

# Financial Statements and Independent Auditor's Report

## Dallas Holocaust and Human Rights Museum

For the years ended December 31, 2020 and 2019



**LANE GORMAN TRUBITT, LLC**  
Accountants & Advisors

2626 Howell Street, Ste 700  
Dallas, Texas 75204

P: 214-871-7500  
E: [askus@lgt-cpa.com](mailto:askus@lgt-cpa.com)

[www.lgt-cpa.com](http://www.lgt-cpa.com)

DALLAS HOLOCAUST  
AND  
HUMAN RIGHTS MUSUEM

DECEMBER 31, 2020 AND 2019

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LANE GORMAN TRUBITT, LLC  
Accountants & Advisors

## Independent Auditor's Report

Board of Directors  
Dallas Holocaust and Human Rights Museum

### Report on the Financial Statements

We have audited the accompanying financial statements of the Dallas Holocaust and Human Rights Museum (the "Museum"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 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 audits 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 qualified audit opinion.

### Basis for Qualified Opinion

As described in the notes to the financial statements, under accounting principles generally accepted in the United States of America (U.S. GAAP), the Museum is deemed to have a controlling financial interest and economic interest in the Dallas Holocaust and Human Rights Museum Endowment Foundation, Inc. (the "Endowment Foundation"). Under U.S. GAAP, there is a presumption that consolidated financial statements provide for a more meaningful presentation of results of operations and financial position. The accompanying financial statements, however, are not consolidated with the Endowment Foundation due to management's desire to report the operations of the Museum on a stand-alone basis. Although not included in the accompanying financial statements, separate audited consolidated financial statements of the Museum and the Endowment Foundation have been prepared.

Qualified Opinion

In our opinion, except for the effects of not consolidating the Endowment Foundation as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Museum as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter – Global Pandemic

As discussed in Note 18 to the financial statements, the World Health Organization has characterized COVID-19 as a pandemic. While the Museum expects this matter to negatively impact its results, the extent of the impact of the COVID-19 on the Museum's operational and financial performance will depend on future developments. Our opinion is not modified with respect to that matter.

LANE GORMAN TRUBITT, LLC

Dallas, Texas  
May 21, 2021

Dallas Holocaust and Human Rights Museum  
STATEMENTS OF FINANCIAL POSITION  
December 31,

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,643,245	\$ 5,146,171
Other receivables	148,249	201,999
Inventory, net	19,630	20,891
Prepaid expenses	189,788	235,600
Pledges receivable, net	9,106,413	15,225,166
Property and equipment, net	56,329,144	59,784,580
Investments unrelated to endowments	207,703	153,075
Total assets	\$ 70,644,172	\$ 80,767,482
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 448,724	\$ 640,880
Assets held for the Endowment Foundation	175,532	310,939
Lines of credit	94,589	7,484,589
Total liabilities	718,845	8,436,408
<b>NET ASSETS</b>		
Without donor restrictions	58,400,774	54,549,930
With donor restrictions	11,524,553	17,781,144
Total net assets	69,925,327	72,331,074
Total liabilities and net assets	\$ 70,644,172	\$ 80,767,482

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

Dallas Holocaust and Human Rights Museum  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
Year ended December 31, 2020  
(with comparative totals for the year ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<b>REVENUES AND OTHER SUPPORT</b>				
Admission fees	\$ 463,814	\$ -	\$ 463,814	\$ 641,186
Memberships	554,112	-	554,112	841,159
Program service fees and museum store sales, net	17,576	-	17,576	80,802
Parking lot revenue, net	193,289	-	193,289	124,728
Contributions	1,825,339	1,551,356	3,376,695	4,881,113
In-kind contributions	45,987	-	45,987	232,830
Special event revenues, net of cost of direct benefits to donors	1,084,826	-	1,084,826	1,067,271
Endowment grants for operations	47,119	130,182	177,301	109,388
Endowment returns provided for operations	-	-	-	(3,216)
Endowment Fund management fee	18,993	-	18,993	16,418
Investment income, net	25,993	-	25,993	59,193
Net assets released from restrictions	<u>7,938,129</u>	<u>(7,938,129)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>12,215,177</u>	<u>(6,256,591)</u>	<u>5,958,586</u>	<u>8,050,872</u>
<b>EXPENSES</b>				
Education	6,485,053	-	6,485,053	5,117,165
Fundraising	729,441	-	729,441	1,049,607
Administrative	<u>1,153,839</u>	<u>-</u>	<u>1,153,839</u>	<u>1,126,220</u>
Total expenses	8,368,333	-	8,368,333	7,292,992
<b>NON-OPERATING INCOME (EXPENSE)</b>				
Gain (loss) on disposal of asset	<u>4,000</u>	<u>-</u>	<u>4,000</u>	<u>(1,540)</u>
<b>CHANGE IN NET ASSETS</b>	3,850,844	(6,256,591)	(2,405,747)	756,340
Net assets, beginning of year	54,549,930	17,781,144	72,331,074	71,690,467
Transfer of net assets to the Endowment Foundation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,733)</u>
Net assets, end of year	<u>\$ 58,400,774</u>	<u>\$ 11,524,553</u>	<u>\$ 69,925,327</u>	<u>\$ 72,331,074</u>

