

DALLAS HOLOCAUST MUSEUM /
CENTER FOR EDUCATION AND TOLERANCE

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2015 AND 2014

DALLAS HOLOCAUST MUSEUM/
CENTER FOR EDUCATION AND TOLERANCE

DECEMBER 31, 2015 AND 2014

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Independent Auditor's Report

Board of Directors
Dallas Holocaust Museum / Center for Education and Tolerance

Report on the Financial Statements

We have audited the accompanying financial statements of the Dallas Holocaust Museum / Center for Education and Tolerance (the "Museum"), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Museum as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Museum as of and for the year ended December 31, 2014, were audited by other auditors whose report dated May 4, 2015, expressed an unmodified opinion on those statements.

Lane Gorman Trubitt, PLLC

Dallas, Texas
April 26, 2016

Dallas Holocaust Museum / Center for Education and Tolerance
STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS

	2015	2014
Cash and cash equivalents	\$ 2,757,585	\$ 2,393,451
Pledges receivable, net	10,316,007	6,645,695
Other receivables, net	155,129	101,657
Inventory	8,863	6,804
Prepaid expenses	38,548	23,656
Museum artifacts (Note 1)	-	-
Property and equipment, net	7,141,911	6,917,842
Investments unrelated to endowment	1,017	1,003
Investments designated by the Board of Directors as endowments	1,084,572	927,987
Investments restricted by donors as endowments	163,281	89,971
Total assets	\$ 21,666,913	\$ 17,108,066

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 274,068	\$ 142,935
Capital lease obligation	6,355	9,517
Note payable	-	3,090,000
Total liabilities	280,423	3,242,452

NET ASSETS

Unrestricted	10,701,150	6,974,538
Temporarily restricted	10,521,714	6,774,992
Permanently restricted	163,626	116,084
Total net assets	21,386,490	13,865,614
Total liabilities and net assets	\$ 21,666,913	\$ 17,108,066

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

Dallas Holocaust Museum / Center for Education and Tolerance
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT				
Admission fees	\$ 377,031	\$ -	\$ -	\$ 377,031
Memberships	315,327	-	-	315,327
Program service fees and museum store sales, net	32,642	-	-	32,642
Parking lot revenue, net	236,087	-	-	236,087
Contributions	2,899,186	3,797,662	50,225	6,747,073
In-kind contributions	119,446	1,100,000	-	1,219,446
Grants	217,150	144,302	-	361,452
Special events, net of direct donor benefit costs	805,235	-	-	805,235
Investment income (loss)	(17,741)	244	(2,683)	(20,180)
Net assets released from restrictions	<u>1,295,486</u>	<u>(1,295,486)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>6,279,849</u>	<u>3,746,722</u>	<u>47,542</u>	<u>10,074,113</u>
EXPENSES				
Education	1,384,417	-	-	1,384,417
Fundraising	718,638	-	-	718,638
Administrative	<u>450,182</u>	<u>-</u>	<u>-</u>	<u>450,182</u>
Total expenses	<u>2,553,237</u>	<u>-</u>	<u>-</u>	<u>2,553,237</u>
CHANGE IN NET ASSETS	3,726,612	3,746,722	47,542	7,520,876
Net assets, beginning of year	<u>6,974,538</u>	<u>6,774,992</u>	<u>116,084</u>	<u>13,865,614</u>
Net assets, end of year	<u>\$ 10,701,150</u>	<u>\$ 10,521,714</u>	<u>\$ 163,626</u>	<u>\$ 21,386,490</u>

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

Dallas Holocaust Museum / Center for Education and Tolerance
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT				
Admission fees	\$ 356,807	\$ -	\$ -	\$ 356,807
Memberships	237,510	-	-	237,510
Program service fees and museum store sales, net	34,976	-	-	34,976
Parking lot revenue, net	189,404	-	-	189,404
Contributions	2,106,191	6,030,194	29,338	8,165,723
In-kind contributions	114,563	-	-	114,563
Grants	64,986	170,021	-	235,007
Special events, net of direct donor benefit costs	979,019	-	-	979,019
Investment income	37,484	1,555	1,087	40,126
Loss on disposal of assets	(1,607)	-	-	(1,607)
Net assets released from restrictions	<u>694,294</u>	<u>(694,294)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>4,813,627</u>	<u>5,507,476</u>	<u>30,425</u>	<u>10,351,528</u>
EXPENSES				
Education	1,199,425	-	-	1,199,425
Fundraising	701,827	-	-	701,827
Administrative	<u>362,994</u>	<u>-</u>	<u>-</u>	<u>362,994</u>
Total expenses	<u>2,264,246</u>	<u>-</u>	<u>-</u>	<u>2,264,246</u>
CHANGE IN NET ASSETS	2,549,381	5,507,476	30,425	8,087,282
Net assets, beginning of year	<u>4,425,157</u>	<u>1,267,516</u>	<u>85,659</u>	<u>5,778,332</u>
Net assets, end of year	<u>\$ 6,974,538</u>	<u>\$ 6,774,992</u>	<u>\$ 116,084</u>	<u>\$ 13,865,614</u>

