

Financial Statements and Independent Auditor's Report

Dallas Holocaust and Human Rights Museum

For the years ended December 31, 2022 and 2021



LANE GORMAN TRUBITT, LLC
Accountants & Advisors

2626 Howell Street, Ste 700
Dallas, Texas 75204

P: 214-871-7500
E: askus@lgt-cpa.com

www.lgt-cpa.com

DALLAS HOLOCAUST
AND
HUMAN RIGHTS MUSUEM

DECEMBER 31, 2022 AND 2021

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LANE GORMAN TRUBITT, LLC
Accountants & Advisors

Independent Auditor's Report

Board of Directors
Dallas Holocaust and Human Rights Museum

Opinion

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, 2022 and 2021, 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.

In our opinion, except for the effects of not consolidating the Dallas Holocaust and Human Rights Museum Endowment Foundation, Inc. (the "Endowment Foundation"), as discussed in the Basis for Qualified Opinion section of our report, 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As discussed in the notes to the financial statements, under accounting principles generally accepted in the United States of America, the Museum is deemed to have a controlling financial interest and economic interest in the Endowment Foundation. In our opinion, under accounting principles generally accepted in the United States of America, 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.

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

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

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

LANE GORMAN TRUBITT, LLC

Dallas, Texas
June 21, 2023

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

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 3,038,034	\$ 7,498,631
Other receivables	379,872	898,888
Inventory, net	70,321	44,113
Prepaid expenses	228,649	226,659
Pledges receivable, net	3,674,226	5,314,438
Property and equipment, net	49,079,842	52,660,065
Investments unrelated to endowments	3,681,108	5,414
Total assets	\$ 60,152,052	\$ 66,648,208
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 455,287	\$ 289,493
Assets held for the Endowment Foundation	39,999	160,293
Lines of credit	94,589	94,589
Total liabilities	589,875	544,375
NET ASSETS		
Without donor restrictions	53,580,400	58,009,078
With donor restrictions	5,981,777	8,094,755
Total net assets	59,562,177	66,103,833
Total liabilities and net assets	\$ 60,152,052	\$ 66,648,208

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, 2022
(with comparative totals for the year ended December 31, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
REVENUES AND OTHER SUPPORT				
Admission fees	\$ 811,456	\$ -	\$ 811,456	\$ 731,566
Memberships	810,666	-	810,666	748,059
Upstander Partnership fees	26,200	-	26,200	-
Program service fees and museum store sales, net	167,825	-	167,825	101,213
Parking lot revenue, net	172,413	-	172,413	241,917
Contributions	1,055,532	1,088,756	2,144,288	4,087,123
In-kind contributions	40,796	-	40,796	24,441
Special event revenues, net of cost of direct benefits to donors	1,262,136	-	1,262,136	1,318,510
Endowment grants for operations	105,291	160,533	265,824	207,831
Endowment Fund management fee	20,000	-	20,000	20,000
Investment income, net	20,507	-	20,507	27,417
Net assets released from restrictions	<u>3,362,267</u>	<u>(3,362,267)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>7,855,089</u>	<u>(2,112,978)</u>	<u>5,742,111</u>	<u>7,508,077</u>
EXPENSES				
Education	7,564,083	-	7,564,083	6,743,442
Fundraising	1,030,523	-	1,030,523	813,247
Administrative	<u>1,510,493</u>	<u>-</u>	<u>1,510,493</u>	<u>1,305,046</u>
Total expenses	<u>10,105,099</u>	<u>-</u>	<u>10,105,099</u>	<u>8,861,735</u>
CHANGE IN NET ASSETS	(2,250,010)	(2,112,978)	(4,362,988)	(1,353,658)
Net assets, beginning of year	58,009,078	8,094,755	66,103,833	69,925,327
Transfer of net assets to the Endowment Foundation	<u>(2,178,668)</u>	<u>-</u>	<u>(2,178,668)</u>	<u>(2,467,836)</u>
Net assets, end of year	<u>\$ 53,580,400</u>	<u>\$ 5,981,777</u>	<u>\$ 59,562,177</u>	<u>\$ 66,103,833</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, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Total
REVENUES AND OTHER SUPPORT			
Admission fees	\$ 731,566	\$ -	\$ 731,566
Memberships	748,059	-	748,059
Program service fees and museum store sales, net	101,213	-	101,213
Parking lot revenue, net	241,917	-	241,917
Contributions	2,388,765	1,698,358	4,087,123
In-kind contributions	24,441	-	24,441
Special event revenues, net of cost of direct benefits to donors	1,318,510	-	1,318,510
Endowment grants for operations	77,040	130,791	207,831
Endowment Fund management fee	20,000	-	20,000
Investment income, net	27,417	-	27,417
Net assets released from restrictions	5,008,947	(5,008,947)	-
Total revenues and other support	10,687,875	(3,179,798)	7,508,077
EXPENSES			
Education	6,743,442	-	6,743,442
Fundraising	813,247	-	813,247
Administrative	1,305,046	-	1,305,046
Total expenses	8,861,735	-	8,861,735
CHANGE IN NET ASSETS	1,826,140	(3,179,798)	(1,353,658)
Net assets, beginning of year	58,400,774	11,524,553	69,925,327
Transfer of net assets to the Endowment Foundation	(2,217,836)	(250,000)	(2,467,836)
Net assets, end of year	\$ 58,009,078	\$ 8,094,755	\$ 66,103,833