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

Dallas Holocaust and Human Rights Museum  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
Year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
<b>REVENUES AND OTHER SUPPORT</b>			
Admission fees	\$ 641,186	\$ -	\$ 641,186
Memberships	841,159	-	841,159
Program service fees and museum store sales, net	80,802	-	80,802
Parking lot revenue, net	124,728	-	124,728
Contributions	2,314,154	2,566,959	4,881,113
In-kind contributions	232,830	-	232,830
Special event revenues, net of cost of direct benefits to donors	1,067,271	-	1,067,271
Endowment grants for operations	54,323	55,065	109,388
Endowment returns provided for operations	-	(3,216)	(3,216)
Endowment Fund management fee	16,418	-	16,418
Investment income, net	51,410	7,783	59,193
Net assets released from restrictions	<u>10,997,632</u>	<u>(10,997,632)</u>	<u>-</u>
Total revenues and other support	<u>16,421,913</u>	<u>(8,371,041)</u>	<u>8,050,872</u>
<b>EXPENSES</b>			
Education	5,117,165	-	5,117,165
Fundraising	1,049,607	-	1,049,607
Administrative	<u>1,126,220</u>	<u>-</u>	<u>1,126,220</u>
Total expenses	7,292,992	-	7,292,992
<b>NON-OPERATING EXPENSE</b>			
Loss on disposal of asset	<u>(1,540)</u>	<u>-</u>	<u>(1,540)</u>
<b>CHANGE IN NET ASSETS</b>	9,127,381	(8,371,041)	756,340
Net assets, beginning of year	45,462,549	26,227,918	71,690,467
Transfer of net assets to the Endowment Foundation	<u>(40,000)</u>	<u>(75,733)</u>	<u>(115,733)</u>
Net assets, end of year	<u>\$ 54,549,930</u>	<u>\$ 17,781,144</u>	<u>\$ 72,331,074</u>

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

Dallas Holocaust and Human Rights Museum  
STATEMENT OF FUNCTIONAL EXPENSES  
Year ended December 31, 2020

	<u>Education</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Salaries and benefits	\$ 1,582,478	\$ 484,928	\$ 685,132	\$ 2,752,538
Advertising and publicity	165,020	-	-	165,020
Facility and occupancy	647,872	18,486	13,113	679,471
Temporary exhibits, workshops and education	257,533	-	-	257,533
Professional fees	-	26,134	74,636	100,770
Travel meals and entertainment and special events	51,721	26,956	3,525	82,202
Office expenses	11,867	39,459	7,977	59,303
Information technology	130,879	32,646	25,770	189,295
Cost of goods sold	11,829	-	-	11,829
Depreciation	3,546,832	93,953	74,752	3,715,537
Interest expense	-	-	158,480	158,480
Other	90,851	6,879	110,454	208,184
Total functional expenses	<u>6,496,882</u>	<u>729,441</u>	<u>1,153,839</u>	<u>8,380,162</u>
Less expenses included with revenues on the statement of activities and changes in net assets				
Cost of goods sold	<u>(11,829)</u>	<u>-</u>	<u>-</u>	<u>(11,829)</u>
Total expenses	<u>\$ 6,485,053</u>	<u>\$ 729,441</u>	<u>\$ 1,153,839</u>	<u>\$ 8,368,333</u>

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



Dallas Holocaust and Human Rights Museum  
STATEMENT OF FUNCTIONAL EXPENSES  
Year ended December 31, 2019

	<u>Education</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Salaries and benefits	\$ 1,478,472	\$ 669,416	\$ 724,025	\$ 2,871,913
Advertising and publicity	471,649	1,260	-	472,909
Facility and occupancy	724,984	43,755	28,681	797,420
Temporary exhibits, workshops and education	459,515	-	-	459,515
Professional fees	119,777	44,540	74,317	238,634
Travel meals and entertainment and special events	137,925	40,784	25,339	204,048
Office expenses	109,303	150,423	10,446	270,172
Information technology	87,179	26,219	41,665	155,063
Cost of goods sold	16,560	-	-	16,560
Cost of direct benefits to donors	-	280,055	-	280,055
Depreciation	1,447,919	62,151	43,664	1,553,734
Interest expense	-	-	95,558	95,558
Other	80,442	11,059	82,525	174,026
Total functional expenses	<u>5,133,725</u>	<u>1,329,662</u>	<u>1,126,220</u>	<u>7,589,607</u>
Less expenses included with revenues on the statement of activities and changes in net assets				
Cost of goods sold	(16,560)	-	-	(16,560)
Cost of direct benefits to donors	<u>-</u>	<u>(280,055)</u>	<u>-</u>	<u>(280,055)</u>
Total expenses	<u>\$ 5,117,165</u>	<u>\$ 1,049,607</u>	<u>\$ 1,126,220</u>	<u>\$ 7,292,992</u>

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

Dallas Holocaust and Human Rights Museum  
STATEMENTS OF CASH FLOWS  
Years ended December 31,

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,405,747)	\$ 756,340
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,715,537	1,553,734
(Gain) loss on disposal of asset	(4,000)	1,540
Bad debt expense	43,500	6,165
Net realized and unrealized gains on investments	(20,437)	(12,945)
Changes in operating assets and liabilities, net:		
Other receivables	10,250	(195,006)
Inventory	1,261	(11,283)
Prepaid expenses	45,812	209,207
Pledges receivable	6,118,753	10,023,167
Accounts payable and accrued expenses	(192,156)	(3,692,138)
Assets held for the Endowment Foundation	(135,407)	(561,032)
Net cash provided by operating activities	7,177,366	8,077,749
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(39,191)	(48,730)
Proceeds from sales and maturities of investments	5,000	-
Purchases of property and equipment	(256,101)	(22,157,441)
Net cash used in investing activities	(290,292)	(22,206,171)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on lines of credit	-	7,197,594
Principal payments on lines of credit	(7,390,000)	(2,378,105)
Transfer of assets to the Endowment Foundation	-	(40,000)
Net cash provided by (used in) financing activities	(7,390,000)	4,779,489
Net decrease in cash and cash equivalents	(502,926)	(9,348,933)
Cash and cash equivalents at beginning of year	5,146,171	14,495,104
Cash and cash equivalents at end of year	\$ 4,643,245	\$ 5,146,171
<b>Supplemental cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 158,480	\$ 95,558
Noncash investing and financing activities:		
Contribution of investments and pledges receivable to the Endowment Foundation	\$ -	\$ 75,733

