

Holocaust Museum Houston
Consolidated Financial Statements and Supplementary Schedules
For the Fiscal Years Ended June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Holocaust Museum Houston

To the Board of Directors of
Holocaust Museum Houston Foundation
Houston, Texas

We have audited the accompanying consolidated financial statements of Holocaust Museum Houston (a nonprofit corporation) and Holocaust Museum Houston Foundation (a nonprofit corporation), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the fiscal years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Board of Trustees of
Holocaust Museum Houston

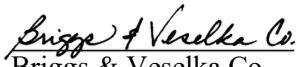
To the Board of Directors of
Holocaust Museum Houston Foundation
Re: Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Holocaust Museum Houston and Holocaust Museum Houston Foundation as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedules I 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 additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.


Briggs & Veselka Co.
Houston, Texas

November 12, 2020

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 759,306	\$ 1,022,146
Pledges receivable		
Capital campaign, net	9,066,365	14,080,523
Other, net	801,886	918,170
Inventory, net	55,245	43,449
Prepaid expenses and other assets	276,904	192,064
Investments	9,896,816	10,208,568
Property and equipment, net	40,555,432	38,896,757
Collections	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 61,411,954</u>	<u>\$ 65,361,677</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,187,128	\$ 5,235,502
Lines of credit	10,900,000	7,920,000
Note payable	572,115	572,115
Refundable advance	224,303	-
Deferred revenue	56,048	-
Capital lease obligation	<u>54,699</u>	<u>25,317</u>
Total liabilities	12,994,293	13,752,934
Net assets		
Without donor restrictions	42,378,436	41,783,275
With donor restrictions	<u>6,039,225</u>	<u>9,825,468</u>
Total net assets	<u>48,417,661</u>	<u>51,608,743</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 61,411,954</u>	<u>\$ 65,361,677</u>

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

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Contributions	\$ 1,715,638	\$ 1,420,302	\$ 3,135,940
Contributions – capital campaign, net	-	426,146	426,146
Contribution – grant revenue	-	469,197	469,197
Special events, net (revenues of \$1,458,527 less expenses of \$213,233)	1,245,294	-	1,245,294
Membership fees	448,090	-	448,090
Admissions, tours and programs	406,885	-	406,885
Store sales	108,105	-	108,105
Rental and other income	150,361	-	150,361
Investment loss, net	<u>(161,178)</u>	<u>(93,541)</u>	<u>(254,719)</u>
	3,913,195	2,222,104	6,135,299
Net assets released from restrictions	<u>6,008,347</u>	<u>(6,008,347)</u>	<u>-</u>
Total support and revenues	9,921,542	(3,786,243)	6,135,299
Expenses			
Program services			
Exhibitions	2,592,354	-	2,592,354
Education	1,003,654	-	1,003,654
Other	<u>1,434,875</u>	<u>-</u>	<u>1,434,875</u>
Total program services	5,030,883	-	5,030,883
Supporting services			
Management and general	2,516,073	-	2,516,073
Fundraising	<u>1,779,425</u>	<u>-</u>	<u>1,779,425</u>
Total expenses	<u>9,326,381</u>	<u>-</u>	<u>9,326,381</u>
Change in net assets	595,161	(3,786,243)	(3,191,082)
Net assets, beginning of fiscal year	<u>41,783,275</u>	<u>9,825,468</u>	<u>51,608,743</u>
NET ASSETS, END OF FISCAL YEAR	<u>\$ 42,378,436</u>	<u>\$ 6,039,225</u>	<u>\$ 48,417,661</u>

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

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Contributions	\$ 1,524,142	\$ 1,402,192	\$ 2,926,334
Contributions – capital campaign, net	-	4,941,751	4,941,751
Special events, net (revenues of \$1,685,190 less expenses of \$331,441)	1,353,749	-	1,353,749
Membership fees	412,408	-	412,408
Admissions, tours and programs	140,424	-	140,424
Store sales	53,463	-	53,463
Rental and other income	32,837	-	32,837
Investment return, net	288,674	236,152	524,826
Loss on disposal of property and equipment	(21,671)	-	(21,671)
	<u>3,784,026</u>	<u>6,580,095</u>	<u>10,364,121</u>
Net assets released from restrictions	<u>24,971,421</u>	<u>(24,971,421)</u>	<u>-</u>
Total support and revenues	28,755,447	(18,391,326)	10,364,121
Expenses			
Program services			
Exhibitions	1,620,746	-	1,620,746
Education	726,428	-	726,428
Other	748,551	-	748,551
Total program services	<u>3,095,725</u>	<u>-</u>	<u>3,095,725</u>
Supporting services			
Management and general	1,588,617	-	1,588,617
Fundraising	2,610,101	-	2,610,101
Total expenses	<u>7,294,443</u>	<u>-</u>	<u>7,294,443</u>
Change in net assets	21,461,004	(18,391,326)	3,069,678
Net assets, beginning of fiscal year	<u>20,322,271</u>	<u>28,216,794</u>	<u>48,539,065</u>
NET ASSETS, END OF FISCAL YEAR	<u>\$ 41,783,275</u>	<u>\$ 9,825,468</u>	<u>\$ 51,608,743</u>