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, 2022

	<u>Education</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Salaries and benefits	\$ 2,180,345	\$ 609,180	\$ 826,979	\$ 3,616,504
Advertising and publicity	348,464	10,925	-	359,389
Facility and occupancy	860,043	17,389	27,070	904,502
Education, exhibits and programs	440,685	-	-	440,685
Professional fees	4,440	145,387	145,295	295,122
Travel meals and entertainment	26,403	42,143	28,761	97,307
Office expenses	2,028	47,575	22,952	72,555
Information technology	194,248	65,065	69,801	329,114
Cost of goods sold	68,017	-	55,651	123,668
Cost of direct benefits to donors	-	258,633	-	258,633
Depreciation	3,406,215	81,503	243,927	3,731,645
Interest expense	-	-	4,111	4,111
Other	<u>101,212</u>	<u>11,356</u>	<u>141,597</u>	<u>254,165</u>
Total functional expenses	7,632,100	1,289,156	1,566,144	10,487,400
Less expenses included with revenues on the statement of activities and changes in net assets				
Cost of goods sold	(68,017)	-	(55,651)	(123,668)
Cost of direct benefits to donors	<u>-</u>	<u>(258,633)</u>	<u>-</u>	<u>(258,633)</u>
Total expenses	<u>\$ 7,564,083</u>	<u>\$ 1,030,523</u>	<u>\$ 1,510,493</u>	<u>\$ 10,105,099</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, 2021

	<u>Education</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Salaries and benefits	\$ 1,793,716	\$ 514,874	\$ 809,225	\$ 3,117,815
Advertising and publicity	235,911	652	-	236,563
Facility and occupancy	726,238	17,644	14,470	758,352
Education, exhibits and programs	242,854	-	-	242,854
Professional fees	36,975	91,509	64,003	192,487
Travel meals and entertainment	37,272	14,206	14,804	66,282
Office expenses	2,437	56,806	13,548	72,791
Information technology	160,789	34,748	29,474	225,011
Cost of goods sold	39,563	-	32,117	71,680
Cost of direct benefits to donors	-	221,362	-	221,362
Depreciation	3,417,030	81,134	244,321	3,742,485
Interest expense	-	-	3,918	3,918
Other	<u>90,220</u>	<u>1,674</u>	<u>111,283</u>	<u>203,177</u>
Total functional expenses	6,783,005	1,034,609	1,337,163	9,154,777
Less expenses included with revenues on the statement of activities and changes in net assets				
Cost of goods sold	(39,563)	-	(32,117)	(71,680)
Cost of direct benefits to donors	<u>-</u>	<u>(221,362)</u>	<u>-</u>	<u>(221,362)</u>
Total expenses	<u>\$ 6,743,442</u>	<u>\$ 813,247</u>	<u>\$ 1,305,046</u>	<u>\$ 8,861,735</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,