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

Dallas Holocaust and Human Rights Museum  
NOTES TO FINANCIAL STATEMENTS

NATURE OF BUSINESS

The Dallas Holocaust and Human Rights Museum (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 educational activities for students such as guest lecturers, tours of the Museum and volunteerism.

*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 through multi-media exhibitions, guest speakers, films, classes, civil discourse and other programs.

The Dallas Holocaust and Human Rights Museum Endowment Foundation, Inc. (the “Endowment Foundation”) is operated exclusively to support and benefit the Museum. The Museum transferred \$0 and \$115,733 of assets to the Endowment Foundation during 2020 and 2019, respectively.

Under accounting principles generally accepted in the United States of America (“U.S. GAAP”), based on certain facts described below, the Museum is deemed to have a controlling financial interest and economic interest in the Endowment Foundation. Under U.S. GAAP, there is a presumption that consolidated financial statements provide for a more meaningful presentation of results of operations and financial position. The accompanying financial statements, however, are not consolidated with the Endowment Foundation due to management’s desire to report the operations of the Museum on a stand-alone basis. Although not included in the accompanying financial statements, separate audited consolidated financial statements of the Museum and the Endowment Foundation have been prepared. As of December 31, 2020 and 2019, the Endowment Foundation held net assets of \$6,822,675 and \$6,278,368, respectively, which, subject to limitations in its Certificate of Formation, are held for the support of the Museum.

The independent auditor audited the consolidated financial statements and the related notes to the consolidated financial statements (the “Consolidated Statements”) of the Museum and the Endowment Foundation as of and for the years ended December 31, 2020 and 2019, and expressed their opinion that the Consolidated Statements are in conformity with accounting principles generally accepted in the United States of America. Utilizing amounts included in the Consolidated Statements, management of the Museum has prepared the accompanying unconsolidated financial statements of the Museum as of and for the years ended December 31, 2020 and 2019. The independent auditors are unable to express an opinion that the unconsolidated financial statements are in conformity with accounting principles generally accepted in the United States of America solely because they do not consolidate the Endowment Foundation.

Under accounting principles generally accepted in the United States of America, consolidation is required because the purpose of the Endowment Foundation is to support the Museum and because of the five directors of the Endowment Foundation, three must be officers or directors of the Museum. The Certificate of Formation of the Endowment Foundation provides that no assets of the Endowment Foundation may be used to pay or enable the Museum to pay any unagreed judgment against the Museum, and the Endowment Foundation is not required by its governing documents or any other agreement to make grants, distributions or other payments to the Museum. Although not included in the accompanying financial statements, the independent auditors audited the separate financial statements and the related notes to the financial statements of the Endowment Foundation as of and for the years ended December 31, 2020 and 2019, and expressed their opinion that those financial statements are in conformity with accounting principles generally accepted in the United States of America.

Dallas Holocaust and Human Rights Museum  
NOTES TO FINANCIAL STATEMENTS

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 U.S. GAAP. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Newly Adopted Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Museum adopted ASU 2018-13 effective January 1, 2020. The adoption of this accounting standard did not have a material impact on the Museum’s financial statements.

Basis of Presentation and Revenue Recognition

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 and reported as follows:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors. Grants or contributions that are restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the grant or contribution is recognized.

*Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that may or will be met either by actions of the Museum and/or the passage of time. Other donor-imposed stipulations are permanent in nature, where the donor stipulates that resources be maintained in perpetuity by the Museum. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/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. 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 support without donor restrictions 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 support with donor restrictions. 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.

Dallas Holocaust and Human Rights Museum  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Revenue Recognition (Continued)

The Museum has multiple revenue streams that are accounted for as exchange transactions including admission fees, memberships, program service fees, store sales and parking lot revenues. Because the Museum's performance obligations relate to contracts with a duration of less than one year, the Museum has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Revenues are recorded net of any sales taxes charged to customers.

*Admission fees* - the Museum charges stated admission fees, collects and recognizes revenue upon sale for access to the Museum's galleries, exhibitions and theaters.

*Memberships* - the Museum sells memberships of various categories that typically last for a one-year term. Membership dues are comprised of an exchange element based upon the benefits provided to a member and a contribution element for the portion of the membership dues received in excess of the member benefits. The Museum recognizes membership revenue ratably over the membership term. Payment is received at the point of membership sale.

*Other* - revenues from programs services and store sales are recognized at a point in time upon sale to the customer. The Museum collects cash at point of sale or credit card receipts within a few days of the sale. A parking management company collects and remits parking lot revenue to the Museum on a monthly basis. The Museum accrues parking lot revenues monthly from reports received from the parking management company, and are based on the date the related service is provided.

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 it is exposed to any significant credit risk on cash and cash equivalents.