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

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Program Services			Total Program Services	Supporting Services		Total
	Exhibitions	Education	Other		Management and General	Fundraising	
Salaries and benefits	\$ 557,324	\$ 527,668	\$ 726,461	\$ 1,811,453	\$ 957,505	\$ 1,060,437	\$ 3,829,395
Advertising	244,934	-	625	245,559	34,418	162,329	442,306
Audiovisual	4,996	650	460	6,106	25,050	-	31,156
Awards	957	1,155	2,958	5,070	6,294	10,691	22,055
Bank and merchant fees	146	143	39	328	73,532	1,047	74,907
Catering	4,892	25,650	10,353	40,895	16,980	23,673	81,548
Collections	208,400	-	-	208,400	-	-	208,400
Computer services and software	38,785	11,871	48,115	98,771	31,371	80,573	210,715
Contract services	109,238	11,247	6,438	126,923	352,551	116,237	595,711
Depreciation	921,437	199,339	360,188	1,480,964	205,815	106,641	1,793,420
Dues and subscriptions	3,422	1,287	1,803	6,512	14,385	30,150	51,047
Education sponsorships	-	-	1,125	1,125	13,108	11,500	25,733
Engraving	1,530	93	952	2,575	490	437	3,502
Equipment	16,843	390	3,420	20,653	8,856	553	30,062
Honorariums	4,000	51,971	3,600	59,571	-	5,000	64,571
Insurance	66,677	12,044	23,013	101,734	20,890	8,088	130,712
Interest expense	-	-	-	-	370,664	-	370,664
Janitorial	84,558	14,684	26,535	125,777	15,098	6,123	146,998
Legal fees	-	200	-	200	184	-	384
Meals and entertainment	1,880	4,661	1,619	8,160	6,654	16,259	31,073
Permits	-	-	250	250	3,195	-	3,445
Photography	2,925	1,700	1,450	6,075	2,860	3,448	12,383
Postage and shipping	29,845	563	756	31,164	7,296	30,640	69,100
Printing and publications	24,999	4,027	2,959	31,985	40,642	58,616	131,243
Professional development	3,490	13,508	12,919	29,917	16,584	2,919	49,420
Rentals	16,530	6,043	6,469	29,042	7,790	3,734	40,566
Repairs and maintenance	35,620	5,518	10,642	51,780	135,873	2,301	189,954
Security	56,689	9,541	17,242	83,472	9,810	3,978	97,260
Signage	7,355	-	1,897	9,252	11,815	921	21,988
Storage	19,692	-	13,139	32,831	12,270	-	45,101
Store cost of sales	-	122	75,008	75,130	38	-	75,168
Supplies	8,433	16,589	22,628	47,650	24,184	2,379	74,213
Travel	21,836	64,834	8,587	95,257	7,753	2,692	105,702
Utilities	91,618	17,467	29,170	138,255	29,291	14,275	181,821
Other expenses	3,303	689	14,055	18,047	52,827	13,784	84,658
Total expenses	<u>\$ 2,592,354</u>	<u>\$ 1,003,654</u>	<u>\$ 1,434,875</u>	<u>\$ 5,030,883</u>	<u>\$ 2,516,073</u>	<u>\$ 1,779,425</u>	<u>\$ 9,326,381</u>

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

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED STATEMENT FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Program Services			Total Program Services	Supporting Services		Total
	Exhibitions	Education	Other		Management and General	Fundraising	
Salaries and benefits	\$ 354,942	\$ 493,136	\$ 322,463	\$ 1,170,541	\$ 767,535	\$ 1,457,169	\$ 3,395,245
Advertising	23,386	1,940	1,355	26,681	42,243	147,254	216,178
Audiovisual	4,121	30	55,623	59,774	379	94,609	154,762
Awards	16,605	-	-	16,605	9,738	29,643	55,986
Bank and merchant fees	300	120	23	443	52,040	9	52,492
Catering	33,998	1,690	64,104	99,792	9,143	104,742	213,677
Computer services and software	16,372	17,511	30,024	63,907	27,997	82,311	174,215
Contract services	179,946	43,890	7,962	231,798	331,658	144,298	707,754
Depreciation	147,312	11,838	62,505	221,655	29,468	9,986	261,109
Dues and subscriptions	13,390	1,768	1,974	17,132	20,123	23,922	61,177
Education sponsorships	-	75,250	750	76,000	1,000	13,000	90,000
Engraving	34	59	1,002	1,095	1,238	175	2,508
Equipment	12,085	100	2,398	14,583	1,698	9,928	26,209
Honorariums	8,080	5,400	30,650	44,130	-	102,100	146,230
Insurance	42,634	4,283	5,250	52,167	16,091	5,716	73,974
Interest expense	-	-	-	-	67,649	-	67,649
Janitorial	46,236	2,442	3,218	51,896	5,637	393	57,926
Legal fees	644	225	-	869	10,513	450	11,832
Meals and entertainment	5,446	1,523	1,016	7,985	12,293	29,460	49,738
Permits	-	-	-	-	22,880	36	22,916
Photography	3,200	-	3,500	6,700	604	22,256	29,560
Postage and shipping	47,148	746	2,140	50,034	4,559	52,944	107,537
Printing and publications	20,105	2,175	5,777	28,057	24,353	113,194	165,604
Professional development	969	6,382	980	8,331	5,766	17,167	31,264
Rentals	342,632	13,564	26,541	382,737	19,339	48,036	450,112
Repairs and maintenance	11,938	889	446	13,273	2,123	-	15,396
Security	154,544	7,329	10,315	172,188	24,854	1,325	198,367
Signage	15,325	64	312	15,701	2,273	14,856	32,830
Storage	21,003	1,160	13,176	35,339	14,897	-	50,236
Store cost of sales	-	-	61,885	61,885	-	-	61,885
Supplies	7,463	4,544	16,464	28,471	11,427	9,295	49,193
Travel	35,811	16,638	5,830	58,279	6,548	45,304	110,131
Utilities	51,458	3,432	4,180	59,070	42,551	8,400	110,021
Other expenses	3,619	8,300	6,688	18,607	-	22,123	40,730
Total expenses	<u>\$ 1,620,746</u>	<u>\$ 726,428</u>	<u>\$ 748,551</u>	<u>\$ 3,095,725</u>	<u>\$ 1,588,617</u>	<u>\$ 2,610,101</u>	<u>\$ 7,294,443</u>

