	(2,706,259)	(743,907)	(3,450,166)
Net assets, beginning of fiscal year	42,250,521	7,857,787	50,108,308
<b>Net assets, end of fiscal year</b>	<b>\$ 39,544,262</b>	<b>\$ 7,113,880</b>	<b>\$ 46,658,142</b>

See accompanying notes to consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON  
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the fiscal year ended June 30, 2021

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>Support and revenues</b>			
Contributions	\$ 1,259,276	\$ 1,037,646	\$ 2,296,922
Contributions – capital campaign, net	-	471,702	471,702
Contribution – grant revenue	-	836,337	836,337
Special events, net (revenues of \$1,699,414 less expenses of \$161,439)	1,537,975	-	1,537,975
Membership fees	384,874	4,734	389,608
Admissions, tours, and programs	345,551	-	345,551
Merchandise sales	87,317	-	87,317
Rental and other income	143,816	-	143,816
Employee retention credit	-	436,523	436,523
Investment return, net	1,373,160	1,633,999	3,007,159
	<u>5,131,969</u>	<u>4,420,941</u>	<u>9,552,910</u>
Net assets released from donor restrictions	<u>2,602,379</u>	<u>(2,602,379)</u>	<u>-</u>
Total support and revenues	7,734,348	1,818,562	9,552,910
<b>Expenses</b>			
Program services	4,609,003	-	4,609,003
Management and general	1,982,450	-	1,982,450
Fundraising	1,270,810	-	1,270,810
Total expenses	<u>7,862,263</u>	<u>-</u>	<u>7,862,263</u>
Change in net assets	(127,915)	1,818,562	1,690,647
Net assets, beginning of fiscal year	<u>42,378,436</u>	<u>6,039,225</u>	<u>48,417,661</u>
<b>Net assets, end of fiscal year</b>	<u>\$ 42,250,521</u>	<u>\$ 7,857,787</u>	<u>\$ 50,108,308</u>

See accompanying notes to consolidated financial statements.



HOLOCAUST MUSEUM HOUSTON  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For the fiscal year ended June 30, 2022

	Program Services				Supporting Services		
	Exhibitions	Education	Other	Total Program Services	Management and General	Fundraising	Total
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
<b>Total expenses</b>	<b>\$ 2,921,759</b>	<b>\$ 1,097,828</b>	<b>\$ 1,585,778</b>	<b>\$ 5,605,365</b>	<b>\$ 1,803,842</b>	<b>\$ 1,709,787</b>	<b>\$ 9,118,994</b>

See accompanying notes to consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For the fiscal year ended June 30, 2021

	Program Services				Supporting Services		
	Exhibitions	Education	Other	Total Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 494,637	\$ 573,973	\$ 612,783	\$ 1,681,393	\$ 789,947	\$ 599,705	\$ 3,071,045
Advertising	101,512	-	134	101,646	8,839	51,084	161,569
Audiovisual	549	17,820	-	18,369	349	3,600	22,318
Awards	5,128	2,470	2,727	10,325	8,279	14,176	32,780
Bank and merchant fees	-	-	70	70	108,022	1,414	109,506
Catering	2,273	2,518	1,994	6,785	5,081	6,339	18,205
Computer services and software	38,743	18,720	48,880	106,343	38,054	89,542	233,939
Contract services	152,135	25,870	12,154	190,159	177,463	153,684	521,306
Depreciation	1,199,494	144,780	261,408	1,605,682	157,362	81,647	1,844,691
Dues and subscriptions	6,938	2,330	3,912	13,180	18,379	8,089	39,648
Equipment	2,120	2,356	2,444	6,920	10,186	95	17,201
Honorariums	10,287	53,872	9,174	73,333	6,420	135,346	215,099
Insurance	84,202	15,008	26,878	126,088	29,580	8,985	164,653
Interest expense	-	-	-	-	299,718	-	299,718
Janitorial	74,071	12,863	23,243	110,177	13,225	5,363	128,765
Meals and entertainment	20	289	156	465	4,318	590	5,373
Photography	1,150	100	-	1,250	-	3,558	4,808
Postage and shipping	41,975	371	298	42,644	5,275	29,289	77,208
Printing and publications	19,776	1,593	1,392	22,761	19,059	49,280	91,100
Professional development	422	4,533	1,312	6,267	17,009	5,303	28,579
Rentals	94,952	6,207	1,969	103,128	8,873	661	112,662
Repairs and maintenance	52,716	9,154	16,542	78,412	179,621	4,000	262,033
Security	8,011	1,391	2,514	11,916	1,431	580	13,927
Signage	18,693	-	167	18,860	3,649	-	22,509
Storage	25,199	-	4,533	29,732	10,667	-	40,399
Store cost of sales	-	-	48,981	48,981	-	-	48,981
Supplies	27,708	10,946	10,643	49,297	10,813	2,746	62,856
Travel	420	28	368	816	1,328	785	2,929
Utilities	89,144	16,730	28,574	134,448	28,619	6,455	169,522
Other expenses	2,397	1,863	5,296	9,556	20,884	8,494	38,934
<b>Total expenses</b>	<b>\$ 2,554,672</b>	<b>\$ 925,785</b>	<b>\$ 1,128,546</b>	<b>\$ 4,609,003</b>	<b>\$ 1,982,450</b>	<b>\$ 1,270,810</b>	<b>\$ 7,862,263</b>