Other Receivables

Other receivables represent contractual amounts due in the ordinary course of business and are stated at the amount management expects to collect. The Museum considers other receivables to be fully- collectible based on its assessment of the current status of individual accounts and current economic conditions; accordingly there was no reserve recorded for other receivables at December 31, 2020 and 2019. It is the Museum's policy to charge off uncollectible receivables when management determines the receivables will not be collected. If receivables are determined to be delinquent or become uncollectible, they will be charged to operations at that time.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out method. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statements of activities and changes in net assets in the period in which it occurs. Inventory is stated net of a reserve of \$- and \$- as of December 31, 2020 and 2019, respectively.

Pledges Receivable

Pledges receivable represent unconditional promises to give support over a period of time. Unconditional contributions and promises to give are reported as an increase in net assets with or without donor restrictions, depending on the nature of the donor-imposed restriction, if any.

Dallas Holocaust and Human Rights Museum  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable (Continued)

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 receivable expected to be collected within one year are recorded at estimated net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their net realizable value, at an appropriate discount rate (ranging from 0.13% to 2.88%) commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. The Museum determines the allowance for uncollectible pledges receivable based on historical experience and changes in donor circumstances. Amounts will be written off if, and when, they are deemed uncollectible.

Museum Artifacts

The Museum has a collection of historical artifacts that it protects and preserves. The collection provides a foundation for exhibitions, research, and educational public programming dedicated to teaching the history of the holocaust and advancing human rights to combat prejudice, hatred, and intolerance. The Museum has an archivist to ensure the collection is protected and preserved and a detailed Collections Management Policy, which governs the stewardship of these collections.

The Museum accounts for historical artifacts as collection items if they meet the definition of a collection according to the criteria for recognition under FASB Accounting Standards Codification ("ASC") 958-360-25-3, *Not-for-Profit Entities—Property, Plant, and Equipment*. The criteria state that to be a collection the assets are (a) held for public exhibition, (b) protected and preserved, and (c) are subject to an organizational policy that requires the proceeds from the sale of historical artifacts to be used to acquire other items for collections absent any donor imposed restrictions. Each of the items is catalogued, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously.

The Museum has a policy of not capitalizing the collection of historic artifacts 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 net assets without donor restrictions in the period when purchased. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset class. There were 28 and 25 additions of individual objects to the collection during the years ended December 31, 2020 and 2019, respectively, through gifts, transfers, or purchases. The Museum did not purchase or expense individual objects during the years ended December 31, 2020 and 2019. There were 15 and 30 deaccessions during the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the Museum has approximately \$783,000 and \$278,000, respectively, of donated artifacts that have not been recorded in the accompanying financial statements.

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 \$2,500.

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.

Dallas Holocaust and Human Rights Museum  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Investment transactions are recorded on the trade date. Realized and unrealized gains and losses on investments are determined by comparison of the actual cost to the proceeds at the time of the disposition or fair values as of the end of the financial statement period by using the specific identification method.

Investment income or loss (including realized and unrealized gains and losses on investments and interest and dividends less management fees) is included in the determination of changes in net assets and is reported as revenues and other support in the accompanying statements of activities and changes in net assets. Interest income is recognized on the accrual basis and dividends are recognized on the ex-dividend date.

Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values 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.

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 recorded tax expense net of tax refunds of \$0 and \$41 on unrelated business income for the years ended December 31, 2020 and 2019, respectively. The Museum believes it has taken no significant uncertain tax positions.

U.S. 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. A 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.

Advertising Costs

The Museum expenses all advertising costs as incurred. Total advertising and publicity expense was \$165,020 and \$472,909 for the years ended December 31, 2020 and 2019, 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.

Dallas Holocaust and Human Rights Museum  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Goods and Services (Continued)

Contributed services and materials for the Museum’s programs and administration included in in-kind contributions in the accompanying statements of activities and changes in net assets are as follows for the years ended December 31:

	2020	2019
Donated goods and services for capital campaign	\$ -	\$ 25,545
Donated marketing, public relations and advertising	18,465	82,585
Other donated goods and services	27,522	124,700
	\$ 45,987	\$ 232,830

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 accounts payable and 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 education, fundraising, and administrative functions and, accordingly, certain expenses have been allocated among the programs and supporting services benefited based on management’s estimates.

Expenses are recorded as attributable to either education or supporting services whenever possible. However, certain categories of expenditures are attributable to more than one function and therefore, require allocation on a reasonable basis that is consistently applied. These expenditures are allocated on the basis of estimates of time and effort estimates made by the Museum’s management.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Recent Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The objective of this ASU is to increase transparency of contributed nonfinancial assets for not-for-profit (“NFP”) entities through enhancements to presentation and disclosure. The amendments in this ASU apply to NFPs that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments in this ASU will improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early application of the amendments is permitted. The amendments in this ASU should be applied on a retrospective basis. The Museum is currently assessing the impact this standard will have on its financial statements.



Dallas Holocaust and Human Rights Museum  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months. Consistent with current U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current U.S. GAAP - which requires only capital leases to be recognized on the statement of financial position - the new ASU will require both types of leases to be recognized on the statement of financial position. Various subsequent accounting standards have been issued by the FASB that clarify, modify, or expand the guidance for Topic 842. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021 and for interim periods within fiscal years beginning after December 15, 2022. Early application of the amendments in this ASU is permitted. The Museum is currently assessing the impact this standard will have on its financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. Reclassifications had no effect on the change in net assets for the years presented.

2. PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31:

	2020	2019
Gifts related to capital campaign	\$ 8,758,306	\$ 14,937,294
Other restricted and unrestricted gifts	348,107	287,872
Net unconditional promises to give	\$ 9,106,413	\$ 15,225,166

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

	2020	2019
Capital campaign pledges due within one year	\$ 4,714,823	\$ 6,773,763
Other pledges due within one year	378,107	251,872
Capital campaign pledges due within one to five years	3,374,087	7,609,324
Other pledges due within one to five years	-	36,000
Capital campaign pledges due after five years	1,450,000	1,575,000
Total before discount and allowance for doubtful pledges	9,917,017	16,245,959
Less: present value discount	(377,932)	(618,121)
Less: allowance for doubtful capital campaign pledges	(402,672)	(402,672)
Less: allowance for doubtful other pledges	(30,000)	-
Pledges receivable, net	\$ 9,106,413	\$ 15,225,166

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.

3. LIQUIDITY AND AVAILABILITY

As of December 31, 2020, the following financial assets could readily be made available within one year to meet general expenditures:

Cash and cash equivalents, net of \$1,084,504 subject to donor restriction and board designation	\$ 3,558,741
Other receivables	126,539
Pledges receivable for general operations due in one year	348,107
Total	\$ 4,033,387

Dallas Holocaust and Human Rights Museum  
NOTES TO FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY (Continued)

As of December 31, 2019, the following financial assets could readily be made available within one year to meet general expenditures:

Cash and cash equivalents, net of \$2,808,906 subject to donor restriction and board designation	\$ 2,337,265
Other receivables	201,999
Pledges receivable for general operations due in one year	<u>226,872</u>
Total	<u>\$ 2,766,136</u>

The Museum regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Museum has a goal to maintain financial assets to meet 180 days of normal operating expenses, which equates to approximately \$2.56 million. The Museum has various sources of liquidity at its disposal, including cash and cash equivalents, and lines of credit. See Note 9 for information on the Museum's lines of credit, including a \$250,000 line of credit available in the event of an unexpected liquidity event. As part of its liquidity management, the Museum invests cash in excess of immediate requirements in shares of an institutional money market fund.

In addition to financial assets available to meet general expenditures over the next 12 months, the Museum anticipates collecting sufficient revenue and support to cover general expenditures not covered by donor-restricted resources, including funds that may come available from the Endowment Foundation.

The Museum also has board designated funds. The Museum does not intend to spend from its board designated funds other than amounts appropriated for expenditure as part of the annual budget process approval; however, amounts from its board designated funds could be made available, if necessary.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>Estimated Lives</u>	<u>2020</u>	<u>2019</u>
Furniture and equipment	3 - 20 years	\$ 1,617,966	\$ 1,375,477
Books	17 years	25,098	25,098
Building and improvements	10 - 20 years	<u>53,570,568</u>	<u>53,552,956</u>
Total depreciable property and equipment		55,213,632	54,953,531
Less accumulated depreciation		<u>(5,254,526)</u>	<u>(1,538,989)</u>
Net depreciable property and equipment		49,959,106	53,414,542
Land		<u>6,370,038</u>	<u>6,370,038</u>
Property and equipment, net		<u>\$ 56,329,144</u>	<u>\$ 59,784,580</u>

Depreciation expense for the years ended December 31, 2020 and 2019, was \$3,715,537 and \$1,553,734, respectively.

5. TRANSFER OF NET ASSETS TO THE ENDOWMENT FOUNDATION

During 2020 and 2019, the Museum transferred approximately \$0 and \$116,000, respectively, consisting of cash, endowment investments (including board designated quasi-endowments) and related pledges receivable to the Endowment Foundation. The Endowment Foundation manages the investments for the Museum's various endowment funds. Investments and assets held and invested by the Endowment Foundation are for the benefit of the Museum subject to certain limitations as stated in the Endowment Foundation's articles of incorporation and bylaws. The transfer of assets to the Endowment Foundation is reported as a transfer of net assets to Endowment Foundation on the accompanying statements of activities and changes in net assets. Net asset classification for this transaction reflects any donor imposed restrictions on the underlying net assets.

Dallas Holocaust and Human Rights Museum  
NOTES TO FINANCIAL STATEMENTS

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

U.S. GAAP establishes 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 Museum bases its fair value on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Museum's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement.

Assets measured at fair value on a recurring basis consist of (i) money market funds; (ii) mutual funds; and (iii) long term investment bonds. Mutual funds and money market funds are valued at the net asset value of shares held by the Museum at year-end. There have been no changes in valuation methodologies used at December 31, 2020 and 2019. The Museum relies on an unrelated foundation to maintain a diverse portfolio that mitigates market risks inherent with investments.

The methods described above 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 table sets forth the changes in the Museum's investments at fair value as of and for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 153,075	\$ 167,133
Additional investments	39,191	48,730
Proceeds from maturity of investment	(5,000)	-
Net realized and unrealized gains on investments	20,437	12,945
Transfer of investments to Endowment Foundation (See Note 7)	-	(75,733)
Balance, end of year	<u>\$ 207,703</u>	<u>\$ 153,075</u>

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

	<u>2020</u>	<u>2019</u>
Investments unrelated to endowments	<u>\$ 207,703</u>	<u>\$ 153,075</u>

Dallas Holocaust and Human Rights Museum  
NOTES TO FINANCIAL STATEMENTS

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investment income consists of the following:

	2020	2019
Net realized and unrealized gains on investments	\$ 20,437	\$ 12,945
Interest and dividends, net of fees	5,556	46,248
	\$ 25,993	\$ 59,193

The following table summarizes the carrying amounts and estimated fair values by level of the Museum's financial instruments measured at fair value in the statement of financial position as of December 31, 2020:

	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
Long-term investment bond	\$ 15,000	\$ -	\$ 15,000	\$ -
Restricted investments for deferred compensation:				
Equity mutual funds	114,377	114,377	-	-
Fixed income mutual funds	74,494	74,494	-	-
Money market fund	3,832	3,832	-	-
Total restricted investments for deferred compensation	192,703	192,703	-	-
	\$ 207,703	\$ 192,703	\$ 15,000	\$ -

The following table summarizes the carrying amounts and estimated fair values by level of the Museum's financial instruments measured at fair value in the statement of financial position as of December 31, 2019:

	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
Long-term investment bond	\$ 15,000	\$ -	\$ 15,000	\$ -
Restricted investments for deferred compensation:				
Equity mutual funds	80,344	80,344	-	-
Fixed income mutual funds	54,967	54,967	-	-
Money market fund	2,764	2,764	-	-
Total restricted investments for deferred compensation	138,075	138,075	-	-
	\$ 153,075	\$ 138,075	\$ 15,000	\$ -

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.

In general, there are no restrictions as to redemptions of the investment securities, nor does the Museum have any contractual obligations to further invest in the financial instruments.

Dallas Holocaust and Human Rights Museum  
NOTES TO FINANCIAL STATEMENTS

7. ENDOWMENTS

The Museum’s endowment consisted of one donor-restricted fund established to generate income for scholarships. As required by U.S. GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. During 2019, this endowment fund was transferred to the Endowment Foundation as described in Note 5.

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, due to donor restrictions and the Board of Directors’ interpretation of TUPMIFA, the Museum classifies as net assets with donor restriction (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 subject to permanent donor imposed restrictions is classified as net assets with donor restriction 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.

Investment Return Objectives, Risk Parameters and Strategies – The Museum follows the total return method in an effort to ensure that over a long period of time, the Museum will be able to make the maximum current distributions that are practical, consistent with the equally important goals of (1) preserving purchasing power of the Museum’s assets and (2) providing for some growth in assets, in real terms, even if there are no future endowment contributions to the Museum. A secondary but significant purpose of the policy is to make it easier to plan by providing a stable and predictable pattern of distributions.

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 – Subject to the restrictions in any agreements with donors, each fiscal year endowment distributions to operations are up to but not more than 7% of the average value of the investment assets. The amount of each annual distribution is expected to vary based on several factors, including but not limited to needs and the return achieved on the investment assets. The annual distributions may be made in one or more installments throughout the fiscal year. During 2019, a distribution of 4.25% of the average value of the investment assets as of December 31, 2018, was distributed to operations.

The Museum held no endowment net assets as of December 31, 2020 and 2019.

Changes in endowment net assets are as follows:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2018	\$ -	\$ 71,166	\$ 71,166
Investment income - net	-	7,783	7,783
Appropriations	-	(3,216)	(3,216)
Board designated funds	40,000	-	40,000
Transfer of endowment net assets to Endowment Foundation	<u>(40,000)</u>	<u>(75,733)</u>	<u>(115,733)</u>
Endowment net assets, December 31, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Dallas Holocaust and Human Rights Museum  
NOTES TO FINANCIAL STATEMENTS

8. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Museum leased office space under a rental agreement in effect through November 2021. The lease had a cancellation option on November 30, 2019 or November 30, 2020 with at least six months written notice to the landlord. The Museum exercised the option to cancel as of November 30, 2019. Rent expense, which includes utilities, was \$216,882 for the year ended December 31, 2019.

The Museum committed to building a new museum and parking garage with estimated total project costs of approximately \$54,000,000. The Museum entered into a capital campaign and various debt financing agreements to secure funding for the new facilities. See Note 2 for further information regarding the expected timing of payments to be received on capital campaign pledges receivable. See Note 9 for further information regarding construction-related debt financing. The new museum was placed into service in September 2019, and the parking garage was placed into service in June 2019 (see Note 4).

9. LINES 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 accrues interest at the bank's prime rate (3.25% and 4.75% at December 31, 2020 and 2019, respectively). The line of credit matured September 3, 2020, and was renewed through September 2021. The principal balance on the line of credit is payable at maturity with interest paid monthly. As of December 31, 2020 and 2019, no amounts were outstanding on the line of credit. The line of credit is secured by the Museum's land.

The Museum has a revolving line of credit agreement with a bank. The line of credit has a maximum commitment of \$16,000,000 and bears interest at 3%. The line of credit matures June 30, 2021. The principal balance on the line of credit is payable at maturity with accrued interest paid monthly. The line of credit provides maximum advances up to \$16 million through June 30, 2020, reducing to a maximum availability of \$10 million at July 1, 2020 and then to \$8 million at January 1, 2021 through maturity. The line of credit is collateralized by the assignment of proceeds from the "Building a Foundation of Hope" capital campaign, related deposit accounts and a pledge agreement on real estate owned by the Museum. The agreement contains various provisions and restrictions and furnishing certain financial information to the bank on a periodic basis. As of December 31, 2020 and 2019, no amounts were outstanding on the line of credit.

