

DALLAS HOLOCAUST MUSEUM /
CENTER FOR EDUCATION AND TOLERANCE

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2016 AND 2015

DALLAS HOLOCAUST MUSEUM /
CENTER FOR EDUCATION AND TOLERANCE

DECEMBER 31, 2016 AND 2015

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Dallas Holocaust Museum / Center for Education and Tolerance (the "Museum"), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Museum as of December 31, 2016 and 2015, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of changes in unrestricted net assets on page 24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lane Gorman Teubitt, LLC

Dallas, Texas

May 1, 2017

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

ASSETS

	2016	2015
Cash and cash equivalents	\$ 7,212,186	\$ 2,757,585
Other receivables, net	124,343	155,129
Inventory, net	16,750	8,863
Prepaid expenses	66,669	38,548
Pledges receivable, net	15,109,853	10,316,007
Property and equipment, net	9,656,836	7,141,911
Investments unrelated to endowment	31,055	1,017
Investments designated by the Board of Directors as endowments	1,266,432	1,084,572
Investments restricted by donors as endowments	222,594	163,281
Total assets	\$ 33,706,718	\$ 21,666,913

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 720,215	\$ 280,423
Total liabilities	720,215	280,423

NET ASSETS

Unrestricted		
Board designated	7,430,108	2,545,950
Undesignated	10,717,146	8,155,200
Total unrestricted net assets	18,147,254	10,701,150
Temporarily restricted	14,372,209	10,521,714
Permanently restricted	467,040	163,626
Total net assets	32,986,503	21,386,490
Total liabilities and net assets	\$ 33,706,718	\$ 21,666,913

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

Dallas Holocaust Museum / Center for Education and Tolerance
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
REVENUES AND OTHER SUPPORT					
Admission fees	\$ 439,756	\$ -	\$ -	\$ 439,756	\$ 377,031
Memberships	354,138	-	-	354,138	315,327
Program service fees and museum store sales, net	31,472	-	-	31,472	32,642
Parking lot revenue, net	408,310	-	-	408,310	236,087
Contributions	5,720,597	5,883,268	300,750	11,904,615	6,747,073
In-kind contributions	237,034	-	-	237,034	1,219,446
Grants	335,337	146,543	-	481,880	361,452
Special events, net of direct donor benefit costs	888,195	-	-	888,195	805,235
Investment income (loss), net	70,449	6,628	2,664	79,741	(20,180)
Net assets released from restrictions	<u>2,185,944</u>	<u>(2,185,944)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>10,671,232</u>	<u>3,850,495</u>	<u>303,414</u>	<u>14,825,141</u>	<u>10,074,113</u>
EXPENSES					
Education	1,880,403	-	-	1,880,403	1,384,417
Fundraising	887,920	-	-	887,920	718,638
Administrative	<u>456,805</u>	<u>-</u>	<u>-</u>	<u>456,805</u>	<u>450,182</u>
Total expenses	<u>3,225,128</u>	<u>-</u>	<u>-</u>	<u>3,225,128</u>	<u>2,553,237</u>
CHANGE IN NET ASSETS	7,446,104	3,850,495	303,414	11,600,013	7,520,876
Net assets, beginning of year	<u>10,701,150</u>	<u>10,521,714</u>	<u>163,626</u>	<u>21,386,490</u>	<u>13,865,614</u>
Net assets, end of year	<u>\$ 18,147,254</u>	<u>\$ 14,372,209</u>	<u>\$ 467,040</u>	<u>\$ 32,986,503</u>	<u>\$ 21,386,490</u>

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

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

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

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

Dallas Holocaust Museum / Center for Education and Tolerance
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2016

	Education	Fundraising	Administrative	2016 Total	2015 Total
Salaries and benefits	\$ 826,593	\$ 649,118	\$ 293,591	\$ 1,769,302	\$ 1,442,606
Advertising and publicity	319,741	23,172	-	342,913	255,037
Facility and occupancy	248,372	30,943	12,315	291,630	273,034
Temporary exhibits, workshops and education	311,398	2,573	-	313,971	165,878
Professional fees	47,898	73,116	85,389	206,403	176,606
Travel and meals	2,075	16,796	2,351	21,222	12,782
Printing, copying and postage	2,184	56,871	4,920	63,975	36,170
Depreciation	51,226	6,365	2,669	60,260	64,208
Computer and software expense	21,062	10,842	4,315	36,219	36,859
Bank charges and investment fees	-	-	35,085	35,085	28,000
Bad debt	-	3,500	-	3,500	-
Insurance	19,484	-	6,578	26,062	15,755
Other	30,370	14,624	9,592	54,586	46,302
Total expenses	<u>\$ 1,880,403</u>	<u>\$ 887,920</u>	<u>\$ 456,805</u>	<u>\$ 3,225,128</u>	<u>\$ 2,553,237</u>