See accompanying notes to consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the fiscal years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (3,450,166)	\$ 1,690,647
Adjustments to reconcile change in net assets to net cash from operating activities:		
Recovery of bad debt	-	(11,824)
Change in allowance for uncollectible pledges receivable	102,720	(36,341)
Change in discount on pledges receivable – capital campaign	(70,303)	(19,831)
Change in reserve for slow-moving inventory	(35,571)	-
Depreciation	1,865,636	1,844,691
Fair value of stock contributed	(65,381)	(121,398)
Contributions restricted for endowment	(695,066)	(289,309)
Contributions for capital campaign	-	(218,215)
Realized and unrealized loss (gain) on investments	2,075,897	(2,753,478)
Forgiveness of note payable and interest	(707,638)	-
Changes in operating assets and liabilities:		
Pledges receivable – other	3,147	59,092
Employee retention credit receivable	(280,840)	(436,523)
Inventory	16,547	14,117
Prepaid expenses and other assets	73,540	(81,783)
Accounts payable and accrued expenses	179,737	(831,025)
Refundable advance	-	(224,303)
Deferred revenue	(46,015)	(10,033)
Net cash from operating activities	<u>(1,033,756)</u>	<u>(1,425,516)</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(322,546)	(140,061)
Reinvestment of dividends and interest	(339,848)	(277,541)
Purchases of investments	(2,314,448)	(6,438,516)
Proceeds from sale of investments	<u>2,820,046</u>	<u>6,867,994</u>
Net cash from investing activities	(156,796)	11,876
<b>Cash flows from financing activities</b>		
Borrowings on lines of credit	390,000	1,904,428
Payments on lines of credit	(2,630,000)	(4,704,428)
Contributions restricted for endowment	695,066	289,309
Collections on pledges receivable – capital campaign	2,399,636	4,179,471
Payments on capital lease obligation	<u>(29,121)</u>	<u>(25,578)</u>
Net cash from financing activities	<u>825,581</u>	<u>1,643,202</u>
Net change in cash and cash equivalents	(364,971)	229,562
Cash and cash equivalents, beginning of fiscal year	<u>988,868</u>	<u>759,306</u>
<b>Cash and cash equivalents, end of fiscal year</b>	<u>\$ 623,897</u>	<u>\$ 988,868</u>
Supplemental cash flow information:		
Interest paid	\$ 126,319	\$ 299,718

See accompanying notes to consolidated financial statements.

HOLOCAUST MUSEUM HOUSTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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**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 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 bilingual programs including on-site workshops, virtual sessions, and sending educators to Houston area classrooms.
- *Other* –
  - *Library Services* – Provides bilingual 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 that are not subject to donor-imposed restrictions and 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.