The Museum has a revolving line of credit agreement with a bank. The line of credit has a maximum commitment of \$8,000,000 and bears interest at 3.25% through October 4, 2027. From October 5, 2017 through the maturity date, the line of credit bears interest at a rate equal to the greater of the prevailing five-year Treasury Constant Maturity Rate plus 180 basis points or 3.25%. Each interest rate adjustment is subject to a floor rate of 3.25%, as well as a maximum adjustment of 200 basis points per adjustment. The line of credit matures October 5, 2038. The principal balance on the line of credit is payable at maturity with interest paid monthly. The line of credit provides maximum advances up to \$8 million through the first 48 months of the loan term, reducing monthly thereafter to a maximum amount available (\$7,912,043 at December 31, 2021) based on a 17-year amortization of the original loan amount. The line of credit is collateralized by a first lien deed of trust on real estate owned by the Museum and is also secured by a cross pledge interest in the "Building a Foundation of Hope" capital campaign and related deposit accounts. The agreement contains various provisions and restrictions and furnishing certain financial information to the bank on a periodic basis. As of December 31, 2020 and 2019, \$94,589 and \$7,484,589, respectively, were outstanding on the line of credit.

10. NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are as follows:

	2020	2019
Undesignated:		
Operating	\$ 1,716,367	\$ 1,257,776
Property, plant and equipment	56,234,552	52,299,991
Board designated:		
Capital campaign	349,855	892,163
Contingency fund	100,000	100,000
	\$ 58,400,774	\$ 54,549,930

Dallas Holocaust and Human Rights Museum  
NOTES TO FINANCIAL STATEMENTS

10. NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions are restricted as follows:

	<u>2020</u>	<u>2019</u>
Capital campaign – time restrictions only	\$ 8,503,306	\$ 14,687,302
Capital campaign – specific purpose restrictions	1,405,000	2,325,063
Museum experience	836,847	623,407
Program support	<u>779,400</u>	<u>145,372</u>
	<u>\$ 11,524,553</u>	<u>\$ 17,781,144</u>

11. NET ASSETS RELEASED FROM RESTRICTIONS

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes, or by occurrence of events specified by the donors are as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions	\$ 6,674,185	\$ 8,762,767
Satisfaction of building construction restrictions	820,063	1,810,483
Satisfaction of program restrictions	<u>443,881</u>	<u>424,382</u>
	<u>\$ 7,938,129</u>	<u>\$ 10,997,632</u>

12. SPECIAL EVENTS

Special events consist of the following:

	<u>2020</u>	<u>2019</u>
Hope for Humanity Dinner revenue (including in-kind contributions)	\$ 982,616	\$ 1,175,239
Other special events	<u>102,210</u>	<u>172,087</u>
	1,084,826	1,347,326
Less: cost of direct benefits to donors (including in-kind contributions)	<u>-</u>	<u>(280,055)</u>
	<u>\$ 1,084,826</u>	<u>\$ 1,067,271</u>

13. PROGRAM SERVICE FEES AND MUSEUM STORE SALES

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

	<u>2020</u>	<u>2019</u>
Sales	\$ 2,296	\$ 29,851
Cost of sales	(1,788)	(15,197)
Unrelated business income tax	<u>-</u>	<u>(1,363)</u>
Gross profit	508	13,291
Inventory write-off	(10,041)	-
Commission on store sales	5,727	8,995
Facility rental and program service fees	<u>21,382</u>	<u>58,516</u>
	<u>\$ 17,576</u>	<u>\$ 80,802</u>

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

14. PARKING LOT REVENUE

The Museum built and owns a parking garage on land adjacent to the Museum. Related parking lot revenue of \$193,289 and \$124,728 is reported on the accompanying statements of activities and changes in net assets, net of costs required to generate the revenue and sales tax for the years ended December 31, 2020 and 2019, respectively.

Dallas Holocaust and Human Rights Museum  
NOTES TO FINANCIAL STATEMENTS

15. EMPLOYEE BENEFIT PLANS

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. The Plan was amended in 2016 to provide for discretionary employer contributions. Employees are eligible for discretionary employer contributions after 1,000 hours of service and are 100% vested immediately. The Museum made contributions to the Plan of \$41,845 and \$37,339 for the years ended December 31, 2020 and 2019, respectively.

The Museum also set up a nonqualified deferred compensation plan pursuant to Internal Revenue Service Code Section 457(f) (the “457 Plan”), and made discretionary contributions to the 457 Plan of \$30,000 for each of the years ended December 31, 2020 and 2019. All amounts contributed to the 457 Plan and all income attributable to such amounts, remain (until paid or made available to the participants or beneficiaries) solely the property of the Museum, subject only to the claims of the Museum’s general creditors. The funds for the 457 Plan are held in trust in a separate account and are invested by the participants. The assets and liabilities related to the 457 Plan are included in investments unrelated to endowments and accounts payable and accrued expenses, respectively, in the accompanying statements of financial position and represent the cumulative amount of contributions to the 457 Plan, as well as accumulated earnings and losses since the 457 Plan’s inception. At December 31, 2020 and 2019, the 457 Plan has assets of \$192,703 and \$138,075, respectively (See Note 6).

16. 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 18% of pledges receivable are due from one donor at December 31, 2020.

Approximately 21% of pledges receivable are due from one donor at December 31, 2019. Approximately 31% of contributions were received from one donor during the year ended December 31, 2019.

Approximately 68% of purchases were paid to two vendors during the year ended December 31, 2019. These concentrations are attributable to the construction of the new museum.

17. 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 \$17,341 and \$16,742 were paid to this company for the years ended December 31, 2020 and 2019, respectively.

The Museum received a management fee of \$18,993 and \$16,418 for contributed goods and services provided to the Endowment Foundation by the Museum for the years ended December 31, 2020 and 2019, respectively, as provided in the management services agreement between the Museum and the Endowment Foundation.