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

HOLOCAUST MUSEUM HOUSTON
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (3,191,082)	\$ 3,069,678
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in allowance for uncollectible pledges receivable	(24,113)	(58,159)
Change in discount on pledges receivable – capital campaign	(198,331)	(187,042)
Change in reserve for slow-moving inventory	3,463	24,048
Depreciation	1,793,420	261,109
Loss on disposal of property and equipment	-	21,671
Fair value of stock contributed	(57,130)	(505,681)
Contributions restricted for endowment	(591,224)	(689,330)
Contributions for capital campaign	(207,507)	(4,753,716)
Realized and unrealized loss (gain) on investments	549,988	(175,011)
Changes in operating assets and liabilities:		
Pledges receivable – other	104,084	(627,374)
Inventory	(15,259)	(41,237)
Prepaid expenses and other assets	(84,840)	(134,197)
Accounts payable and accrued expenses	(4,866,924)	1,040,585
Refundable advance	224,303	-
Deferred revenue	56,048	-
Net cash from operating activities	<u>(6,505,104)</u>	<u>(2,754,656)</u>
Cash flows from investing activities		
Purchases of property and equipment	(2,572,525)	(22,986,023)
Purchases of investments	(5,924,832)	(5,462,026)
Proceeds from sale of investments	<u>5,743,726</u>	<u>5,758,386</u>
Net cash from investing activities	<u>(2,753,631)</u>	<u>(22,689,663)</u>
Cash flows from financing activities		
Borrowings on lines of credit	7,395,000	10,105,000
Payments on lines of credit	(4,415,000)	(2,185,000)
Contributions restricted for endowment	591,224	689,330
Contributions for capital campaign	5,456,309	9,739,609
Payments on capital lease obligation	<u>(31,638)</u>	<u>(6,111)</u>
Net cash from financing activities	<u>8,995,895</u>	<u>18,342,828</u>
Net change in cash and cash equivalents	<u>(262,840)</u>	<u>(7,101,491)</u>
Cash and cash equivalents, beginning of fiscal year	<u>1,022,146</u>	<u>8,123,637</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 759,306</u>	<u>\$ 1,022,146</u>
Supplemental cash flow information:		
Interest paid	\$ 370,664	\$ 67,649
Noncash investing and financing activities:		
Property purchases included in accounts payable	\$ 818,550	\$ 2,029,869
Property and equipment financed through capital lease obligations	\$ 61,020	\$ 31,428
Donated collections	\$ 208,400	\$ -

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

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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. doing business as 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, immigrant workers, and civil rights.
- *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 attendance relating to the Holocaust, genocide, and human rights with both a local and world-wide view.
 - *Visitor & 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 Directors.
- **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.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 \$65,106 and \$89,219 at June 30, 2020 and 2019, respectively.

Inventory – Inventory is valued at net realizable value. Inventory is reported net of a reserve for slow-moving inventory of \$69,039 and \$65,576 at June 30, 2020 and 2019, respectively.

Investments and Investment Income – Investments in marketable equity and debt securities are reported at fair value. Investment income, including unrealized gains and losses, is reported in the consolidated statements of activities and changes in net assets as an increase in net assets without donor restrictions unless its use is limited by donor-imposed restrictions. Investment income whose use is restricted by the donor is reported as an increase in net assets with donor restrictions until expended in accordance with donor-imposed restrictions. Donated marketable securities are recorded as contributions at their estimated fair market values at the date of donation. The Organization's policy is to sell donated securities within a short period of time and to record the difference between the estimated fair value and the proceeds from the sale of the stock as a realized gain or loss.