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(Continued)

HOLOCAUST MUSEUM HOUSTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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

- *Net Assets With Donor Restrictions* – Net assets 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 \$119,661 and \$16,941 at June 30, 2022 and 2021, 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 and \$69,039 at June 30, 2022 and 2021, respectively. No change in the reserve was considered necessary for the fiscal year ended June 30, 2021.

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, 2022 and 2021.

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.

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(Continued)

HOLOCAUST MUSEUM HOUSTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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

Deferred Revenue: Deferred revenue consists of amounts received for special events collected in connection with the Organization's activities that apply to future periods. Revenue recognized during the fiscal years ended June 30, 2022 and 2021 relating to deferred revenue was \$-0- and \$46,015, 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, that is those with measurable performance or other barrier, and a right of return, 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 \$214,438 and \$161,569 during the fiscal years ended June 30, 2022 and 2021, 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, 2022 and 2021. 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.

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(Continued)

HOLOCAUST MUSEUM HOUSTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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

As of June 30, 2022, the Organization is not currently under audit by any tax authority. Tax returns for fiscal year 2019 and forward remain subject to examination by federal and state authorities.

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.

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, 2022 and 2021, pledges from one donor accounted for approximately 49% and 50%, respectively, of pledges receivable and there were no concentrations from donor contributions received.

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(Continued)

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

Risks and Uncertainties: Many countries around the world, including the United States of America, were impacted by the coronavirus (the “virus” or COVID-19) outbreak. While the virus is continuing to evolve, its implications could involve interruptions to supply chains, unavailability of personnel, and reductions in revenues. In addition, the Organization has been impacted by the broader effects of COVID-19 as a result of the negative impact the virus has had on the global economy and major financial markets. At this time, management is not aware of any material risk to the Organization’s consolidated financial statements and cannot quantify the full extent the virus will have on the Organization’s financial information.

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.

Newly Adopted Accounting Pronouncements: In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statements of activities and changes in net assets, apart from contributions of cash or other financial assets. It also requires a not-for-profit organization to disclose contributed nonfinancial assets recognized within the statements of activities and changes in net assets disaggregated by category that depicts the type of contributed nonfinancial assets and includes additional disclosure requirements for each category of contributed nonfinancial assets recognized. The Organization adopted the new guidance effective July 1, 2021. There was no significant impact as a result of the implementation.

Recent Accounting Pronouncements: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the consolidated statements of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. In June 2020, the FASB issued ASU No. 2020-05, *Revenue From Contracts With Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, to defer these two standards. Under the deferral for leases rules, private not-for-profit organizations can apply the standard to fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact this standard will have on the consolidated financial statements and related disclosures.

**NOTE 2 – AVAILABILITY AND LIQUIDITY**

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, and lines of credit.

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(Continued)



HOLOCAUST MUSEUM HOUSTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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**NOTE 2 – AVAILABILITY AND LIQUIDITY (Continued)**

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>2022</u>	<u>2021</u>
Financial assets at fiscal year-end:		
Cash and cash equivalents	\$ 623,897	\$ 988,868
Pledges receivable – capital campaign, net	2,802,887	5,161,405
Pledges receivable – other, net	677,812	754,494
Investments	<u>10,443,489</u>	<u>12,619,755</u>
Total financial assets	14,548,085	19,524,522
 Financial assets not available for general expenditure:		
Less: net assets with donor restrictions	(7,113,880)	(7,857,787)
Less: board-designated for endowment	(4,307,749)	(5,685,572)
Less: collateral under security lending agreements	(82,904)	(93,220)
Add: net assets with purpose restrictions to be met in less than one year	249,032	276,048
Add: budget approved releases of board-designated funds and endowment appropriation approved for upcoming year	<u>575,000</u>	<u>625,000</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 3,867,584</u>	 <u>\$ 6,788,991</u>

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, 2022 and 2021, \$4,307,749 and \$5,685,572, respectively, was designated for the endowment. Additionally, the Organization has a line of credit available to meet short-term needs (see Note 7).