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

Dallas Holocaust Museum / Center for Education and Tolerance
 STATEMENT OF FUNCTIONAL EXPENSES
 Year ended December 31, 2015

	<u>Education</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Salaries and benefits	\$ 603,194	\$ 476,511	\$ 362,901	\$ 1,442,606
Advertising and publicity	254,445	592	-	255,037
Facility and occupancy	239,624	21,793	11,617	273,034
Temporary exhibits, workshops and education	165,878	-	-	165,878
Professional fees	3,230	161,751	11,625	176,606
Travel and meals	2,283	2,158	8,341	12,782
Printing, copying, and postage	8,437	22,654	5,079	36,170
Depreciation	50,957	8,128	5,123	64,208
Computer and software expense	22,009	9,728	5,122	36,859
Bank charges and investment fees	-	-	28,000	28,000
Insurance	14,084	-	1,671	15,755
Other	20,276	15,323	10,703	46,302
Total expenses	<u>\$ 1,384,417</u>	<u>\$ 718,638</u>	<u>\$ 450,182</u>	<u>\$ 2,553,237</u>

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

Dallas Holocaust Museum / Center for Education and Tolerance
 STATEMENT OF FUNCTIONAL EXPENSES
 Year ended December 31, 2014

	<u>Education</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Salaries and benefits	\$ 578,449	\$ 395,258	\$ 271,197	\$ 1,244,904
Advertising and publicity	206,052	805	-	206,857
Facility and occupancy	191,369	14,700	9,982	216,051
Temporary exhibits, workshops and education	120,849	-	-	120,849
Professional fees	6,312	220,371	14,200	240,883
Travel and meals	10,465	784	3,077	14,326
Printing, copying, and postage	151	29,411	8,174	37,736
Depreciation	48,332	7,415	5,862	61,609
Computer and software expense	19,173	5,314	3,609	28,096
Bank charges and investment fees	-	-	24,882	24,882
Bad debt	-	22,267	-	22,267
Insurance	14,772	-	2,200	16,972
Other	3,501	5,502	19,811	28,814
Total expenses	<u>\$ 1,199,425</u>	<u>\$ 701,827</u>	<u>\$ 362,994</u>	<u>\$ 2,264,246</u>

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

Dallas Holocaust Museum / Center for Education and Tolerance
STATEMENTS OF CASH FLOWS
Years ended December 31,

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,520,876	\$ 8,087,282
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions to permanently restricted endowments	(50,225)	(29,338)
Depreciation	64,208	61,609
Loss on disposal of property and equipment	-	1,607
Bad debt expense	-	22,267
Donated investments	-	(1,000)
Net realized and unrealized (gain) loss on investments	49,204	(14,637)
Changes in operating assets and liabilities, net:		
Pledges receivable	(3,670,312)	(5,681,276)
Other receivables	(53,472)	(51,689)
Inventory	(2,059)	(210)
Prepaid expenses	(14,892)	17,740
Accounts payable and accrued expenses	131,133	20,778
Net cash provided by operating activities	3,974,461	2,433,133
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(334,062)	(25,356)
Proceeds from sales and maturities of investments	54,949	48,258
Purchases of property and equipment including construction in progress	(288,277)	(228,209)
Net cash used in investing activities	(567,390)	(205,307)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions to permanently restricted endowments	50,225	29,338
Principal payments on note payable and capital lease obligation	(3,093,162)	(1,003,063)
Net cash used in financing activities	(3,042,937)	(973,725)
Net increase in cash and cash equivalents	364,134	1,254,101
Cash and cash equivalents at beginning of year	2,393,451	1,139,350
Cash and cash equivalents at end of year	\$ 2,757,585	\$ 2,393,451
Supplemental disclosures		
Cash paid during the year for:		
Cash paid for interest	\$ 69,677	\$ 119,584
Cash paid for income taxes, net of refunds	\$ 106,049	\$ 49,060