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,362,988)	\$ (1,353,658)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,731,645	3,742,485
Inventory reserve	15,499	13,762
Bad debt expense	32,457	833
Net realized and unrealized gains on investments	16,817	(11,645)
Changes in operating assets and liabilities, net:		
Other receivables	486,559	(751,472)
Inventory	(41,707)	(38,245)
Prepaid expenses	(1,990)	(36,871)
Pledges receivable	1,640,212	3,791,975
Accounts payable and accrued expenses	165,794	(159,231)
Assets held for the Endowment Foundation	(120,294)	(15,239)
Net cash provided by operating activities	1,562,004	5,182,694
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments and reinvestment of interest and dividends	(3,692,511)	(33,785)
Proceeds from sales and maturities of investments	-	247,719
Purchases of property and equipment	(151,422)	(73,406)
Net cash provided by (used in) investing activities	(3,843,933)	140,528
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfer of assets to the Endowment Foundation	(2,178,668)	(2,467,836)
Net cash used in financing activities	(2,178,668)	(2,467,836)
Net increase (decrease) in cash and cash equivalents	(4,460,597)	2,855,386
Cash and cash equivalents at beginning of year	7,498,631	4,643,245
Cash and cash equivalents at end of year	\$ 3,038,034	\$ 7,498,631
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	\$ 4,111	\$ 3,918

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 educational activities for students such as guest lecturers, tours of the Museum and volunteerism.

Professional Education: 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 \$2,178,668 and \$2,467,836 of assets to the Endowment Foundation during 2022 and 2021, 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, 2022 and 2021, the Endowment Foundation held net assets of \$10,419,990 and \$10,149,287, 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, 2022 and 2021, 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, 2022 and 2021. 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, 2022 and 2021, 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.

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.

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 Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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.

Dallas Holocaust and Human Rights Museum
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Revenue Recognition (Continued)

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, 2022 and 2021. 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 \$15,499 and \$13,762 as of December 31, 2022 and 2021, 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.

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.

Dallas Holocaust and Human Rights Museum
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable (Continued)

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 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 32 and 26 additions of individual objects to the collection during the years ended December 31, 2022 and 2021, respectively, through gifts, transfers, or purchases. The Museum did not purchase or expense individual objects during the years ended December 31, 2022 and 2021. There were 9 and 0 deaccessions during the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the Museum has approximately \$1,115,000 and \$1,104,000 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.

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.

Dallas Holocaust and Human Rights Museum
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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, credit, active management, and overall market volatility risks. Market risks include global events, which could impact the value of investments, such as a pandemic or international conflict. 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.

Market conditions have resulted in an unusually high degree of volatility and increased the risk and may affect 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.

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 no income tax expense, as there was no taxable unrelated business income for the years ended December 31, 2022 and 2021. 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 \$359,389 and \$236,563 for the years ended December 31, 2022 and 2021, respectively.

Contributed Goods and Services

Donated goods are recorded at their estimated fair 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:

	<u>2022</u>	<u>2021</u>
Donated marketing, public relations, and advertising	\$ 10,649	\$ 5,706
Other donated goods and services	<u>30,147</u>	<u>18,735</u>
	<u>\$ 40,796</u>	<u>\$ 24,441</u>

These contributions did not have donor-imposed restrictions. The Museum used these nonfinancial contributions as part of their education program and fundraising activities during fiscal years ended December 31, 2022 and 2021. Any services that meet the criteria for recognition under U.S. GAAP are recorded in the accompanying statements of activities and changes in net assets at the estimated fair value of the services received.

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. The full extent to which the COVID-19 pandemic could continue to directly or indirectly impact the Museum's results of operations and financial condition, including revenues, expenses, reserves, and allowances will depend on future developments that remain uncertain at this time, particularly as virus variants continue to spread.

Dallas Holocaust and Human Rights Museum
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The 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 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 do not change the recognition and measurement requirements. The Museum adopted ASU No. 2020-07 effective January 1, 2022. The amendments in this ASU were applied on a retrospective basis. The adoption of this accounting standard did not have a material impact on the Museum’s financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, a lessee is required to recognize assets and liabilities for leases with lease terms of more than twelve months. Consistent with current 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.