**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 13). Pledges receivable – capital campaign, net were \$2,802,887 and \$5,161,405 at June 30, 2022 and 2021, respectively.

Pledges receivable – other, net were \$677,812 and \$754,494 at June 30, 2022 and 2021, respectively.

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(Continued)

HOLOCAUST MUSEUM HOUSTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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**NOTE 3 – PLEDGES RECEIVABLE, NET** (Continued)

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

	<u>2022</u>	<u>2021</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 2,157,943	\$ 3,339,010
One to five years	1,297,104	2,318,820
Five to ten years	<u>200,000</u>	<u>400,000</u>
Total pledges receivable	3,655,047	6,057,830
Less: allowance for uncollectible pledges	(119,661)	(16,941)
Less: discount to present value	<u>(54,687)</u>	<u>(124,990)</u>
 Total pledges receivable, net	 <u>\$ 3,480,699</u>	 <u>\$ 5,915,899</u>

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 2022 and 2021 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.

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(Continued)

HOLOCAUST MUSEUM HOUSTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2022 and 2021

**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, 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>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2021				
Investments				
Domestic equity mutual funds	\$ 4,342,257	\$ -	\$ -	\$ 4,342,257
Fixed income mutual funds	3,617,791	-	-	3,617,791
International equity mutual funds	2,381,871	-	-	2,381,871
Emerging markets mutual funds	1,134,497	-	-	1,134,497
Real estate investment trust mutual funds	<u>1,143,339</u>	<u>-</u>	<u>-</u>	<u>1,143,339</u>
Total investments	<u>\$ 12,619,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,619,755</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, 2022 and 2021.

(Continued)

HOLOCAUST MUSEUM HOUSTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 3,577,887	\$ 3,577,887
Building and building improvements	37,511,067	37,481,090
Furniture and equipment	3,042,958	2,880,196
Artwork	<u>534,953</u>	<u>451,332</u>
	44,666,865	44,390,505
Less: accumulated depreciation	<u>(7,359,153)</u>	<u>(5,539,703)</u>
Total property and equipment, net	<u>\$ 37,307,712</u>	<u>\$ 38,850,802</u>

Depreciation expense amounted to \$1,865,636 and \$1,844,691 for the fiscal years ended June 30, 2022 and 2021, respectively.

**NOTE 6 – INVESTMENT RETURN**

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 339,848	\$ 277,541
Realized and unrealized gain (loss) on investments	(2,075,897)	2,753,478
Custodial and management fees	<u>(21,859)</u>	<u>(23,860)</u>
Total investment return (loss), net	<u>\$ (1,757,908)</u>	<u>\$ 3,007,159</u>

**NOTE 7 – LINES OF CREDIT**

The Organization entered into a \$500,000 unsecured line of credit agreement with a bank with an original maturity date of March 2021. 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 of credit bears interest at 30-day London Inter-Bank Offered Rate (LIBOR) plus 2% (3.12% and 2.09% at June 30, 2022 and 2021, respectively). At June 30, 2022 and 2021, there were no outstanding amounts on the line of credit. Effective July 31, 2022, the line was renewed through July 2024 in an amount of \$1,000,000.

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 13). As of October 4, 2020, advances were no longer available. In April, 2021 the terms of the note were amended. As such, the line of credit bears interest at a varying rate equal to 30-day LIBOR plus 1.50% (2.62% and 1.59% at June 30, 2022 and 2021, respectively). Effective April 1, 2021, the Organization entered an interest rate swap agreement with the bank relating to the note, with a notional amount of \$3,500,000, a fixed amount of \$40,000, and a cap rate of 2.00%. Monthly interest payments are due through April 2028.

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(Continued)

HOLOCAUST MUSEUM HOUSTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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**NOTE 7 – LINES OF CREDIT** (Continued)

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. The note is secured by capital campaign proceeds and pledges excluding those designated by their donor to be endowed. At June 30, 2022 and 2021, the outstanding balance on the line of credit was \$5,860,000 and \$8,100,000, respectively.

**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 resulting in a note payable in the same amount. 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. The Organization also had 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 did not accrue interest after January 9, 2014.