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

Dallas Holocaust Museum/Center for Education and Tolerance
NOTES TO FINANCIAL STATEMENTS

NATURE OF BUSINESS

The Dallas Holocaust Museum / Center for Education and Tolerance (the “Museum”) is a non-profit Texas Corporation. The Museum’s mission is to teach the history of the Holocaust and advance human rights to combat prejudice, hatred and indifference. The Museum’s education program consists primarily of the following activities:

Student Activities: Provides for various activities for students such as writing and art contests, guest lecturers, tours of the Museum and volunteerism.

Museum Visit Orientations: Provides for a two hour orientation for educators to help enhance the education experience of the students who visit the Museum.

Teacher Workshops: Provides continuing education for Texas, Louisiana, and Oklahoma teachers. The Museum is certified by the Texas Education Agency to provide workshops designed to prepare educators to teach their students the history of the Holocaust as well as the cultural effects of the Holocaust.

Community Education: Provides a variety of educational opportunities and experiences to visitors of the Museum and participants in various related program offerings.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied by the Museum in the preparation of the accompanying financial statements is as follows:

Basis of Accounting

The accompanying 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”). Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met by actions of the Museum and/or the passage of time.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that they be maintained permanently by the Museum. Generally, the donors of these assets permit the Museum to use all or part of the income earned on related investments for general or specified purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restricted net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash and historical artifacts are recorded at their estimated fair value.

Dallas Holocaust Museum/Center for Education and Tolerance
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Accretion of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity.

The Museum reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less. The Museum maintains its cash and cash equivalents with financial institutions located in Dallas, Texas, which, at times, may exceed federally insured limits. The Museum has not incurred any losses in these accounts and does not believe that they are exposed to any significant credit risk on cash and cash equivalents.

Pledges Receivable

Unconditional support, including pledges receivable, is reported as an increase in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the nature of the donor-imposed restriction, if any.

Based on the Museum's experience of finalizing agreements with donors, oral promises that are yet to be finalized through written agreements are considered intentions to give and are not recorded until the agreement is signed since the amount and terms are not definitive or estimable and may change through this process.

Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Pledges expected to be collected within one year are recorded at estimated net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of their net realizable value, using interest rates ranging from 0.12% to 2.54%. No allowance for doubtful pledges has been recorded for balances as of December 31, 2015 and 2014 based on the collection experience of the Museum and analysis of specific promises made.

Other Receivable

Other receivables are stated at unpaid balances which approximate fair value. It is the Museum's policy to charge off uncollectible receivables when management determines the receivables will not be collected. Other receivables are stated net of an allowance for doubtful accounts of \$- and \$6,750 for 2015 and 2014, respectively, based as an analysis of specific receivable balances.

Inventory

Inventory is valued at the lower of cost or market. Cost is determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

Dallas Holocaust Museum/Center for Education and Tolerance
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Museum Artifacts

The Museum accounts for artifacts and other historical materials as collection items if they meet the definition of a collection according to the criteria for recognition under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-360 – *Property, Plant, and Equipment*. The criteria state that to be a collection the assets are (1) held for public exhibition, (2) protected and preserved, and (3) are subject to an organizational policy that requires proceeds from the sale of artifacts to be used to acquire other items for collections absent any donor imposed restrictions. The artifacts are made up of items of historical significance and art objects that are held for educational, research, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. As of December 31, 2015 and 2014, the Museum has approximately \$197,000 and \$182,000, respectively, of donated artifacts that have not been recorded in the accompanying financial statements.

The Museum has a policy of not capitalizing the collection of historic material in its financial statements. Accordingly, no collection items are recognized as assets, whether they are purchased or received as a donation. Purchases of collection items reduce unrestricted net assets in the period when purchased. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset class. The Museum added 29 and 1 individual objects to the collection during the years ended December 31, 2015 and 2014, respectively, through gifts, transfers or purchases. The Museum purchased and expensed no individual objects during the years ended December 31, 2015 and 2014. There were no deaccessions during the year ended December 31, 2015 and one deaccession during the year ended December 31, 2014.

