



# Dallas Holocaust Museum/ Center for Education and Tolerance

Financial Statements  
As of and For the Years Ended  
December 31, 2014 and 2013

**Dallas Holocaust Museum/ Center for Education and Tolerance**

**Financial Statements**

As of and For the Years Ended December 31, 2014 and 2013

# Dallas Holocaust Museum/ Center for Education and Tolerance

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## **Independent Auditor's Report**

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

We have audited the accompanying financial statements of Dallas Holocaust Museum/ Center for Education and Tolerance ("DHM/CET"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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



***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dallas Holocaust Museum/Center for Education and Tolerance as of December 31, 2014 and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter - 2013 Financial Statements***

The financial statement of Dallas Holocaust Museum/ Center for Education and Tolerance as of December 31, 2013 were audited by other auditors, whose report, dated May 14, 2014, expressed an unmodified opinion on those statements.

*BDO USA, LLP*

Fort Worth, Texas  
May 4, 2015

## Financial Statements

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# Dallas Holocaust Museum/ Center for Education and Tolerance

## Statements of Financial Position

	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 2,393,451	\$ 1,139,350
Pledges receivable, net	6,645,695	964,419
Other receivables, net	101,657	72,235
Inventory	6,804	6,594
Prepaid expenses	23,656	41,396
Museum Artifacts (Note 1)	-	-
Property and equipment, net	6,917,842	6,752,847
Investment unrelated to endowment	1,003	-
Investments designated by the Board of Directors as endowment	927,987	938,864
Investments restricted by donors as endowment	89,971	87,362
<b>Total assets</b>	<b>\$ 17,108,066</b>	<b>\$ 10,003,067</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 142,935	\$ 122,157
Capital lease obligation	9,517	12,578
Note payable	3,090,000	4,090,000
<b>Total liabilities</b>	<b>3,242,452</b>	<b>4,224,735</b>
<b>Commitments and Contingencies</b>		
<b>Net Assets:</b>		
Unrestricted	6,974,538	4,425,157
Temporarily restricted	6,774,992	1,267,516
Permanently restricted	116,084	85,659
<b>Total net assets</b>	<b>13,865,614</b>	<b>5,778,332</b>
<b>Total liabilities and net assets</b>	<b>\$ 17,108,066</b>	<b>\$ 10,003,067</b>

*See accompanying notes to financial statements.*

# Dallas Holocaust Museum/ Center for Education and Tolerance

## Statement of Activities For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues and Support:</b>				
Contributions	\$ 2,106,191	\$ 6,030,194	\$ 29,338	\$ 8,165,723
In-kind contributions	114,563	-	-	114,563
Grants	65,660	170,021	-	235,681
Special events, net	1,076,389	-	-	1,076,389
Programs service fees and store sales, net	34,302	-	-	34,302
Memberships	237,510	-	-	237,510
Admissions	356,807	-	-	356,807
Parking lot revenue, net	189,404	-	-	189,404
Investment income	37,484	1,555	1,087	40,126
Loss on disposal of fixed assets	(1,607)	-	-	(1,607)
Net assets released from restrictions	694,294	(694,294)	-	-
<b>Total revenues and support</b>	<b>4,910,997</b>	<b>5,507,476</b>	<b>30,425</b>	<b>10,448,898</b>
<b>Expenses:</b>				
Education	1,203,204	-	-	1,203,204
Fundraising	795,418	-	-	795,418
Administrative	362,994	-	-	362,994
<b>Total expenses</b>	<b>2,361,616</b>	<b>-</b>	<b>-</b>	<b>2,361,616</b>
Change in net assets	2,549,381	5,507,476	30,425	8,087,282
Net assets at beginning of year	4,425,157	1,267,516	85,659	5,778,332
<b>Net assets at end of year</b>	<b>\$ 6,974,538</b>	<b>\$ 6,774,992</b>	<b>\$ 116,084</b>	<b>\$ 13,865,614</b>