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 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, resulting in a maturity date of October 26, 2019, with the option of subsequently requesting two one-year renewal terms.

In October 2020, the Organization requested and received a one-year renewal term expiring October 26, 2021. In September, 2021 the improvements were transferred to the City and the note payable (\$572,115 as of June 30, 2021) and related accrued interest (\$135,523 as of June 30, 2021), which was included in accounts payable and accrued expenses on the consolidated statements of financial position, was forgiven in full.

**NOTE 9 – REFUNDABLE ADVANCE AND EMPLOYEE RETENTION CREDIT**

Prior to the 2021 fiscal year end, the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act was signed into law. One component of the CARES Act is the Paycheck Protection Program (“PPP”), implemented by the Small Business Administration (“SBA”) with support from the Department of the Treasury. The PPP provided funds to pay up to 24 weeks of payroll costs including benefits, interest on mortgages, rent, and utilities.

On May 1, 2020, the Organization received funding of \$693,500. The loan was a five-year loan with a maturity date of May 1, 2025. On January 28, 2021, the Organization received a second PPP Loan for \$612,034. The loans incurred annual interest at a rate of 1%. The loans were payable monthly with the first ten monthly payments deferred.

In fiscal year 2021, the Organization received notice from the SBA that the first PPP loan and related accrued interest had been forgiven in full. In fiscal year 2022, the Organization received notice from the SBA that the second PPP loan and related accrued interest had been forgiven in full.

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(Continued)

HOLOCAUST MUSEUM HOUSTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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**NOTE 9 – REFUNDABLE ADVANCE AND EMPLOYEE RETENTION CREDIT (Continued)**

In accordance with Topic 958, the Organization recorded the PPP loan proceeds as a refundable advance in the consolidated statements of financial position until such time all conditions of the program were substantially met. Once the conditions are substantially met, the refundable advance is derecognized and the related amount is recorded as contribution – grant revenue. For the fiscal year ended June 30, 2021, \$224,303 and \$612,034 of the first and second loans, respectively, totaling \$836,337, was recognized as contribution – grant revenue in the consolidated statements of activities and changes in net assets as an increase in net assets with donor restrictions.

The CARES Act also 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 50% of qualified wages paid to employees, up to \$10,000, from March 13, 2020 through December 31, 2020. For 2021, the credit is equal to 70% of qualified wages paid to employees, up to \$10,000 per calendar quarter for the first three quarters. Reimbursement is not allowed for funds reimbursed by the PPP loan funds. During the fiscal years ended June 30, 2022 and 2021, the Organization submitted for reimbursement of qualified wages paid in 2020 and 2021, which had not been reimbursed by the PPP loan, for a total of \$164,421 and \$552,942, respectively.

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 elected to recognize the credit as employee retention credit revenue in the consolidated statements of activities and changes in net assets as of and for the year ended June 30, 2022 and 2021, totaling \$280,840 and \$436,523, respectively.

Employee retention credit receivable was \$717,363 and \$436,523 at June 30, 2022 and 2021, respectively and is included in the consolidated statements of financial position. \$170,219 was received by the Organization in October 2022.

**NOTE 10 – NET ASSETS WITHOUT DONOR RESTRICTIONS**

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

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 35,236,513	\$ 36,564,949
Board-designated for endowment	<u>4,307,749</u>	<u>5,685,572</u>
Total net assets without donor restrictions	<u>\$ 39,544,262</u>	<u>\$ 42,250,521</u>

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(Continued)

HOLOCAUST MUSEUM HOUSTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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**NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2022</u>	<u>2021</u>
Docent program	\$ 136,977	\$ 167,428
Educational programs	4,878,430	5,299,848
Exhibits	650,372	712,817
Lecture series	317,563	335,159
Visitor and volunteer services	626,824	707,262
Yom Ha'Shoah program	179,822	218,783
Other	<u>323,892</u>	<u>416,490</u>
Total net assets with donor restrictions	<u>\$ 7,113,880</u>	<u>\$ 7,857,787</u>

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

	<u>2022</u>	<u>2021</u>
Capital campaign – museum expansion	\$ 40,963	\$ 299,514
Educational programs	829,542	577,631
Exhibits	131,687	235,836
Visitor and volunteer services	71,729	40,756
General operations	-	1,272,860
Other	<u>153,688</u>	<u>175,782</u>
Total net assets released from donor restrictions	<u>\$ 1,227,609</u>	<u>\$ 2,602,379</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 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.