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

Impairment Loss of Long-Lived Assets – The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There was no impairment loss recorded during the fiscal years ended June 30, 2020 and 2019.

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.

Revenue Recognition – The Organization records contributions and revenue 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.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 restrictions.

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

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 \$442,306 and \$216,178 during the fiscal years ended June 30, 2020 and 2019, 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, 2020 and 2019. 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.

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

Use of Estimates – Management uses estimates and assumptions in preparing 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, reserve for slow-moving inventory, and estimated useful life of property and equipment.

Functional Expenses – The costs of providing the Organization’s various programs and 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.

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The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Depreciation	Square footage
Computer services and software	Department
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 a significant concentration 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 June 30, 2020 and for the fiscal year then ended, pledges from one donor accounted for approximately 42% of pledges receivable and there were no concentrations from donor contributions received. As of June 30, 2019 and for the fiscal year then ended, pledges from one donor accounted for approximately 44% of pledges receivable and one donor accounted for approximately 13% of contributions received.

As of June 30, 2020, amounts owed to one vendor accounted for approximately 75% of total accounts payable. As of June 30, 2019 amounts owed to two vendors accounted for approximately 44% of total accounts payable.

Risks and Uncertainties – During the fiscal year ended June 30, 2020, many countries around the world, including the United States, 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 consolidated 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 change in net assets.

Newly Adopted Accounting Pronouncements – In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit (NFP) organizations and business enterprises.

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The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellations of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the Organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. With some exceptions, the guidance was effective for annual periods beginning after December 15, 2018. During the fiscal year ended June 30, 2020, the Organization adopted the new standard, which has been applied on a modified prospective basis.

Recent Accounting Pronouncements – In May 2014, the FASB issued ASU No. 2014-09, *Revenue From Contracts With Customers (Topic 606)*, establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This update provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. 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 revenue recognition rules private not-for-profit organizations can apply the standard to fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact the adoption of this standard will have on the consolidated financial statements and related disclosures.

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 statement 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.

HOLOCAUST MUSEUM HOUSTON
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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>2020</u>	<u>2019</u>
Financial assets at fiscal year-end:		
Cash and cash equivalents	\$ 759,306	\$ 1,022,146
Pledges receivable – capital campaign, net	9,066,365	14,080,523
Pledges receivable – other, net	801,886	918,170
Prepaid expenses	178,368	93,529
Investments	<u>9,896,816</u>	<u>10,208,568</u>
Total financial assets	20,702,741	26,322,936
Financial assets not available for general expenditure:		
Less: net assets with donor restrictions	(6,039,225)	(9,825,468)
Less: Board-designated for endowment	(4,818,336)	(5,586,255)
Less: collateral under security lending agreements	(33,768)	(69,012)
Add: net assets with purpose restrictions to be met in less than one year	265,895	4,139,742
Add: budget approved releases of Board-designated funds and endowment appropriation approved for upcoming year	<u>525,000</u>	<u>525,000</u>
Financial assets available to meet general expenditures within one year	<u>\$10,602,307</u>	<u>\$15,506,943</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, 2020 and 2019, \$4,818,336 and \$5,586,255, 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 \$9,066,365 and \$14,080,523 at June 30, 2020 and 2019, respectively. Pledges receivable – other, net, were \$801,886 and \$918,170 at June 30, 2020 and 2019, respectively.

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

	<u>2020</u>	<u>2019</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 5,387,623	\$ 7,537,788
One to five years	4,090,555	6,889,676
Five to ten years	<u>600,000</u>	<u>1,003,600</u>
Total pledges receivable	10,078,178	15,431,064
Less: allowance for uncollectible pledges	(65,106)	(89,219)
Less: discount to present value	<u>(144,821)</u>	<u>(343,152)</u>
Total pledges receivable, net	<u>\$ 9,868,251</u>	<u>\$14,998,693</u>

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Pledges receivable in more than one year are discounted to their present value at the time the pledge is made using the current U.S. Treasury security rate. The discount rates during 2020 and 2019 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.

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, 2020				
Investments				
Domestic equity mutual funds	\$ 3,108,370	\$ -	\$ -	\$ 3,108,370
Fixed income mutual funds	2,656,877	-	-	2,656,877
International equity mutual funds	1,891,844	-	-	1,891,844
Emerging markets mutual funds	935,014	-	-	935,014
Master limited partnership mutual funds	760,572	-	-	760,572
Real estate investment trust mutual funds	442,545	-	-	442,545
Emerging markets bond mutual funds	<u>101,594</u>	<u>-</u>	<u>-</u>	<u>101,594</u>
Total investments	<u>\$ 9,896,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,896,816</u>

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2019				
Investments				
Domestic equity mutual funds	\$ 3,040,089	\$ -	\$ -	\$ 3,040,089
Fixed income mutual funds	2,797,249	-	-	2,797,249
International equity mutual funds	1,997,772	-	-	1,997,772
Emerging markets mutual funds	940,220	-	-	940,220
Master limited partnership mutual funds	716,859	-	-	716,859
Real estate investment trust mutual funds	610,569	-	-	610,569
Emerging markets bond mutual funds	<u>105,810</u>	<u>-</u>	<u>-</u>	<u>105,810</u>
Total investments	<u>\$ 10,208,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,208,568</u>