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

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

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

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

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 11,600,013	\$ 7,520,876
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions to permanently restricted endowments	(300,750)	(50,225)
Depreciation	60,260	64,208
Bad debt expense	3,500	-
Net realized and unrealized (gain) loss on investments	(49,812)	49,204
Changes in operating assets and liabilities, net:		
Other receivables	27,286	(53,472)
Inventory	(7,887)	(2,059)
Prepaid expenses	(28,121)	(14,892)
Pledges receivable	(4,793,846)	(3,670,312)
Accounts payable and accrued expenses	439,792	131,133
Net cash provided by operating activities	6,950,435	3,974,461
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(276,748)	(334,062)
Proceeds from sales and maturities of investments	55,349	54,949
Purchases of property and equipment including construction in progress	(2,575,185)	(288,277)
Net cash used in investing activities	(2,796,584)	(567,390)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions to permanently restricted endowments	300,750	50,225
Principal payments on note payable	-	(3,093,162)
Net cash provided by (used in) financing activities	300,750	(3,042,937)
Net increase in cash and cash equivalents	4,454,601	364,134
Cash and cash equivalents at beginning of year	2,757,585	2,393,451
Cash and cash equivalents at end of year	\$ 7,212,186	\$ 2,757,585
Supplemental disclosures		
Cash paid during the year for:		
Cash paid for interest	\$ 158	\$ 69,677
Cash paid for income taxes, net of refunds	\$ 79,633	\$ 106,049

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

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

NATURE OF BUSINESS

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

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

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

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

Community Education: Provides a variety of educational opportunities through guest speakers, films, classes, and other programs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

Reclassifications

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

Cash and Cash Equivalents

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

Other Receivable

Other receivables are stated at unpaid balances which approximate fair value. It is the Museum's policy to charge off uncollectible receivables when management determines the receivables will not be collected. Other receivables are stated net of an allowance for doubtful accounts of \$3,500 and \$- as of December 31, 2016 and 2015, respectively, based as an analysis of specific receivable balances.

Inventory

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

Pledges Receivable

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

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

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

Pledges expected to be collected within one year are recorded at estimated net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of their net realizable value, using interest rates ranging from 0.12% to 2.54%.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Financial Accounting Standards Board (“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 unrestricted net assets in the period when purchased. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset class. There were 31 and 29 additions of individual objects to the collection during the years ended December 31, 2016 and 2015, respectively, through gifts, transfers, or purchases. The Museum did not purchase or expense individual objects during the years ended December 31, 2016 and 2015. There were no deaccessions during the years ended December 31, 2016 and 2015. As of December 31, 2016 and 2015, the Museum has approximately \$212,000 and \$197,000, 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.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Fair values are based on quoted market prices, if available, or the best estimate of fair value determined by the Museum. Investments in the commingled pool are valued at the amounts reported by the investment managers at year-end and Museum management believes that the carrying value is a reasonable estimate of the fair value as of December 31, 2016 and 2015.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-15 - Presentation of Financial Statements – Going Concern (Topic 205-40): Disclosure of Uncertainties about an entity's Ability to Continue as a Going Concern. The amendments in this update provide guidance about management’s responsibility to evaluate whether there is substantial doubt about the entity’s ability to continue as a going concern and provide related footnote disclosures. Substantial doubt about the entity’s ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. When conditions are identified that raise substantial doubt, management should consider whether its plans that are intended to mitigate those relevant conditions or events will alleviate the substantial doubt. If conditions raise substantial doubt about the entity’s ability to continue as a going concern, but the substantial doubt is alleviated as a result of management’s plans, the entity should disclose the following: (1) principal conditions or events that raised substantial doubt about the entity’s ability to continue as a going concern, (2) management’s evaluation of the significance of those conditions in relation to the entity’s ability to meet its obligations and (3) management’s plans that alleviated substantial doubt about the entity’s ability to continue as a going concern. If substantial doubt is not alleviated as a result of management’s plans, the entity should include a statement in the footnotes indicating that there is substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued. The amendments in this ASU are effective for the annual period ending after December 15, 2016 and for annual periods and interim periods thereafter. The Museum’s adoption of this standard as of December 31, 2016 did not have a material impact on the Museum’s financial statements.