Property and Equipment

Property and equipment are carried at cost as of the date of acquisition or fair value as of the date of donation, less accumulated depreciation. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets over their estimated useful lives on the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is recognized in the statements of activities and changes in net assets. Costs of betterments and improvements are capitalized, while replacements, maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. The Museum expenses repairs and maintenance and all property and equipment under \$500.

Property and equipment operated under material leases which transfer substantially all benefits and risks associated with the assets to the Museum are capitalized. An asset and liability equal to the present or fair value, if appropriate, of minimum payments over the term of the leases are recorded. Amortization of the asset is computed using the straight-line method. Expenses associated with all other leases (operating leases) are charged to expense as incurred.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Fair values are based on quoted market prices, if available, or the best estimate of fair value determined by the Museum. Investments in the commingled pool are valued at the amounts reported by the investment managers at year-end.

Impairment of Long-Lived Assets

The Museum periodically reviews the carrying value of its long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To the extent fair value of a long-lived asset, determined based upon the estimated future cash inflows attributable to the asset, less estimated future cash flows, are less than the carrying amount, an impairment loss is recognized.

Dallas Holocaust Museum/Center for Education and Tolerance
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except to the extent it has unrelated business income. In addition, the Museum has been classified as a public charity under the Code. Should the Museum engage in activities unrelated to the purpose for which it was created, taxable income could result.

The Museum generated an unrelated business income tax liability, recorded in accounts payable of \$1,063 and \$36,873 related to parking lot revenue in 2015 and 2014, respectively. The Museum believes it has taken no significant uncertain tax positions.

GAAP requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Museum's tax returns to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. Reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions, or settlements. The Museum is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status. However, the conclusions regarding the uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations and interpretations thereof.

The Museum recognizes interest and penalties, if any, related to uncertain tax positions as administrative expenses. The Museum's informational returns are generally subject to examination for three years after the later of the due date or date of filing. As a result, the Museum is no longer subject to income tax examinations by tax authorities for years prior to fiscal year 2012.

Advertising Costs

The Museum expenses all advertising costs as incurred. Total advertising and publicity expense was \$255,037 and \$206,857, for the years ended December 31, 2015 and 2014, respectively.

Contributed Goods and Services

Donated goods are recorded at their estimated fair value market value when received. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of unpaid volunteers and board members have made significant contributions of their time to the Museum in developing programs, attending fundraising events and assisting in program administration. The value of this contributed time is not reflected in the financial statements since it does not meet the criteria discussed above.

Compensated Absences

Employees of the Museum receive paid vacation, depending on length of service and other factors. Compensated time off is accrued based on actual days not utilized subject to a maximum carryover as outlined in the employee manual. The estimate of this liability is included in accrued expenses in the accompanying statements of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Certain costs are jointly shared by programs, fundraising, and general and administrative functions and, accordingly, certain expenses have been allocated among the programs and supporting services benefited based on management's estimates.

Dallas Holocaust Museum/Center for Education and Tolerance
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Program Service Revenue Recognition

The Museum recognizes revenue on sales upon delivery of product to customers. Program service revenues are recognized as services are provided. Public support, including contributions and grants, are recognized when unconditional promises to give are received. Conditional promises to give are not recorded until the condition has been met.

2. PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Gifts related to capital campaign	\$ 10,215,361	\$ 6,554,645
Other restricted and unrestricted gifts	100,646	91,050
Net unconditional promises to give	<u>\$ 10,316,007</u>	<u>\$ 6,645,695</u>

The expected maturities of pledges receivables is as follows at December 31:

	<u>2015</u>	<u>2014</u>
Capital campaign pledges due within one year	\$ 2,418,800	\$ 1,059,625
Other pledges due within one year	100,646	91,050
Capital campaign pledges due between one and five years	7,887,000	5,690,000
Capital campaign pledges due after five years	<u>140,000</u>	<u>-</u>
Total before discount	10,546,446	6,840,675
Less present value discount	<u>(230,439)</u>	<u>(194,980)</u>
Pledges receivable, net	<u>\$ 10,316,007</u>	<u>\$ 6,645,695</u>

Pledges are discounted based on management's evaluation of risks associated with individual pledges and current risk-free interest rates at the time the pledge was made.