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

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

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date. There have been no changes in methodologies used at June 30, 2020 and 2019.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 3,577,887	\$ 3,577,887
Building and building improvements	37,466,943	34,406,696
Furniture and equipment	2,821,046	2,496,251
Artwork	<u>425,701</u>	<u>300,560</u>
	44,291,577	40,781,394
Less: accumulated depreciation	<u>(3,736,145)</u>	<u>(1,942,725)</u>
Net depreciable assets	40,555,432	38,838,669
Construction in progress – permanent exhibits and other	<u>-</u>	<u>58,088</u>
Total property and equipment, net	<u>\$ 40,555,432</u>	<u>\$ 38,896,757</u>

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Depreciation expense amounted to \$1,793,420 and \$261,109 for the fiscal years ended June 30, 2020 and 2019, respectively.

The Organization expanded the Museum’s facilities, which includes new and improved permanent exhibits and galleries. The grand re-opening was held in June 2019 and, as such, the balance in construction in progress at that time was transferred to building and improvements during the fiscal year ended June 30, 2019.

NOTE 6 – INVESTMENT RETURN

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

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 318,411	\$ 373,098
Realized and unrealized gain (loss) on investments	(549,988)	175,011
Custodial and management fees	<u>(23,142)</u>	<u>(23,283)</u>
Total investment return (loss), net	<u>\$ (254,719)</u>	<u>\$ 524,826</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% (2.18% and 5.50% at June 30, 2020 and 2019, respectively). At June 30, 2020 and 2019, there were no outstanding amounts on the 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 (*Note 13*). As of October 4, 2020 advances are no longer available. The line of credit bears interest at a fixed rate of 3.50%, and has interest-only payments due through April 2023, at which time a principal payment sufficient to reduce the outstanding balance to an amount not to exceed \$5,000,000, is due and payable. Commencing on April 5, 2023, interest accrues at a fixed rate equal to the sum of the Treasury Rate in effect on April 5, 2023 plus 1.50%, although the Organization has the option, if exercised between February 5 and March 5, 2023, of accruing interest at a varying rate equal to 30-day London Inter-Bank Offered Rate (LIBOR) plus 1.50%. Monthly principal and interest payments are payable beginning May 1, 2023 and ending April 4, 2028 at maturity. The note is secured by capital campaign proceeds and pledges excluding those designated by their donor to be endowed. At June 30, 2020 and 2019, the outstanding balance on the revolving line of credit was \$10,900,000 and \$7,920,000, 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 has accrued interest on the note payable prior to January 9, 2014, at 8% as called for under the original agreement. In accordance with the extension agreement, the Organization has not accrued interest after January 9, 2014.

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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. The Organization incurred expenses of \$140,772 and \$3,000 for improvements in the fiscal years ended June 30, 2020 and 2019, respectively.

In October 2019, the Organization requested and received a one-year renewal term expiring October 26, 2020. In October 2020, the Organization requested and received a one-year renewal term expiring October 26, 2021. Improvements were completed and accepted by the Houston Public Library Department in September 2020. Required documents are in process of finalization for submission to the City of Houston. If approved by the City, the improvements will be transferred to the City and the note payable (\$572,115 as of June 30, 2020 and 2019) and related accrued interest, which is included in accounts payable and accrued expenses on the consolidated statements of financial position, (\$135,523 as of June 30, 2020 and 2019) will be forgiven in full.

NOTE 9 – REFUNDABLE ADVANCE

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act commonly referred to as the CARES Act. 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 provides 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 is a five-year loan with a maturity date of May 1, 2025. The loan bears an annual interest rate of 1%. The loan is payable monthly with the first six monthly payments deferred. It is the Organization’s intent to apply for loan forgiveness under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the approval of the SBA.

During the fiscal year ended June 30, 2020, the Organization adopted ASU No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting. In accordance with the ASU, 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, 2020, \$469,197 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. At June 30, 2020, the remaining \$224,303 PPP contribution has not been recognized in the accompanying consolidated statements of activities and changes in net assets, because the conditions on which they depend have not yet been met. As such, \$224,303 is reported as a refundable advance at June 30, 2020 in the consolidated statements of financial position.

NOTE 10 – NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Undesignated	\$37,560,100	\$36,197,020
Board-designated for endowment	<u>4,818,336</u>	<u>5,586,255</u>
Total net assets without donor restrictions	<u>\$42,378,436</u>	<u>\$41,783,275</u>

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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>2020</u>	<u>2019</u>
Capital campaign – Museum expansion	\$ -	\$ 4,170,207
Conservation	393,995	416,888
Docent program	100,765	100,765
Educational programs	3,949,816	3,642,988
Exhibits	191,701	90,056
Garden	200,000	200,000
General operations – time-restricted	113,040	100,000
Lecture series	238,363	242,614
Visitor and volunteer services	580,843	583,028
Yom Ha’Shoah program	168,002	143,002
Other	<u>102,700</u>	<u>135,920</u>
Total net assets with donor restrictions	<u>\$ 6,039,225</u>	<u>\$ 9,825,468</u>

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

	<u>2020</u>	<u>2019</u>
Capital campaign – Museum expansion	\$ 4,596,352	\$ 24,263,426
Collections	208,400	-
Conservation	28,856	21,218
Educational programs	537,737	302,189
Exhibits	86,836	142,991
Lecture series	-	166,751
Visitor and volunteer services	37,793	37,974
General operations	469,197	-
Other	<u>43,176</u>	<u>36,872</u>
Total net assets released from donor restrictions	<u>\$ 6,008,347</u>	<u>\$ 24,971,421</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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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, 2020 and 2019.