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share*, which removes the requirement to categorize, within the fair value hierarchy table, the investments for which fair value is measured using the net asset value per share practical expedient. Instead, an entity is required to include those investments as a reconciling item, so that the total fair value amount of investments in the disclosure is consistent with the fair value investment balance on the statements of financial position. In addition, the requirement to make certain disclosures for all investments eligible to be assessed at fair value with the net asset value per share practical expedient has been removed. Instead, such disclosures are restricted only to investments that the entity has elected to measure using the practical expedient. ASU No. 2015-07 is effective for reporting periods beginning after December 15, 2015 and early adoption is permitted. The ASU is to be applied retrospectively in all periods presented in an entity's financial statements. The Museum adopted ASU No. 2015-07 as of December 31, 2016. As a result, those assets for which fair value is measured using the net asset practical expedient as of December 31, 2016 and 2015 are no longer categorized within the fair value hierarchy.

In July 2015, the FASB issued ASU 2015-11 – Inventory (Topic 330): Simplifying the Measurement of Inventory. The FASB is issuing this ASU as part of its simplification initiative. The objective of the simplification initiative is to identify, evaluate and improve areas of accounting principles generally accepted in the United States of America for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. The amendments in this ASU do not apply to inventory that is measured using the last-in, first-out (“LIFO”) or the retail inventory method, therefore subsequent measurement is unchanged for inventory measured using these methods. For all other inventory, an entity should measure inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016 and interim periods within fiscal years beginning after December 15, 2017. The amendments in this ASU should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. This standard is not expected to have a material impact on the Museum’s financial statements.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. The objective of this ASU is to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit's liquidity, financial performance, and cash flows. The key provisions include net asset classes, investment return, expenses, liquidity and availability of resources, and statement of cash flows. The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments is permitted. The Museum is currently assessing the impact that this standard will have on its financial statements.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

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

The Museum generated a receivable for overpayment of unrelated business income tax of \$7,659 recorded in other receivables as of December 31, 2016 and an unrelated business income tax liability of \$1,063 recorded in accounts payable and accrued expenses as of December 31, 2015 related to parking lot revenue. The Museum believes it has taken no significant uncertain tax positions.

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

The Museum recognizes interest and penalties, if any, related to uncertain tax positions as administrative expenses. The Museum’s informational returns are generally subject to examination for three years after the later of the due date or date of filing. As a result, the Museum is no longer subject to income tax examinations by tax authorities for years prior to fiscal year 2013.

Advertising Costs

The Museum expenses all advertising costs as incurred. Total advertising and publicity expense was \$342,913 and \$255,037, for the years ended December 31, 2016 and 2015, 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.

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:

	2016	2015
Donated goods and services for capital campaign	\$ 14,374	\$ 1,100,000
Donated legal and accounting fees	30,095	-
Donated marketing, public relations and advertising	180,275	110,196
Other donated goods and services	12,290	9,250
	\$ 237,034	\$ 1,219,446

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Use of Estimates

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

Revenue Recognition

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

2. PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31:

	2016	2015
Gifts related to capital campaign	\$ 14,971,546	\$ 10,215,361
Other restricted and unrestricted gifts	138,307	100,646
Net unconditional promises to give	\$ 15,109,853	\$ 10,316,007

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

	2016	2015
Capital campaign pledges due within one year	\$ 5,386,950	\$ 2,418,800
Other pledges due within one year	138,307	100,646
Capital campaign pledges due between one and five years	9,551,087	7,887,000
Capital campaign pledges due after five years	575,000	140,000
Total before discount	15,651,344	10,546,446
Less present value discount	(381,445)	(230,439)
Less allowance for doubtful accounts	(160,046)	-
Pledges receivable, net	\$ 15,109,853	\$ 10,316,007

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

In addition to the unconditional pledges reflected in the financial statements, conditional pledges of \$2,350,000 and \$2,825,000 exist at December 31, 2016 and 2015, respectively. These are not included in the accompanying financial statements. Two gifts are conditioned upon the Museum's completion of its capital campaign and one of these gifts is also conditioned upon commencement of construction of a new museum. Another gift is conditioned upon the donor's satisfaction with project viability.