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(Continued)

HOLOCAUST MUSEUM HOUSTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 12 – ENDOWMENT FUNDS** (Continued)

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, 2022 and 2021.

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 – Board- <u>Designated</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ 4,818,336	\$ 5,680,048	\$ 10,498,384
Investment return, net	1,373,256	1,633,999	3,007,255
Contributions	906	461,496	462,402
Operating expenses	(271,355)	-	(271,355)
Releases of board-designated funds	(235,571)	-	(235,571)
Appropriations for expenditure	<u>-</u>	<u>(289,429)</u>	<u>(289,429)</u>
Endowment net assets, June 30, 2021	5,685,572	7,486,114	13,171,686
Investment loss, 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	<u>-</u>	<u>(414,559)</u>	<u>(414,559)</u>
Endowment net assets, June 30, 2022	<u>\$ 4,307,749</u>	<u>\$ 6,750,255</u>	<u>\$ 11,058,004</u>

(Continued)



HOLOCAUST MUSEUM HOUSTON  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2022 and 2021

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**NOTE 12 – ENDOWMENT FUNDS** (Continued)

Endowment net assets composition as of June 30, 2022 and 2021 are as follows:

	Without Donor Restrictions – Board- <u>Designated</u>	With Donor Restrictions	<u>Total</u>
Board-designated endowment funds	\$ 4,307,749	\$ -	\$ 4,307,749
Donor-restricted endowment funds	<u>-</u>	<u>6,750,255</u>	<u>6,750,255</u>
 Total endowment net assets, June 30, 2022	 <u>\$ 4,307,749</u>	 <u>\$ 6,750,255</u>	 <u>\$ 11,058,004</u>
 Board-designated endowment funds	 \$ 5,685,572	 \$ -	 \$ 5,685,572
Donor-restricted endowment funds	<u>-</u>	<u>7,486,114</u>	<u>7,486,114</u>
 Total endowment net assets, June 30, 2021	 <u>\$ 5,685,572</u>	 <u>\$ 7,486,114</u>	 <u>\$ 13,171,686</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.

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 13 – 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.

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(Continued)

HOLOCAUST MUSEUM HOUSTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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**NOTE 13 – CAPITAL CAMPAIGN** (Continued)

Contributions to the capital campaign were recorded as net assets with donor restrictions until the funds were expended. As of June 30, 2022, approximately \$45,083,000 of such contributions were released from donor restrictions and approximately \$901,000 of such contributions are donor-restricted in perpetuity.

At June 30, 2022 and 2021, the Organization has pledges receivable – capital campaign, net, of \$2,802,887 and \$5,161,405, respectively (see Note 3). Additionally, the capital campaign contributions reported in the consolidated statements of activities and changes in net assets consisted of the following for the fiscal years ended June 30:

	<u>2022</u>	<u>2021</u>
Pledges and contributions – with restrictions	\$ -	\$ 415,406
Change in allowance of uncollectible pledges – capital campaign	2,425	36,465
Change in discount on pledges – capital campaign	<u>38,538</u>	<u>19,831</u>
 Total capital campaign contributions, net	 <u>\$ 40,963</u>	 <u>\$ 471,702</u>

At June 30, 2022 and 2021, the Organization has approximately \$7,471,000 of revocable planned gifts outstanding, which are not recorded in these consolidated financial statements.