In addition to the unconditional pledges reflected in the financial statements, conditional pledges of \$2,825,000 and \$3,145,000 exist at December 31, 2015 and 2014, respectively. These are not included in the accompanying financial statements. One gift is conditioned upon availability of funds in the related philanthropic fund and approval of the distributions by the foundation which retains variance power over the fund. Another gift is conditioned upon the donor's satisfaction with project viability.

3. OTHER RECEIVABLES

Other receivables consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Hope for humanity and other event receivables	\$ 92,670	\$ 72,750
Parking revenues receivable	32,367	32,371
Other programs and activities receivable	30,092	3,286
Allowance for uncollectable accounts	<u>-</u>	<u>(6,750)</u>
Other receivables, net	<u>\$ 155,129</u>	<u>\$ 101,657</u>

Dallas Holocaust Museum/Center for Education and Tolerance
NOTES TO FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>Estimated Lives</u>	<u>2015</u>	<u>2014</u>
Furniture and equipment	3 – 20 years	\$ 401,113	\$ 460,083
Books	17 years	25,098	25,098
Improvements	15 years	<u>338,596</u>	<u>338,596</u>
Total depreciable property and equipment		764,807	823,777
Less accumulated depreciation		<u>(557,680)</u>	<u>(572,456)</u>
Net depreciable property and equipment		207,127	251,321
Land		6,370,038	6,367,818
Construction in progress		<u>564,746</u>	<u>298,703</u>
Property and equipment, net		<u>\$ 7,141,911</u>	<u>\$ 6,917,842</u>

Depreciation expense for the years ended December 31, 2015 and 2014, was \$64,208 and \$61,609, respectively.

Construction in progress at December 31, 2015 and 2014 is for architectural, planning and design costs incurred for a facility to be located on land owned by the Museum. Costs reflected as construction in process at December 31, 2015 and 2014 reflect amounts incurred based on the revised plans for the future facility. As of the date these financial statements were available to be issued, no long-term commitments or obligations exist related to the future construction of the facility.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Museum has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets measured at fair value on a recurring basis include investments, which consist almost exclusively of assets held in a commingled pool by a foundation, and which are carried at fair market value as reported by the foundation based on the Museum's share of holdings in the commingled pool. There have been no changes in the methodologies used at December 31, 2015 and 2014. The Museum relies on the foundation to maintain a diverse portfolio that mitigates market risks inherent with investments. The foundation summarized the makeup of the underlying assets associated with the investment pool as follows:

Dallas Holocaust Museum/Center for Education and Tolerance
NOTES TO FINANCIAL STATEMENTS

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

	<u>2015</u>	<u>2014</u>
Equity funds	59%	60%
Fixed income funds	16%	16%
Alternative investment funds	20%	20%
Money market or cash-brokerage/banks	5%	4%

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Museum believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Museum's investments at fair value as of December 31, 2015 and 2014 and related changes in 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 1,018,961	\$ 1,026,226
Additional investments	334,062	26,356
Proceeds from sales and maturities	(54,949)	(48,258)
Realized gains	45,863	69,688
Unrealized losses	(95,067)	(55,051)
Balance, end of year	<u>\$ 1,248,870</u>	<u>\$ 1,018,961</u>

These balances are reflected on the statements of financial position as:

	<u>2015</u>	<u>2014</u>
Investments designated by the Board of Directors as endowment	\$ 1,084,572	\$ 927,987
Investments restricted by donors as endowment	163,281	89,971
Investment unrelated to endowment	<u>1,017</u>	<u>1,003</u>
	<u>\$ 1,248,870</u>	<u>\$ 1,018,961</u>

Investment income (loss) for the years ended December 31, consist of the following:

	<u>2015</u>	<u>2014</u>
Realized gains	\$ 45,863	\$ 69,688
Unrealized losses	(95,067)	(55,051)
Net realized and unrealized gains (losses)	(49,204)	14,637
Interest, dividends and fees	<u>29,024</u>	<u>25,489</u>
	<u>\$ (20,180)</u>	<u>\$ 40,126</u>

The composition of the Museum's investments at December 31, is set forth below. Investments are stated at fair value.