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

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>Estimated Lives</u>	<u>2016</u>	<u>2015</u>
Furniture and equipment	3 – 20 years	\$ 338,426	\$ 401,113
Books	17 years	25,098	25,098
Improvements	2 - 15 years	<u>344,596</u>	<u>338,596</u>
Total depreciable property and equipment		708,120	764,807
Less accumulated depreciation		<u>(525,525)</u>	<u>(557,680)</u>
Net depreciable property and equipment		182,595	207,127
Land		6,370,038	6,370,038
Construction in progress		<u>3,104,203</u>	<u>564,746</u>
Property and equipment, net		<u>\$ 9,656,836</u>	<u>\$ 7,141,911</u>

Depreciation expense for the years ended December 31, 2016 and 2015, was \$60,260 and \$64,208, respectively.

Construction in progress at December 31, 2016 and 2015 is for architectural, planning and design costs incurred for a facility to be located on land owned by the Museum. Costs reflected as construction in progress at December 31, 2016 and 2015 reflect amounts incurred based on current plans for the future facility. As of the date these financial statements were available to be issued, no long-term commitments or obligations exist related to the future construction of the facility.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

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

Level 2: Inputs to the valuation methodology include:

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

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

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

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

Assets measured at fair value on a recurring basis include investments, which consist almost exclusively of assets held in a commingled pool by a foundation, and which are carried at fair market value as reported by the foundation based on the Museum's share of holdings in the commingled pool. There have been no changes in the methodologies used at December 31, 2016 and 2015. The Museum relies on the foundation to maintain a diverse portfolio that mitigates market risks inherent with investments. The foundation summarized the makeup of the underlying assets associated with the investment pool as follows:

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

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

	2016	2015
Equity funds	60%	59%
Fixed income funds	14%	16%
Alternative investment funds	20%	20%
Money market or cash-brokerage/banks	6%	5%

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

The following tables set forth by level, within the fair value hierarchy, the Museum's investments at fair value as of December 31, 2016 and 2015 and related changes in 2016 and 2015:

	2016	2015
Balance, beginning of year	\$ 1,248,870	\$ 1,018,961
Additional investments	276,748	334,062
Proceeds from sales and maturities	(55,349)	(54,949)
Realized gains	56,059	45,863
Unrealized losses	(6,247)	(95,067)
Balance, end of year	\$ 1,520,081	\$ 1,248,870

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

	2016	2015
Investments designated by the Board of Directors as endowment	\$ 1,266,432	\$ 1,084,572
Investments restricted by donors as endowment	222,594	163,281
Investment unrelated to endowment	31,055	1,017
	\$ 1,520,081	\$ 1,248,870

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

	2016	2015
Realized gains	\$ 56,059	\$ 45,863
Unrealized losses	(6,247)	(95,067)
Net realized and unrealized gains (losses)	49,812	(49,204)
Interest, dividends and fees	29,929	29,024
	\$ 79,741	\$ (20,180)

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

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes the carrying amounts and estimated fair values by level, within the fair value hierarchy, of the Museum's financial instruments measured at fair value in the statements of financial position as of December 31, 2016:

	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
SABRA savings bond	\$ 1,033	\$ -	\$ 1,033	\$ -
Restricted investments for deferred compensation:				
Equity mutual funds	2,997	2,997	-	-
Fixed income mutual funds	9,925	9,925	-	-
Money market fund	17,100	17,100	-	-
Total restricted investments for deferred compensation	<u>30,022</u>	<u>30,022</u>	<u>-</u>	<u>-</u>
Total assets in the fair value hierarchy	31,055	<u>\$ 30,022</u>	<u>\$ 1,033</u>	<u>\$ -</u>
Commingled pool:				
Cash and money market funds	89,342			
Equity funds	893,417			
Fixed income funds	208,464			
Alternative investments –				
Absolute returns strategy fund	<u>297,803</u>			
Total commingled pool (a)	<u>1,489,026</u>			
Total investments at fair value	<u>\$ 1,520,081</u>			

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

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

(a) These investments are valued using net asset value as a practical expedient, and therefore have not been classified in the fair value hierarchy.