*See accompanying notes to financial statements.*

# Dallas Holocaust Museum/ Center for Education and Tolerance

## Statement of Activities For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues and Support:</b>				
Contributions	\$ 362,052	\$ 1,096,360	\$ 100	\$ 1,458,512
In-kind contributions	168,054	-	-	168,054
Grants	56,044	105,190	-	161,234
Special events, net	674,713	-	-	674,713
Programs service fees and store sales, net	35,605	-	-	35,605
Memberships	263,872	-	-	263,872
Admissions	299,274	-	-	299,274
Parking lot revenue, net	53,076	-	-	53,076
Investment income	128,106	1,438	8,310	137,854
Transfers required by donor endowment	-	(2,097)	2,097	-
Net assets released from restrictions	22,979	(22,979)	-	-
<b>Total revenues and support</b>	<b>2,063,775</b>	<b>1,177,912</b>	<b>10,507</b>	<b>3,252,194</b>
<b>Expenses:</b>				
Education	1,307,527	-	-	1,307,527
Fundraising	408,074	-	-	408,074
Administrative	233,004	-	-	233,004
<b>Total expenses</b>	<b>1,948,605</b>	<b>-</b>	<b>-</b>	<b>1,948,605</b>
Change in net assets before loss on writeoff of assets	115,170	1,177,912	10,507	1,303,589
Loss on writeoff of assets	(535,106)	-	-	(535,106)
Change in net assets	(419,936)	1,177,912	10,507	768,483
Net assets at beginning of year	4,845,093	89,604	75,152	5,009,849
<b>Net assets at end of year</b>	<b>\$ 4,425,157</b>	<b>\$ 1,267,516</b>	<b>\$ 85,659</b>	<b>\$ 5,778,332</b>

*See accompanying notes to financial statements.*

# Dallas Holocaust Museum/ Center for Education and Tolerance

## Statement of Functional Expenses For the Year Ended December 31, 2014

	Education	Fundraising	Administrative	Total
Salaries and benefits	\$ 578,449	\$ 395,258	\$ 271,197	\$ 1,244,904
Advertising and publicity	206,052	16,005	-	222,057
Facility and occupancy	191,369	14,700	9,982	216,051
Temporary exhibits, workshops and education	124,628	-	-	124,628
Professional fees	6,312	220,371	14,200	240,883
Travel, meals, and special event entertainment	10,465	79,175	3,077	92,717
Printing, copying, and postage	151	29,411	8,174	37,736
Depreciation	48,332	7,415	5,862	61,609
Computer and software expense	19,173	5,314	3,609	28,096
Bank charges and investment fees	-	-	24,882	24,882
Bad debt	-	22,267	-	22,267
Insurance	14,772	-	2,200	16,972
Other	3,501	5,502	19,811	28,814
<b>Total expenses</b>	<b>\$ 1,203,204</b>	<b>\$ 795,418</b>	<b>\$ 362,994</b>	<b>\$ 2,361,616</b>

*See accompanying notes to financial statements.*

# Dallas Holocaust Museum/ Center for Education and Tolerance

## Statement of Functional Expenses For the Year Ended December 31, 2013

	Education	Fundraising	Administrative	Total
Salaries and benefits	\$ 609,021	\$ 187,392	\$ 140,544	\$ 936,957
Advertising and publicity	260,811	46,026	-	306,837
Facility and occupancy	158,872	9,771	29,311	197,954
Temporary exhibits, workshops and education	102,240	36,878	-	139,118
Professional fees	54,104	18,023	29,647	101,774
Travel, meals, and special event entertainment	7,753	50,967	2,563	61,283
Printing, copying, and postage	11,063	38,102	3,688	52,853
Depreciation	39,866	2,492	7,475	49,833
Computer and software expense	17,226	1,076	3,230	21,532
Bank charges and investment fees	14,603	3,185	2,267	20,055
Insurance	13,092	818	2,455	16,365
Other	18,876	13,344	11,824	44,044
<b>Total expenses</b>	<b>\$ 1,307,527</b>	<b>\$ 408,074</b>	<b>\$ 233,004</b>	<b>\$ 1,948,605</b>