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- Designated	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, June 30, 2018	\$ 5,746,698	\$ 4,609,707	\$ 10,356,405
Investment return, net	262,315	236,152	498,467
Contributions	16,322	689,330	705,652
Operating expenses	(66,762)	-	(66,762)
Releases of Board-designated funds	(372,318)	-	(372,318)
Appropriations for expenditure	<u>-</u>	<u>(122,682)</u>	<u>(122,682)</u>
Endowment net assets, June 30, 2019	5,586,255	5,412,507	10,998,762
Investment loss, net	(159,756)	(93,541)	(253,297)
Contributions	662	591,224	591,886
Operating expenses	(264,967)	-	(264,967)
Releases of Board-designated funds	(343,858)	-	(343,858)
Appropriations for expenditure	<u>-</u>	<u>(230,142)</u>	<u>(230,142)</u>
Endowment net assets, June 30, 2020	<u>\$ 4,818,336</u>	<u>\$ 5,680,048</u>	<u>\$ 10,498,384</u>

HOLOCAUST MUSEUM HOUSTON
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Endowment net assets composition as of June 30, 2020 and 2019:

	Without Donor Restrictions – Board- Designated	With Donor Restrictions	Total
Board-designated endowment funds	\$ 4,818,336	\$ -	4,818,336
Donor-restricted endowment funds	<u>-</u>	<u>5,680,048</u>	<u>5,680,048</u>
Total endowment net assets, June 30, 2020	<u>\$ 4,818,336</u>	<u>\$ 5,680,048</u>	<u>\$ 10,498,384</u>
Board-designated endowment funds	\$ 5,586,255	\$ -	\$ 5,586,255
Donor-restricted endowment funds	<u>-</u>	<u>5,412,507</u>	<u>5,412,507</u>
Total endowment net assets, June 30, 2019	<u>\$ 5,586,255</u>	<u>\$ 5,412,507</u>	<u>\$ 10,998,762</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 appropriations, 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 has raised approximately \$45,484,000 in contributions for the capital campaign as of June 30, 2020. While the formal capital campaign has been concluded, the Organization continues to raise funds primarily for endowment purposes in order to subsidize operating expenses and to minimize financing costs.

Contributions to the capital campaign are recorded as net assets with donor restrictions until the funds are expended. As of June 30, 2020, \$44,783,000 of such contributions were released from donor restrictions and \$701,000 of such contributions are donor restricted in perpetuity. Contributions not required for building expenditure will be transferred to the Foundation’s quasi-endowment fund and recorded as without donor restrictions – Board-designated net assets.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

At June 30, 2020 and 2019, the Organization has pledges receivable – capital campaign, net, of \$9,066,365 and \$14,080,523, 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>2020</u>	<u>2019</u>
Pledges and contributions – with restrictions	\$ 191,502	\$ 4,696,550
Change in allowance of uncollectible pledges – capital campaign	36,313	58,159
Change in discount on pledges – capital campaign	<u>198,331</u>	<u>187,042</u>
Total capital campaign contributions, net	<u>\$ 426,146</u>	<u>\$ 4,941,751</u>

The Organization has received approximately \$7,620,000 in revocable planned gifts, which are not recorded in these consolidated financial statements.

NOTE 14 – IN-KIND CONTRIBUTIONS

Individuals and other organizations have provided or donated property, materials, and services to the Organization at no cost or at costs significantly below market value.

These items are recorded as contributions in net assets without donor restrictions on the consolidated statements of activities and changes in net assets, except for collections that are recorded as contributions in net assets with donor restrictions, at their estimated fair value during the fiscal years ended June 30:

	<u>2020</u>	<u>2019</u>
Advertising	\$ 161,525	\$ 54,921
Audiovisual services	8,329	9,000
Catering	510	6,649
Collections	208,400	-
Contract services	-	12,375
Rentals	-	3,191
Security	-	16,840
Travel – nonstaff	-	8,270
Other	<u>680</u>	<u>6,134</u>
Total in-kind contributions	<u>\$ 379,444</u>	<u>\$ 117,380</u>

NOTE 15 – LEASING ACTIVITIES

The Organization currently leases a portion of its parking lot under short-term noncancelable operating leases. During the fiscal years ended June 30, 2020 and 2019, the Organization recorded \$12,040 and \$15,000, respectively, of rental income in rental and other income on the consolidated statements of activities and changes in net assets.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Effective August 4, 2017, the Museum relocated operations to a temporary space, which was leased through June 30, 2019. Total lease expense relating to the temporary space was \$288,081 for the fiscal year ended June 30, 2019 and is included in rentals on the consolidated statements of functional expenses.