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

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

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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

5. ENDOWMENTS

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

The Board of Directors of the Museum has interpreted the Texas Uniform Prudent Management of Institutional Funds Act ("TUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

For donor-restricted funds in existence at December 31, 2016 and 2015, due to donor restrictions and the Board of Directors' interpretation of TUPMIFA, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

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

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

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

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

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

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

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

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

5. ENDOWMENTS (Continued)

Endowment net assets consist of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>December 31, 2016:</u>				
Donor restricted endowment funds	\$ -	\$ 6,307	\$ 467,040	\$ 473,347
Board designated endowment funds	<u>1,266,432</u>	<u>-</u>	<u>-</u>	<u>1,266,432</u>
Endowment net assets	<u>\$ 1,266,432</u>	<u>\$ 6,307</u>	<u>\$ 467,040</u>	<u>\$ 1,739,779</u>
<u>December 31, 2015:</u>				
Donor restricted endowment funds	\$ -	\$ (321)	\$ 163,626	\$ 163,305
Board designated endowment funds	<u>1,084,572</u>	<u>-</u>	<u>-</u>	<u>1,084,572</u>
Endowment net assets	<u>\$ 1,084,572</u>	<u>\$ (321)</u>	<u>\$ 163,626</u>	<u>\$ 1,247,877</u>

Changes in endowment net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2014	\$ 1,152,772	\$ 3,225	\$ 116,084	\$ 1,272,081
Contributions	-	706	50,225	50,931
Investment earnings (loss)	(23,396)	(462)	(2,683)	(26,541)
Appropriations	<u>(44,804)</u>	<u>(3,790)</u>	<u>-</u>	<u>(48,594)</u>
Endowment net assets, December 31, 2015	1,084,572	(321)	163,626	1,247,877
Contributions	167,760	-	300,750	468,510
Investment earnings (loss)	68,519	6,628	2,664	77,811
Endowment expenses	(6,124)	-	-	(6,124)
Appropriations	<u>(48,295)</u>	<u>-</u>	<u>-</u>	<u>(48,295)</u>
Endowment net assets, December 31, 2016	<u>\$ 1,266,432</u>	<u>\$ 6,307</u>	<u>\$ 467,040</u>	<u>\$ 1,739,779</u>

6. COMMITMENTS AND CONTINGENCIES

Operating Leases

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

2017	\$ 174,416
2018	179,646
2019	165,171
2020	-
2021	-
Thereafter	<u>-</u>
	<u>\$ 519,233</u>

Rent expense, which includes utilities, was \$212,651 and \$194,035 for the years ended December 31, 2016 and 2015, respectively.

7. NOTE PAYABLE

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

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

8. LINE OF CREDIT

The Museum has a revolving line of credit agreement with a bank. The line of credit has a maximum commitment of \$250,000 and bears interest at the bank's prime rate (3.75% and 3.25% at December 31, 2016 and 2015, respectively). The line of credit matures in September 2018. As of December 31, 2016 and 2015, no amounts have been advanced against the line of credit. The line of credit is secured by the Museum's land.

9. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of amounts restricted as follows:

	<u>2016</u>	<u>2015</u>
Capital campaign	\$ 2,285,194	\$ 1,991,827
Capital campaign – time restrictions only	11,900,926	8,328,533
Teacher training	36,099	26,000
Scholarships and Museum Experience	90,323	99,038
Survivor testimonials	8,863	20,890
Endowment earnings (losses)	6,307	(321)
Other	44,497	55,747
	<u>\$ 14,372,209</u>	<u>\$ 10,521,714</u>

Permanently restricted net assets consist of amounts restricted as follows:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 75,223	\$ 72,559
Staff development	15,767	15,767
Museum experience	126,050	75,300
Facility support	100,000	-
Education	150,000	-
	<u>\$ 467,040</u>	<u>\$ 163,626</u>

10. NET ASSETS RELEASED FROM RESTRICTIONS

The sources of net assets released from temporary 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>2016</u>	<u>2015</u>
Capital campaign	\$ 2,017,508	\$ 1,164,690
Other funds	168,436	130,796
	<u>\$ 2,185,944</u>	<u>\$ 1,295,486</u>