**NOTE 14 – DONATED MATERIALS AND SERVICES**

The Organization received donated materials and services as follows:

	<u>2022</u>	<u>2021</u>
Advertising	\$ 35,890	\$ 29,675
Catering	2,423	26,604
Supplies	580	-
Other	<u>2,290</u>	<u>45,483</u>
 Total in-kind contributions	 <u>\$ 41,183</u>	 <u>\$ 101,762</u>

**NOTE 15 – LEASING ACTIVITIES**

The Organization holds operating leases for various equipment and utilities. The leases extend through June 2027, have minimum monthly payments ranging from approximately \$694 to \$1,696. Total lease expense for these operating leases for the fiscal years ended June 30, 2022 and 2021 was \$64,319 and \$23,986, respectively.

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(Continued)

HOLOCAUST MUSEUM HOUSTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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**NOTE 15 – LEASING ACTIVITIES** (Continued)

Future minimum payments for noncancelable operating leases consist of the following:

2023	\$ 57,261
2024	51,150
2025	28,462
2026	17,940
2027	<u>16,445</u>
Total minimum lease payments	<u>\$ 171,258</u>

**NOTE 16 – 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.

The Organization made contributions to the plans of \$94,374 and \$68,953 during the fiscal years ended June 30, 2022 and 2021, respectively, which is included in salaries and benefits on the consolidated statements of functional expenses.

**NOTE 17 – 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 \$689,311 and \$525,000 during the fiscal years ended June 30, 2022 and 2021, respectively. These transactions were eliminated within consolidation.

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(Continued)

HOLOCAUST MUSEUM HOUSTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2022 and 2021

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**NOTE 18 – RELATED PARTY TRANSACTIONS**

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. During the fiscal year ended June 30, 2021, certain members of the Board of Trustees contributed \$472,916 and paid \$26,775 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, 2022 and 2021, certain members from the Board of Trustees pledged gifts in the amount of \$261,000 and \$227,250, respectively. At June 30, 2022 and 2021, the full amount was included in pledges receivable – other, net.

**NOTE 19 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 9, 2022, the date which the consolidated financial statements were available to be issued. Other than those disclosed in Notes 7 and 9, management has determined there are no other subsequent events that require disclosure in these consolidated financial statements.

**SUPPLEMENTARY SCHEDULES**

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>
<b>ASSETS</b>				
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	37,282,732	24,980	-	37,307,712
Collections	-	-	-	-
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total assets	<u>\$ 41,860,555</u>	<u>\$ 11,142,975</u>	<u>\$ (85,071)</u>	<u>\$ 52,918,459</u>
<b>LIABILITIES AND NET ASSETS</b>				
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>
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </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 I – CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
June 30, 2021

	<u>Museum</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 720,858	\$ 268,010	\$ -	\$ 988,868
Pledges receivable:				
Capital campaign, net	4,904,830	256,575	-	5,161,405
Other, net	723,694	30,800	-	754,494
Employee retention credit receivable	436,523	-	-	436,523
Inventory, net	41,128	-	-	41,128
Prepaid expenses and other assets	358,687	-	-	358,687
Due from affiliate	4,440	986	(5,426)	-
Investments	-	12,619,755	-	12,619,755
Property and equipment, net	38,850,802	-	-	38,850,802
Collections	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 46,040,962</u>	<u>\$ 13,176,126</u>	<u>\$ (5,426)</u>	<u>\$ 59,211,662</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Accounts payable and accrued expenses	\$ 356,103	\$ -	\$ -	\$ 356,103
Lines of credit	8,100,000	-	-	8,100,000
Note payable	572,115	-	-	572,115
Due to affiliate	986	4,440	(5,426)	-
Deferred revenue	46,015	-	-	46,015
Capital lease obligation	29,121	-	-	29,121
Total liabilities	<u>9,104,340</u>	<u>4,440</u>	<u>(5,426)</u>	<u>9,103,354</u>
Net assets				
Without donor restrictions	36,564,949	5,685,572	-	42,250,521
With donor restrictions	371,673	7,486,114	-	7,857,787
Total net assets	<u>36,936,622</u>	<u>13,171,686</u>	<u>-</u>	<u>50,108,308</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and net assets	<u>\$ 46,040,962</u>	<u>\$ 13,176,126</u>	<u>\$ (5,426)</u>	<u>\$ 59,211,662</u>