The Museum adopted the updated guidance of Topic 842 with an initial date of application on January 1, 2022, applying the modified retrospective transition method for leases that existed as of January 1, 2022 (the date of the initial application), without restating any prior year amounts or disclosures. Lessees are now required to classify leases as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. The Museum elected to use the practical expedients for an entity to: (a) not reassess whether any expired or existing contracts are or contain leases upon adoption, (b) retained the classification of leases (e.g., operating or finance lease) existing as of the date of adoption, (c) not reassess initial direct costs for any existing leases upon adoption, (d) utilize hindsight in determining the lease term; that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset and in assessing impairment of the Museum’s Right of Use assets, (e) account for each separate lease component of a contract and its associated nonlease components as a single lease component, (f) exempt short-term leases from recognition for all leases that qualify, and g) elected to utilize the risk-free rate for the asset class, for leases that the implicit borrowing rate is not known. The adoption of Topic 842 did not have a material effect on the Museum’s financial statements.

2. PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Gifts related to capital campaign	\$ 3,247,025	\$ 4,669,834
Other restricted and unrestricted gifts	427,201	644,604
Net unconditional promises to give	<u>\$ 3,674,226</u>	<u>\$ 5,314,438</u>

Dallas Holocaust and Human Rights Museum
NOTES TO FINANCIAL STATEMENTS

2. PLEDGES RECEIVABLE (Continued)

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

	2022	2021
Capital campaign pledges due within one year	\$ 1,255,024	\$ 1,800,296
Other pledges due within one year	442,201	659,604
Capital campaign pledges due within one to five years	2,031,523	2,316,170
Other pledges due within one to five years	-	-
Capital campaign pledges due after five years	470,000	1,129,938
Total before discount and allowance for doubtful pledges	4,198,748	5,906,008
Less: present value discount	(214,583)	(276,584)
Less: allowance for doubtful capital campaign pledges	(294,939)	(299,986)
Less: allowance for doubtful other pledges	(15,000)	(15,000)
Pledges receivable, net	\$ 3,674,226	\$ 5,314,438

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, 2022, the following financial assets could readily be made available within one year to meet general expenditures:

Cash and cash equivalents, net of \$1,154,152 subject to donor restriction and board designation	\$ 1,883,882
U.S. treasury notes and bills	3,639,945
Other receivables	379,872
Pledges receivable for general operations due in one year	427,201
Total	\$ 6,330,900

As of December 31, 2021, the following financial assets could readily be made available within one year to meet general expenditures:

Cash and cash equivalents, net of \$69,347 subject to donor restriction and board designation	\$ 7,429,284
Other receivables	898,888
Pledges receivable for general operations due in one year	644,604
Total	\$ 8,972,776

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 \$3.09 million. The Museum has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, pledges receivable, and a line of credit. As part of its liquidity management, the Museum invests cash in excess of immediate requirements in a money market account and treasury notes and bills, which mature in 3-month tranches beginning April 2023 through June 2024. In addition, the Museum has a \$250,000 revolving line of credit that is available in the event of an unexpected liquidity event, see Note 7.

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.

Dallas Holocaust and Human Rights Museum
NOTES TO FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>Estimated Lives</u>	<u>2022</u>	<u>2021</u>
Furniture and equipment	3 - 20 years	\$ 1,630,433	\$ 1,641,029
Books	17 years	25,098	25,098
Building and improvements	10 - 20 years	<u>53,663,382</u>	<u>53,570,568</u>
Total depreciable property and equipment		55,318,913	55,236,695
Less accumulated depreciation		<u>(12,609,109)</u>	<u>(8,946,668)</u>
Net depreciable property and equipment		42,709,804	46,290,027
Land		<u>6,370,038</u>	<u>6,370,038</u>
Property and equipment, net		<u>\$ 49,079,842</u>	<u>\$ 52,660,065</u>

Depreciation expense for the years ended December 31, 2022 and 2021, was \$3,731,645 and \$3,742,485, respectively.

5. TRANSFER OF NET ASSETS TO THE ENDOWMENT FOUNDATION

During 2022 and 2021, the Museum transferred \$2,178,668 and \$2,467,836, respectively, 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 the Endowment Foundation on the statements of activities and changes in net assets. Net asset classification for this transaction reflects any donor-imposed restrictions on the underlying net assets.

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.