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

11. SPECIAL EVENTS

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

	<u>2016</u>	<u>2015</u>
Hope for Humanity Dinner revenue	\$ 970,270	\$ 912,030
Other special events	<u>164,874</u>	<u>92,959</u>
	1,135,144	1,004,989
Less direct donor benefit costs	<u>(246,949)</u>	<u>(199,754)</u>
	<u>\$ 888,195</u>	<u>\$ 805,235</u>

12. PROGRAM SERVICE FEES AND STORE SALES

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

	<u>2016</u>	<u>2015</u>
Sales	\$ 65,754	\$ 59,749
Cost of sales	(38,892)	(31,584)
Unrelated business income tax	<u>(3,526)</u>	<u>(3,398)</u>
Gross profit from sales	23,336	24,767
Other educational program service fee	<u>8,136</u>	<u>7,875</u>
	<u>\$ 31,472</u>	<u>\$ 32,642</u>

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

13. PARKING LOT REVENUE

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

	<u>2016</u>	<u>2015</u>
Revenue (net of sales tax)	\$ 513,265	\$ 455,604
Interest expense related to parking lot acquisition	-	(59,399)
Other operating costs	(37,570)	(57,226)
Estimated unrelated business income tax	<u>(67,385)</u>	<u>(102,892)</u>
	<u>\$ 408,310</u>	<u>\$ 236,087</u>

14. 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. Contribution expense for the plan was approximately \$28,000 and \$- for the years ended December 31, 2016 and 2015, 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 contributions of \$30,000 during the year ended December 31, 2016.

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

15. CONCENTRATIONS OF RISK

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

Approximately 14% of pledges receivable are due from one donor at December 31, 2016. Approximately 32% of pledges receivable are due from three donors at December 31, 2015.

Approximately 17% of purchases were paid to one vendor during the year ended December 31, 2016. Approximately 50% and 68% of accounts payable and accrued expenses are due to two vendors at December 31, 2016 and 2015, respectively. Both of these concentrations are attributable to the new museum capital campaign.

16. RELATED PARTY TRANSACTIONS

The Museum receives insurance advisory services from a company with whom a member of the Museum's board of directors is employed. Commissions of approximately \$12,144 and \$8,680 were paid to this company for the years ended December 31, 2016 and 2015, respectively. The Board of Directors of the Museum approved this related party transaction.

The Museum has \$3,290,576 and \$3,377,679 of pledges receivable and \$1,302,348 and \$994,176 of contributions for the years ended December 31, 2016 and 2015, respectively from members of the Board of Directors.

17. SUBSEQUENT EVENTS

Subsequent to year-end, a new entity, DHHRM Endowment Foundation, Inc., was organized and is to be operated exclusively to support and benefit the Museum.

Management has evaluated subsequent events through May 1, 2017, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Dallas Holocaust Museum / Center for Education and Tolerance
STATEMENT OF CHANGES IN UNRESTRICTED NET ASSETS
Year ended December 31, 2016

	Undesignated		Board Designated				Total
	Operating	Plant	Endowment Fund	Capital Campaign	Contingency Fund	Subtotal	
Unrestricted net assets, beginning of year	\$ 1,013,289	\$ 7,141,911	\$ 1,084,572	\$ 1,361,378	\$ 100,000	\$ 2,545,950	\$ 10,701,150
Revenues and other support	2,853,120	-	-	5,561,719	-	5,561,719	8,414,839
Expenses	(2,810,438)	(60,260)	(6,124)	(348,306)	-	(354,430)	(3,225,128)
Purchases of property and equipment	(46,562)	2,575,185	-	(2,528,623)	-	(2,528,623)	-
Investment earnings	1,930	-	68,519	-	-	68,519	70,449
Appropriations from board designated endowment fund	48,295	-	(48,295)	-	-	(48,295)	-
Contributions to board designated endowment fund	(167,760)	-	167,760	-	-	167,760	-
Net assets released from restrictions	168,436	-	-	2,017,508	-	2,017,508	2,185,944
Change in unrestricted net assets	47,021	2,514,925	181,860	4,702,298	-	4,884,158	7,446,104
Unrestricted net assets, end of year	<u>\$ 1,060,310</u>	<u>\$ 9,656,836</u>	<u>\$ 1,266,432</u>	<u>\$ 6,063,676</u>	<u>\$ 100,000</u>	<u>\$ 7,430,108</u>	<u>\$ 18,147,254</u>

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