The Organization holds other operating leases for various equipment and utilities. The leases extend through August 2024, have minimum monthly payments ranging from approximately \$220 to \$1,050. Total lease expense for these operating leases for the fiscal years ended June 30, 2020 and 2019 was \$23,049 and \$3,872, respectively.

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

For the Fiscal Year Ending June 30,	Amount
2021	\$ 23,986
2022	20,846
2023	11,428
2024	11,428
2025	<u>733</u>
Total minimum lease payments	<u>\$ 68,421</u>

NOTE 16 – RETIREMENT PLANS

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

The Organization made a contribution to its 403(b) plan of \$85,394 and \$81,200 during the fiscal years ended June 30, 2020 and 2019, 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 \$574,000 and \$495,000 during the fiscal years ended June 30, 2020 and 2019, respectively. These transactions were eliminated within consolidation.

HOLOCAUST MUSEUM HOUSTON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 18 – RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2020, certain members of the Board of Trustees contributed \$349,516 and paid \$33,250 of membership dues to the Organization. During the fiscal year ended June 30, 2019, certain members of the Board of Trustees contributed \$267,753 and paid \$23,700 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, 2020 and 2019, certain members from the Board of Trustees pledged gifts in the amount of \$477,302 and \$885,797, respectively, of which \$293,302 and \$820,347, respectively, is included in pledges receivable – capital campaign, net, and \$184,000 and \$65,450 was included in pledges receivable – other, net.

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 12, 2020, the date which the consolidated financial statements were available to be issued. Management has determined there are no other subsequent events that require disclosure in these financial statements, other than those mentioned in *Note 8*.

HOLOCAUST MUSEUM HOUSTON
SCHEDULE I – CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

	<u>Museum</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
ASSETS				
Cash and cash equivalents	\$ 512,716	\$ 246,590	\$ -	\$ 759,306
Pledges receivable				
Capital campaign, net	8,721,101	345,264	-	9,066,365
Other, net	789,286	12,600	-	801,886
Inventory, net	55,245	-	-	55,245
Prepaid expenses and other assets	276,904	-	-	276,904
Due from affiliate	2,886	-	(2,886)	-
Investments	-	9,896,816	-	9,896,816
Property and equipment, net	40,555,432	-	-	40,555,432
Collections	-	-	-	-
TOTAL ASSETS	<u>\$ 50,913,570</u>	<u>\$ 10,501,270</u>	<u>\$ (2,886)</u>	<u>\$ 61,411,954</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 1,187,128	\$ -	\$ -	\$ 1,187,128
Lines of credit	10,900,000	-	-	10,900,000
Note payable	572,115	-	-	572,115
Refundable advance	224,303	-	-	224,303
Due to affiliate	-	2,886	(2,886)	-
Deferred revenue	56,048	-	-	56,048
Capital lease obligation	54,699	-	-	54,699
Total liabilities	12,994,293	2,886	(2,886)	12,994,293
Net assets				
Without donor restrictions	37,560,100	4,818,336	-	42,378,436
With donor restrictions	359,177	5,680,048	-	6,039,225
Total net assets	<u>37,919,277</u>	<u>10,498,384</u>	<u>-</u>	<u>48,417,661</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 50,913,570</u>	<u>\$ 10,501,270</u>	<u>\$ (2,886)</u>	<u>\$ 61,411,954</u>

HOLOCAUST MUSEUM HOUSTON
SCHEDULE I – CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

	<u>Museum</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
ASSETS				
Cash and cash equivalents	\$ 748,975	\$ 273,171	\$ -	\$ 1,022,146
Pledges receivable:				
Capital campaign, net	13,591,906	488,617	-	14,080,523
Other, net	903,770	14,400	-	918,170
Inventory, net	43,449	-	-	43,449
Prepaid expenses and other assets	192,064	-	-	192,064
Due from affiliate	2,413	16,419	(18,832)	-
Investments	-	10,208,568	-	10,208,568
Property and equipment, net	38,896,757	-	-	38,896,757
Collections	-	-	-	-
TOTAL ASSETS	<u><u>\$ 54,379,334</u></u>	<u><u>\$ 11,001,175</u></u>	<u><u>\$ (18,832)</u></u>	<u><u>\$ 65,361,677</u></u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 5,235,502	\$ -	\$ -	\$ 5,235,502
Lines of credit	7,920,000	-	-	7,920,000
Note payable	572,115	-	-	572,115
Due to affiliate	16,419	2,413	(18,832)	-
Capital lease obligation	25,317	-	-	25,317
Total liabilities	<u>13,769,353</u>	<u>2,413</u>	<u>(18,832)</u>	<u>13,752,934</u>
Net assets				
Without donor restrictions	36,197,020	5,586,255	-	41,783,275
With donor restrictions	4,412,961	5,412,507	-	9,825,468
Total net assets	<u>40,609,981</u>	<u>10,998,762</u>	<u>-</u>	<u>51,608,743</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 54,379,334</u></u>	<u><u>\$ 11,001,175</u></u>	<u><u>\$ (18,832)</u></u>	<u><u>\$ 65,361,677</u></u>