Dallas Holocaust and Human Rights Museum
NOTES TO FINANCIAL STATEMENTS

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Assets measured at fair value on a recurring basis consist of (i) money market funds; (ii) mutual funds, (iii) U.S. treasury notes and bills, and (iv) long-term investment bonds. Money market funds and mutual funds are valued at the net asset value of shares held by the Museum at year-end. U.S. treasury notes and bills are valued at quoted market prices. Long-term investment bonds are carried at cost, which approximates fair value. There have been no changes in valuation methodologies used at December 31, 2022 and 2021. The Museum maintains 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>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 5,414	\$ 207,703
Additional investments	3,692,511	33,785
Proceeds from maturity of investment	-	(247,719)
Net realized and unrealized gains (loss) on investments	<u>(16,817)</u>	<u>11,645</u>
Balance, end of year	<u>\$ 3,681,108</u>	<u>\$ 5,414</u>

Investment balances are reflected on the statements of financial position at December 31, as:

	<u>2022</u>	<u>2021</u>
Investments unrelated to endowments	<u>\$ 3,681,108</u>	<u>\$ 5,414</u>

Investment income consists of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Net realized and unrealized gains (loss) on investments	\$ (16,817)	\$ 11,645
Interest and dividends, net of fees	<u>37,324</u>	<u>15,772</u>
	<u>\$ 20,507</u>	<u>\$ 27,417</u>

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, 2022:

	<u>Measured at Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Long-term investment bond	\$ 10,000	\$ -	\$ 10,000	\$ -
Money market fund	3,973	3,973	-	-
U.S. treasury notes and bills	3,635,973	3,635,973	-	-
Restricted investments for deferred compensation:				
Money market fund	624	624	-	-
Mutual funds - equity	17,860	17,860	-	-
Mutual funds - fixed income	<u>12,678</u>	<u>12,678</u>	-	-
Total restricted investments for deferred compensation	<u>31,162</u>	<u>31,162</u>	-	-
	<u>\$ 3,681,108</u>	<u>\$ 3,671,108</u>	<u>\$ 10,000</u>	<u>\$ -</u>

Dallas Holocaust and Human Rights Museum
NOTES TO FINANCIAL STATEMENTS

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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, 2021:

	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	\$ 5,000	\$ -	\$ 5,000	\$ -
Restricted investments for deferred compensation:				
Money market fund	414	414	-	-
Total restricted investments for deferred compensation	414	414	-	-
	<u>\$ 5,414</u>	<u>\$ 414</u>	<u>\$ 5,000</u>	<u>\$ -</u>

Investments are exposed to various risks, such as interest rate, credit, active management, and overall market volatility risks. Market risks include global events, which could impact the value of investments, such as a pandemic or international conflict. 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.

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.

7. 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 (5.50% and 3.25% at December 31, 2022 and 2021, respectively). The line of credit matured September 3, 2022, and was renewed through September 2023. The principal balance on the line of credit is payable at maturity with interest paid monthly. As of December 31, 2022 and 2021, no amounts were outstanding on the line of credit. The line of credit is unsecured.

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, 2027, 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 (\$7,182,089 at December 31, 2023) 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, 2022 and 2021, \$94,589 is outstanding on the line of credit.

Dallas Holocaust and Human Rights Museum
NOTES TO FINANCIAL STATEMENTS

8. NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are as follows at December 31:

	<u>2022</u>	<u>2021</u>
Undesignated:		
Operating	\$ 2,668	\$ -
Property, plant, and equipment	48,985,253	52,565,477
Contingency fund / Operating reserve	3,121,801	2,983,034
Board designated:		
Capital campaign	197,174	1,083,685
PPRRSM	1,213,311	1,350,000
Museum experience	57,693	26,882
Bequests	2,500	-
	<u>\$ 53,580,400</u>	<u>\$ 58,009,078</u>

Net assets with donor restrictions are restricted as follows at December 31:

	<u>2022</u>	<u>2021</u>
Capital campaign – time restrictions only	\$ 3,146,566	\$ 4,469,835
Capital campaign – specific purpose restrictions	250,000	400,000
Museum experience	684,306	801,930
Program support	1,900,905	2,422,990
	<u>\$ 5,981,777</u>	<u>\$ 8,094,755</u>

9. 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>2022</u>	<u>2021</u>
Expiration of time restrictions	\$ 1,414,917	\$ 4,487,019
Satisfaction of building construction restrictions	96,150	5,000
Satisfaction of program restrictions	1,851,200	516,928
	<u>\$ 3,362,267</u>	<u>\$ 5,008,947</u>