	<u>2015</u>	<u>2014</u>
Commingled pool:		
Cash and money market funds	\$ 49,285	\$ 29,281
Equity funds	739,278	611,377
Fixed income funds	197,141	162,031
Alternative investments – Absolute returns strategy fund	246,426	203,792
SABRA savings bond	1,017	1,003
Money market fund	<u>15,723</u>	<u>11,477</u>
	<u>\$ 1,248,870</u>	<u>\$ 1,018,961</u>

Dallas Holocaust Museum/Center for Education and Tolerance
NOTES TO FINANCIAL STATEMENTS

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes the carrying amounts and estimated fair values by level, within the fair value hierarchy, of the Museum's financial instruments measured at fair value in the statements of financial position as of December 31, 2015:

	Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Commingled pool:				
Cash and money market funds	\$ 49,285	\$ -	\$ 49,285	\$ -
Equity funds	739,278	-	739,278	-
Fixed income funds	197,141	-	197,141	-
Alternative investments –				
Absolute returns strategy fund	246,426	-	246,426	-
Total commingled pool	<u>1,232,130</u>	<u>-</u>	<u>1,232,130</u>	<u>-</u>
SABRA savings bond	1,017	-	1,017	-
Money market fund	15,723	15,723	-	-
	<u>16,740</u>	<u>15,723</u>	<u>1,017</u>	<u>-</u>
	<u>\$ 1,248,870</u>	<u>\$ 15,723</u>	<u>\$ 1,233,147</u>	<u>\$ -</u>

The following table summarizes the carrying amounts and estimated fair values by level, within the fair value hierarchy, of the Museum's financial instruments measured at fair value in the statements of financial position as of December 31, 2014:

	Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Commingled pool:				
Cash and money market funds	\$ 29,281	\$ -	\$ 29,281	\$ -
Equity funds	611,377	-	611,377	-
Fixed income funds	162,031	-	162,031	-
Alternative investments –				
Absolute returns strategy fund	203,792	-	203,792	-
Total commingled pool	<u>1,006,481</u>	<u>-</u>	<u>1,006,481</u>	<u>-</u>
SABRA savings bond	1,003	-	1,003	-
Money market fund	11,477	11,477	-	-
	<u>12,480</u>	<u>11,477</u>	<u>1,003</u>	<u>-</u>
	<u>\$ 1,018,961</u>	<u>\$ 11,477</u>	<u>\$ 1,007,484</u>	<u>\$ -</u>

Actual or underlying investments may include mutual funds, stocks, bonds, fixed income securities, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and the statements of activities and changes in net assets.

Recent market conditions have resulted in an unusually high degree of volatility, increased the risks and affected the short term liquidity associated with certain investments held by the Museum which could impact the value of investments after the date of these financial statements. Because the values of individual investments fluctuate with market conditions, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined.

Dallas Holocaust Museum/Center for Education and Tolerance
NOTES TO FINANCIAL STATEMENTS

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

In general there are no restrictions as to redemptions of the commingled pool, nor does the Museum have any contractual obligation to further invest in the commingled pool.

6. ENDOWMENTS

The Museum's endowments consist of three donor-restricted funds established for a variety of purposes and one fund designated by the Board of Directors to serve as an endowment (quasi-endowment). As required by GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Museum 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.

For donor-restricted funds in existence at December 31, 2015 and 2014, due to donor restrictions and the Board of Directors' interpretation of TUPMIFA, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

In accordance with TUPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investment, (6) other resources of the Museum, and (7) the Museum's investment policies.

For the board designated endowment fund, because no donor restriction exists, the amounts are classified as unrestricted net assets. The board designated endowment fund includes (a) amounts designated as an endowment by the Board of Directors, (b) income earned on the endowment assets not appropriated, and (c) gains and losses on endowment-related assets.

Investment Return Objectives, Risk Parameters and Strategies – the Museum has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding for operations supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term.

The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which meets the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy – For the board designated endowment fund, earnings on the related investments are reinvested and cash distributions of 5% of the average principal for the preceding twelve quarters are calculated annually and distributed to the Museum on a quarterly basis. For other endowment funds, because actual investment returns in any given year vary, the Museum reviews investment return throughout the year in conjunction with authorizing distributions to ensure the distributions do not liquidate the underlying endowment assets.

The donor-restricted endowments were established to generate income for scholarships, staff development, and the museum experience program.