HOLOCAUST MUSEUM HOUSTON
**SCHEDULE II – CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Museum		Foundation		Eliminations	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions – Board- Designated	With Donor Restrictions		
Support and revenues						
Contributions	\$ 2,310,984	\$ 829,078	\$ 662	\$ 591,224	\$ (596,008)	\$ 3,135,940
Contributions – capital campaign, net	-	426,146	-	-	-	426,146
Contribution – grant revenue	-	469,197	-	-	-	469,197
Special events, net	1,245,294	-	-	-	-	1,245,294
Membership fees	448,090	-	-	-	-	448,090
Admissions, tours and programs	406,885	-	-	-	-	406,885
Store sales	108,105	-	-	-	-	108,105
Rental and other income	150,361	-	-	-	-	150,361
Investment loss, net	(1,422)	-	(159,756)	(93,541)	-	(254,719)
	<u>4,668,297</u>	<u>1,724,421</u>	<u>(159,094)</u>	<u>497,683</u>	<u>(596,008)</u>	<u>6,135,299</u>
Net assets released from restrictions	<u>5,778,205</u>	<u>(5,778,205)</u>	<u>230,142</u>	<u>(230,142)</u>	<u>-</u>	<u>-</u>
Total support and revenues	10,446,502	(4,053,784)	71,048	267,541	(596,008)	6,135,299
Expenses						
Program services						
Exhibitions	2,592,354	-	-	-	-	2,592,354
Education	1,003,654	-	-	-	-	1,003,654
Other	<u>1,434,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,434,875</u>
Total program services	5,030,883	-	-	-	-	5,030,883
Supporting services						
Management and general	2,273,114	-	838,967	-	(596,008)	2,516,073
Fundraising	<u>1,779,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,779,425</u>
Total expenses	<u>9,083,422</u>	<u>-</u>	<u>838,967</u>	<u>-</u>	<u>(596,008)</u>	<u>9,326,381</u>
Change in net assets	1,363,080	(4,053,784)	(767,919)	267,541	-	(3,191,082)
Net assets, beginning of fiscal year	<u>36,197,020</u>	<u>4,412,961</u>	<u>5,586,255</u>	<u>5,412,507</u>	<u>-</u>	<u>51,608,743</u>
NET ASSETS, END 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>

HOLOCAUST MUSEUM HOUSTON

**SCHEDULE II – CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Museum		Foundation		Eliminations	Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions – Board- Designated	With Donor Restrictions		
Support and revenues						
Contributions	\$ 2,002,820	\$ 712,862	\$ 16,322	\$ 689,330	\$ (495,000)	\$ 2,926,334
Contributions – capital campaign, net	-	4,941,751	-	-	-	4,941,751
Special events, net	1,353,749	-	-	-	-	1,353,749
Membership fees	412,408	-	-	-	-	412,408
Admissions, tours and programs	140,424	-	-	-	-	140,424
Store sales	53,463	-	-	-	-	53,463
Rental and other income	32,837	-	-	-	-	32,837
Investment return, net	26,360	-	262,314	236,152	-	524,826
Loss on disposal of property and equipment	(21,671)	-	-	-	-	(21,671)
	<u>4,000,390</u>	<u>5,654,613</u>	<u>278,636</u>	<u>925,482</u>	<u>(495,000)</u>	<u>10,364,121</u>
Net assets released from restrictions	<u>24,848,739</u>	<u>(24,848,739)</u>	<u>122,682</u>	<u>(122,682)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>28,849,129</u>	<u>(19,194,126)</u>	<u>401,318</u>	<u>802,800</u>	<u>(495,000)</u>	<u>10,364,121</u>
Expenses						
Program services						
Exhibitions	1,620,746	-	-	-	-	1,620,746
Education	726,428	-	-	-	-	726,428
Other	748,551	-	-	-	-	748,551
Total program services	<u>3,095,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,095,725</u>
Supporting services						
Management and general	1,521,856	-	561,761	-	(495,000)	1,588,617
Fundraising	2,610,101	-	-	-	-	2,610,101
Total expenses	<u>7,227,682</u>	<u>-</u>	<u>561,761</u>	<u>-</u>	<u>(495,000)</u>	<u>7,294,443</u>
Change in net assets	21,621,447	(19,194,126)	(160,443)	802,800	-	3,069,678
Net assets, beginning of fiscal year	<u>14,575,573</u>	<u>23,607,087</u>	<u>5,746,698</u>	<u>4,609,707</u>	<u>-</u>	<u>48,539,065</u>
NET ASSETS, END OF FISCAL YEAR	<u>\$ 36,197,020</u>	<u>\$ 4,412,961</u>	<u>\$ 5,586,255</u>	<u>\$ 5,412,507</u>	<u>\$ -</u>	<u>\$ 51,608,743</u>