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

	Museum		Foundation		Eliminations	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions –			
			Board- Designated	With Donor Restrictions		
<b>Support and revenues</b>						
Contributions	\$ 2,267,565	\$ 764,039	\$ 3,780	\$ 695,066	\$ (720,311)	\$ 3,010,139
Contributions – capital campaign, net	-	40,963	-	-	-	40,963
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 return (loss), net	(450)	-	(741,092)	(1,016,366)	-	(1,757,908)
Forgiveness of note payable and interest	707,638	-	-	-	-	707,638
	<u>6,642,749</u>	<u>805,002</u>	<u>(737,312)</u>	<u>(321,300)</u>	<u>(720,311)</u>	<u>5,668,828</u>
Net assets released from donor restrictions	813,050	(813,050)	414,559	(414,559)	-	-
Total support and revenues	<u>7,455,799</u>	<u>(8,048)</u>	<u>(322,753)</u>	<u>(735,859)</u>	<u>(720,311)</u>	<u>5,668,828</u>
<b>Expenses</b>						
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	<u>8,784,235</u>	<u>-</u>	<u>1,055,070</u>	<u>-</u>	<u>(720,311)</u>	<u>9,118,994</u>
Change in net assets	(1,328,436)	(8,048)	(1,377,823)	(735,859)	-	(3,450,166)
Net assets, beginning of fiscal year	<u>36,564,949</u>	<u>371,673</u>	<u>5,685,572</u>	<u>7,486,114</u>	<u>-</u>	<u>50,108,308</u>
<b>Net assets, end of fiscal year</b>	<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>

(Continued)



HOLOCAUST MUSEUM HOUSTON  
SCHEDULE II – CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the fiscal year ended June 30, 2021

	Museum		Foundation		Eliminations	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions – Board- Designated	With Donor Restrictions		
<b>Support and revenues</b>						
Contributions	\$ 1,814,370	\$ 748,337	\$ 906	\$ 289,309	\$ (556,000)	\$ 2,296,922
Contributions – capital campaign, net	-	299,515	-	172,187	-	471,702
Contribution – grant revenue	-	836,337	-	-	-	836,337
Special events, net	1,537,975	-	-	-	-	1,537,975
Membership fees	384,874	4,734	-	-	-	389,608
Admissions, tours, and programs	345,551	-	-	-	-	345,551
Merchandise sales	87,317	-	-	-	-	87,317
Rental and other income	143,816	-	-	-	-	143,816
Employee retention credit	-	436,523	-	-	-	436,523
Investment return (loss), net	(94)	-	1,373,254	1,633,999	-	3,007,159
	<u>4,313,809</u>	<u>2,325,446</u>	<u>1,374,160</u>	<u>2,095,495</u>	<u>(556,000)</u>	<u>9,552,910</u>
Net assets released from donor restrictions	<u>2,312,950</u>	<u>(2,312,950)</u>	<u>289,429</u>	<u>(289,429)</u>	<u>-</u>	<u>-</u>
Total support and revenues	6,626,759	12,496	1,663,589	1,806,066	(556,000)	9,552,910
<b>Expenses</b>						
Program services	4,609,003	-	-	-	-	4,609,003
Management and general	1,742,097	-	796,353	-	(556,000)	1,982,450
Fundraising	1,270,810	-	-	-	-	1,270,810
Total expenses	<u>7,621,910</u>	<u>-</u>	<u>796,353</u>	<u>-</u>	<u>(556,000)</u>	<u>7,862,263</u>
Change in net assets	(995,151)	12,496	867,236	1,806,066	-	1,690,647
Net assets, beginning of fiscal year	<u>37,560,100</u>	<u>359,177</u>	<u>4,818,336</u>	<u>5,680,048</u>	<u>-</u>	<u>48,417,661</u>
<b>Net assets, end of fiscal year</b>	<u>\$ 36,564,949</u>	<u>\$ 371,673</u>	<u>\$ 5,685,572</u>	<u>\$ 7,486,114</u>	<u>\$ -</u>	<u>\$ 50,108,308</u>