Dallas Holocaust Museum/Center for Education and Tolerance
NOTES TO FINANCIAL STATEMENTS

6. ENDOWMENTS (Continued)

The board-designated endowment was established to generate income for general operations.

Endowment net assets consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>December 31, 2015:</u>				
Donor restricted endowment funds	\$ -	\$ (321)	\$ 163,626	\$ 163,305
Board designated endowment funds	<u>1,084,572</u>	<u>-</u>	<u>-</u>	<u>1,084,572</u>
Endowment net assets	<u>\$ 1,084,572</u>	<u>\$ (321)</u>	<u>\$ 163,626</u>	<u>\$ 1,247,877</u>
<u>December 31, 2014:</u>				
Donor restricted endowment funds	\$ -	\$ 3,225	\$ 116,084	\$ 119,309
Board designated endowment funds	<u>1,152,772</u>	<u>-</u>	<u>-</u>	<u>1,152,772</u>
Endowment net assets	<u>\$ 1,152,772</u>	<u>\$ 3,225</u>	<u>\$ 116,084</u>	<u>\$ 1,272,081</u>

Changes in donor-restricted endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets,				
December 31, 2013	\$ 938,864	\$ 1,703	\$ 85,659	\$ 1,026,226
Contributions	224,785	-	29,338	254,123
Investment earnings	36,968	1,522	1,087	39,577
Transfer of unused earnings required by donor	-	-	-	-
Appropriations	<u>(47,845)</u>	<u>-</u>	<u>-</u>	<u>(47,845)</u>
Endowment net assets,				
December 31, 2014	1,152,772	3,225	116,084	1,272,081
Contributions	-	706	50,225	50,931
Investment earnings (loss)	(23,396)	(462)	(2,683)	(26,541)
Transfer of unused earnings required by donor	-	-	-	-
Appropriations	<u>(44,804)</u>	<u>(3,790)</u>	<u>-</u>	<u>(48,594)</u>
Endowment net assets,				
December 31, 2015	<u>\$ 1,084,572</u>	<u>\$ (321)</u>	<u>\$ 163,626</u>	<u>\$ 1,247,877</u>

7. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Museum leases office space under a rental agreement in effect through November 2021. The lease has a cancellation option on November 30, 2019 or November 30, 2020 with at least six months written notice to the landlord. Future minimum rental payments required under operating leases are:

2016	\$ 168,794
2017	174,431
2018	179,646
2019	165,171
2020	-
Thereafter	-
	<u>\$ 688,042</u>

Dallas Holocaust Museum/Center for Education and Tolerance
NOTES TO FINANCIAL STATEMENTS

7. COMMITMENTS AND CONTINGENCIES (Continued)

Rent expense was \$194,035 and \$153,517 for the years ended December 31, 2015 and 2014, respectively.

Capital Leases

The Museum entered into a lease agreement for equipment costing \$12,829, which is classified as a capital lease. Amortization of the equipment was approximately \$3,200 and \$3,500 for the years ended December 31, 2015 and 2014, respectively and is included in depreciation expense.

The following is a schedule by year of future minimum lease payments under the capital lease obligation together with the present value of the net minimum lease payments as of December 31, 2015.

2016	\$	3,425
2017		<u>3,139</u>
Total minimum lease payments		6,564
Less amount representing interest		(209)
Present value of minimum lease payments	\$	<u><u>6,355</u></u>

8. NOTE PAYABLE

The Museum entered into a note payable to a financial institution effective September 2013 to finance the purchase of land for future expansion, currently utilized as a parking lot. The note required quarterly payments of interest based on a rate of 2.875%. Principal and all unpaid accrued interest is due September 2018. The loan is secured by two land parcels. At December 2015, the Museum had paid the note payable in full.

9. LINE OF CREDIT

The Museum has a revolving line of credit agreement with a bank. The line of credit has a maximum commitment of \$250,000 and bears interest at the bank's prime rate (3.25% at December 31, 2015 and 2014). The line of credit matures in September 2018. As of December 31, 2015 and 2014, no amounts have been advanced against the line of credit. The line of credit is secured by the Museum's land.