The Museum has \$2,858,356 of pledges receivable at December 31, 2020 and \$1,741,571 of contribution revenue for the year ended December 31, 2020 from members of the Board of Directors.

The Museum has \$5,504,169 of pledges receivable at December 31, 2019 and \$1,409,413 of contribution revenue for the year ended December 31, 2019 from members of the Board of Directors.



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18. GLOBAL PANDEMIC

In December 2019, a novel strain of coronavirus (“COVID-19”) was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern” and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine and social distancing requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has caused business disruption to the Museum beginning in March 2020, resulting in the temporary closure of the Museum. While the Museum expects this matter to negatively impact its results, the extent of the impact of COVID-19 on the Museum’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak, government imposed restrictions and the impact of COVID-19 on the Museum’s donors and the on overall demand for the Museum’s programs and services, all of which are highly uncertain and cannot be predicted.

19. CONDITIONAL CONTRIBUTION - SBA PAYCHECK PROTECTION PROGRAM

On April 14, 2020, the Museum received a loan pursuant to the Paycheck Protection Program (“PPP”), a program implemented by the U.S. Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act, from North Dallas Bank & Trust Co., for an aggregate principal amount of \$451,462. The PPP loan was subject to interest at a fixed rate of 1.0% per annum, had a term of two years, and was unsecured and guaranteed by the SBA. The principal amount of the PPP loan and the related accrued interest was subject to forgiveness under the PPP upon the Museum’s request to the extent that the PPP loan proceeds were used to pay expenses permitted by the PPP, including payroll costs, covered rent and interest on mortgage obligations, and covered utility payments incurred by the Museum. The Museum used the proceeds for purposes consistent with the PPP. On December 22, 2020, the Museum filed its forgiveness application through its lending institution. On December 31, 2020, North Dallas Bank & Trust Co. informed the Museum that the SBA had approved the loan forgiveness application and had remitted payment in full.

The Museum has elected to account for the funding as a conditional contribution by applying Accounting Standards Codification Subtopic 958-605 *Not-for-Profit Entities – Revenue Recognition*. Contribution revenue is recognized when conditions are met, which include meeting eligibility and certain other criteria related to the use of the funds by incurring eligible expenditures. Accordingly, the Museum records contribution revenue when the qualifying PPP expenses are incurred. Management believes the Museum has met the eligibility and certain other criteria related to the use of the funds and has recorded contribution revenue of \$451,462 for the year ended December 31, 2020.

Forgiveness applications for loans under \$2 million are reviewed and approved by the lending institution that is servicing the loan. The SBA may undertake a review of a loan of any size during the six-year period following forgiveness or repayment of the loan, however loans in excess of \$2 million are subject to additional review and approval by the SBA. The reviews may include the loan forgiveness application, as well as whether the Museum met the eligibility requirements of the program and received the proper loan amount, and as a result of such reviews, adjustments could be required to the recognition of revenue.

20. SUBSEQUENT EVENTS

On March 15, 2021, the Museum received a loan pursuant to the second round of the Paycheck Protection Program (“PPP”), a program implemented by the SBA under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, from North Dallas Bank & Trust Co., for an aggregate principal amount of \$468,717. The PPP loan bears interest at a fixed rate of 1.0% per annum, has a term of five years, is unsecured and guaranteed by the SBA. The principal amount of the PPP loan and the related accrued interest is subject to forgiveness under the PPP upon the Museum’s request, to the extent that the PPP loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent, and covered utility payments incurred by the Museum. The Museum intends to use the proceeds for purposes consistent with the PPP.

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20. SUBSEQUENT EVENTS (Continued)

The PPP loan maybe prepaid at any time prior to maturity with no prepayment penalties. If the PPP loan is not forgiven all or in part, the Museum will be required to pay the loan in monthly installments of principal and interest in an amount necessary to fully amortize the outstanding principal balance of the note through March 15, 2026 when the entire remaining unpaid principal and accrued interest is due and payable. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. While the Museum currently believes that its use of the PPP loan proceeds will meet the conditions for forgiveness of the loan, the Museum cannot guarantee that it will be eligible for forgiveness of the PPP loan, in whole or in part.

The Museum has applied for an Employee Retention Credit (“ERC”), under the CARES Act, which was signed into law on March 27, 2020. The CARES Act provides a fully refundable payroll tax credit against the employer share of Social Security tax, for qualified wages paid to retained full-time employees between March 13, 2020 and December 31, 2020. The application for the credit could be denied even if the Museum believes they have met the program’s conditions.

The Consolidations Appropriations Act, signed into law on December 27, 2020, significantly modified and expanded the provision of the ERC. Eligible employers can claim a refundable tax credit against the employer share of Social Security tax equal to 70% of the qualified wages they pay to employees after December 31, 2020, through June 30, 2021. The Museum believes that it will qualify for this credit and anticipates utilizing benefits under this act to aid in its liquidity position. Credits may be claimed by reducing payroll taxes sent to the Internal Revenue Service (“IRS”). To the extent that the credit exceeds employment withholdings, the Museum may request a refund of prior taxes paid. The application for the credit could be denied even if the Museum believes they have met the program’s conditions. Upon meeting the eligibility and certain other conditions, the Museum will record contribution revenue.

Under the American Rescue Plan Act of 2021, which was signed into law on March 11, 2021, the ERC is available to eligible employers for wages paid during the third and fourth quarters of 2021 as well. The Department of the Treasury and the IRS will provide further guidance on this later in 2021.

Management has evaluated subsequent events through May 21, 2021, the date the financial statements were available to be issued.