10. SPECIAL EVENTS

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

	<u>2022</u>	<u>2021</u>
Hope for Humanity dinner revenue (including in-kind contributions)	\$ 1,223,535	\$ 1,306,935
Other special events	297,235	232,937
	1,520,770	1,539,872
Less: cost of direct benefits to donors (including in-kind contributions)	(258,634)	(221,362)
	<u>\$ 1,262,136</u>	<u>\$ 1,318,510</u>

Dallas Holocaust and Human Rights Museum
NOTES TO FINANCIAL STATEMENTS

11. 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 for the years ended December 31:

	2022	2021
Sales	\$ 206,567	\$ 124,379
Cost of sales	(122,156)	(67,916)
Gross profit	84,411	56,463
Inventory write-off	(1,511)	(3,764)
Commission on store sales	-	-
Facility rental and program service fees	84,925	48,514
	\$ 167,825	\$ 101,213

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

12. PARKING LOT REVENUE

The Museum built and owns a parking garage on land adjacent to the Museum. Related parking lot revenue of \$172,413 and \$241,917 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, 2022 and 2021, respectively.

13. 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 \$52,315 and \$40,817 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021. 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, 2022 and 2021, the 457 Plan has assets of \$31,162 and \$414, respectively (See Note 6).

14. 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 52% of pledges receivable are due from three donors at December 31, 2022. Approximately 26% of contributions were received from two donors during the year ended December 31, 2022.

Approximately 40% of pledges receivable are due from three donors at December 31, 2021. Approximately 15% of contributions were received from one donor during the year ended December 31, 2021.

Dallas Holocaust and Human Rights Museum
NOTES TO FINANCIAL STATEMENTS

15. 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 \$18,149 and \$15,721 were paid to this company for the years ended December 31, 2022 and 2021, respectively.

The Museum received a management fee of \$20,000 for services provided to the Endowment Foundation by the Museum for each of the years ended December 31, 2022 and 2021, as provided in the management services agreement between the Museum and the Endowment Foundation.

The Museum has \$757,961 of pledges receivable at December 31, 2022 and \$849,995 of contribution revenue for the year ended December 31, 2022 from members of the Board of Directors.

The Museum has \$1,432,353 of pledges receivable at December 31, 2021 and \$1,504,486 of contribution revenue for the year ended December 31, 2021 from members of the Board of Directors.

16. GOVERNMENT GRANTS AND ASSISTANCE

On March 15, 2021, the Museum received a loan pursuant to the second round of the Paycheck Protection Program ("PPP"), for an aggregate principal amount of \$468,717. The PPP loan was subject to interest at a fixed rate of 1.0% per annum, had a term of five years, and was unsecured and guaranteed by the U.S. Small Business Administration ("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, 2021, the Museum filed its forgiveness application through its lending institution. On December 30, 2021, North Dallas Bank & Trust Co. informed the Museum that the SBA had approved the loan forgiveness application and had remitted payment in full.

As a result of the uncertainty surrounding the COVID-19 pandemic and its impact on the Museum's operating results, the Museum applied for the Employee Retention Credit ("ERC") offered under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES" Act). The ERC is a refundable tax credit against certain employment taxes equal to 70% of the qualified wages an eligible employer pays to employees during the period January 1, 2021 through September 30, 2021, with limitations on wages up to \$10,000 per employee, per quarter.

The Museum has elected to account for these transactions as conditional contributions by applying ASC 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 PPP funds and has recorded contribution revenue of \$468,717 for the year ended December 31, 2021. Management believes the Museum has met the eligibility and certain other criteria of the ERC and has recorded credits of \$708,038 for the year ended December 31, 2021.

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.

The ERC filings may be subject to review by the Internal Revenue Service. The review may include examination of payroll records, calculations of the credit amount, as well as whether the Company met the eligibility requirements of the program, and as a result of such reviews, adjustments could be required to the recognition of government grant income in future periods.

Dallas Holocaust and Human Rights Museum
NOTES TO FINANCIAL STATEMENTS

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 21, 2023, the date the financial statements were available to be issued.

On March 13, 2023, the Museum paid off the \$94,589 outstanding line of credit referenced in Note 7. As a result, the Museum is not able to draw on the \$8,000,000 line of credit.