10. RESTRICTIONS AND DESIGNATION ON NET ASSETS

Temporarily restricted net assets consist of amounts restricted as follows:

	2015	2014
Capital campaign	\$ 1,991,827	\$ 1,202,396
Capital campaign – time restrictions only	8,328,533	5,384,992
Teacher training	5,500	11,000
Scholarships and Museum Experience	99,038	88,590
Survivor testimonials	20,890	38,088
Endowment earnings (losses)	(321)	3,225
Other	<u>76,247</u>	<u>46,701</u>
	<u>\$ 10,521,714</u>	<u>\$ 6,774,992</u>

Permanently restricted net assets consist of amounts restricted as follows:

	2015	2014
Scholarships	\$ 72,559	\$ 75,241
Staff development	15,767	15,743
Museum experience	<u>75,300</u>	<u>25,100</u>
	<u>\$ 163,626</u>	<u>\$ 116,084</u>

Dallas Holocaust Museum/Center for Education and Tolerance
NOTES TO FINANCIAL STATEMENTS

10. RESTRICTIONS AND DESIGNATION ON NET ASSETS (Continued)

In addition to restricted amounts above, the Board of Directors has designated a portion of unrestricted net assets for the following purposes:

	<u>2015</u>	<u>2014</u>
Endowment	\$ 1,084,572	\$ 927,987
Endowment not yet invested	-	224,785
Operating contingency fund	100,000	100,000
Capital campaign	<u>1,361,378</u>	<u>1,090,366</u>
	<u>\$ 2,545,950</u>	<u>\$ 2,343,138</u>

11. SPECIAL EVENTS

Special events consisted of the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Hope for Humanity Dinner revenue	\$ 912,030	\$ 1,086,739
Other special events	<u>92,959</u>	<u>65,500</u>
	1,004,989	1,152,239
Less direct donor benefit costs	<u>(199,754)</u>	<u>(173,220)</u>
	<u>\$ 805,235</u>	<u>\$ 979,019</u>

12. PROGRAM SERVICE FEES AND STORE SALES

The Museum operates a store that sells books and other items directly related to its education program. Income and expenses for the store sales are reported as follows:

	<u>2015</u>	<u>2014</u>
Sales	\$ 59,749	\$ 56,139
Cost of sales	<u>(34,982)</u>	<u>(31,920)</u>
Gross profit from sales	24,767	24,219
Other educational program service fee	<u>7,875</u>	<u>10,757</u>
	<u>\$ 32,642</u>	<u>\$ 34,976</u>

Sales revenue and cost of sales are reported net of discounts, estimated returns, and sales taxes.

13. PARKING LOT REVENUE

The Museum owns two land parcels which were purchased for future expansion and are currently utilized as parking lots. Parking lot revenue is generated from both lots. Related revenue is reported on the statements of activities net of costs required to generate the revenue, as follows:

	<u>2015</u>	<u>2014</u>
Revenue (net of sales tax)	\$ 455,604	\$ 440,066
Interest expense related to parking lot acquisition	(59,399)	(119,438)
Other operating costs	(53,828)	(53,636)
Estimated unrelated business income tax	<u>(106,290)</u>	<u>(77,588)</u>
	<u>\$ 236,087</u>	<u>\$ 189,404</u>

14. EMPLOYEE BENEFIT PLAN

The Museum has a 403(b) Plan (the "Plan"). The Plan is a voluntary retirement savings plan that allows pre-tax contributions from the employees' salaries. There is no minimum age or service requirement to make salary reduction contributions to the Plan. Employees are allowed to contribute up to the maximum amount allowed by the law.

Dallas Holocaust Museum/Center for Education and Tolerance
NOTES TO FINANCIAL STATEMENTS

15. CONCENTRATIONS OF RISK

The majority of the Museum's operations are within the North Texas area. Therefore, results of operations and collectability of receivables are subject to economic conditions of the area.

Approximately 32% of pledges receivable are due from three donors at December 31, 2015. Approximately 44% of pledges receivable are due from two donors at December 31, 2014.

16. RELATED PARTY TRANSACTIONS

The Museum receives insurance advisory services from a company with whom a member of the Museum's board of directors is employed. Commissions of approximately \$8,680 and \$6,900 were paid to this company for the years ended December 31, 2015 and 2014, respectively. The Board of Directors of the Museum approved this related party transaction.

The Museum has \$3,377,679 and \$3,574,625 of pledges receivable and \$994,176 and \$2,772,461 of contributions for the years ended December 31, 2015 and 2014, respectively from members of the Board of Directors.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 26, 2016, the date the financial statements were available to be issued.