*See accompanying notes to financial statements.*

# Dallas Holocaust Museum/ Center for Education and Tolerance

## Statements of Cash Flows

<i>Years ended December 31,</i>	2014	2013
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 8,087,282	\$ 768,483
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions to permanently restricted endowments	(29,338)	(100)
Depreciation	61,609	49,833
Loss on disposal/writeoff of assets	1,607	535,106
Bad debt expense	22,267	-
Donated investments	(1,000)	-
Net realized and unrealized gain on investments	(14,637)	(114,034)
Changes in operating assets and liabilities:		
Increase in pledges receivable	(5,681,276)	(904,693)
Increase in other receivables	(51,689)	(37,154)
(Increase) decrease in inventory	(210)	2,169
Decrease in prepaid expenses	17,740	26,813
Increase in accounts payable and accrued expenses	20,778	78,055
<b>Net cash provided by operating activities</b>	<b>2,433,133</b>	<b>404,478</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	(25,356)	(23,405)
Proceeds from sales and maturities of investments	48,258	45,514
Purchases of property and equipment	(228,209)	(124,538)
<b>Net cash used in investing activities</b>	<b>(205,307)</b>	<b>(102,429)</b>
<b>Cash Flows from Financing Activities:</b>		
Contributions to permanently restricted endowments	29,338	100
Principal payments on note and capital lease obligation	(1,003,063)	(251)
<b>Net cash used in financing activities</b>	<b>(973,725)</b>	<b>(151)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,254,101</b>	<b>301,898</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,139,350</b>	<b>837,452</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 2,393,451</b>	<b>\$ 1,139,350</b>
<b>Supplemental Disclosures</b>		
Cash paid for interest	\$ 119,584	\$ 39,572
Cash paid for income tax, net of refunds	\$ 49,060	\$ 687
<b>Non-cash investing and financing activities:</b>		
Land purchased through note payable	\$ -	\$ (4,090,000)
Equipment purchases through capital lease obligation	-	(12,829)
<b>Total non-cash investing and financing activities</b>	<b>\$ -</b>	<b>\$ (4,102,829)</b>

*See accompanying notes to financial statements.*

# Dallas Holocaust Museum/ Center for Education and Tolerance

## Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

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### 1. Significant Accounting Policies

#### *Nature of Organization*

The Dallas Holocaust Museum/Center for Education and Tolerance (DHM/CET) is a non-profit Texas corporation. DHM/CET is dedicated to preserving the memory of the Holocaust and to teaching the moral and ethical response to prejudice, hatred and indifference, for the benefit of all humanity. DHM/CET's education program consists primarily of the following activities:

#### *DHM/CET Visit Orientations:*

Provides for a two hour orientation for educators to help enhance the education experience of the students who visit DHM/CET.

#### *Teacher Workshops:*

Provides continuing education for Texas, Louisiana, and Oklahoma teachers. DHM/CET 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.

#### *Student Activities:*

Provides for various activities for students such as writing and art contests, guest lecturers, tours of DHM/CET and volunteerism.

#### *Community Education:*

Provides a variety of educational opportunities and experiences to visitors of DHM/CET and participants in various related program offerings.

#### *Basis of Presentation*

DHM/CET reports information regarding its financial position and activities according to three classes of net assets:

#### **Unrestricted Net Assets -**

Represents resources that are generally not subject to donor imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. Contributions received with time and/or purpose restrictions which are fully expended in the same period are classified as unrestricted.

#### **Temporarily Restricted Net Assets -**

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of DHM/CET and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

# Dallas Holocaust Museum/ Center for Education and Tolerance

## Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

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### Permanently Restricted Net Assets -

Net assets subject to donor-imposed stipulations that they be maintained permanently by DHM/CET. Generally, the donors of these assets permit DHM/CET to use all or part of the income earned on any related investments for general or specific purposes.

Support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other 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.

### *Cash and Cash Equivalents*

For purposes of cash flows, DHM/CET considers cash, money market accounts, and all highly liquid debt instruments with original maturities of three months or less to be cash and cash equivalents.

### *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 DHM/CET.

### *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. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Pledges expected to be collected within one year are recorded at estimated net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of their net realizable value, using interest rates ranging from 0.12% to 2.54%. No allowance for doubtful pledges has been recorded for balances as of December 31, 2014 and 2013 based on the collection experience of DHM/CET and analysis of specific promises made.

### *Other Receivables*

Other receivables are stated at unpaid balances which approximate fair value. It is DHM/CET'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 \$6,750 and \$0 for 2014 and 2013, respectively, based as an analysis of specific receivable balances.

### *Inventory*

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

# Dallas Holocaust Museum/ Center for Education and Tolerance

## Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

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### *DHM/CET Artifacts*

In accordance with the accounting standards, DHM/CET does not recognize contributions of artifacts that are (1) held for public exhibition, (2) protected and preserved, and (3) are subject to an organizational policy that requires proceeds from the sale of artifacts to be used to acquire other artifacts. The artifacts are made up of items of historical significance and art objects that are held for educational, research, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. As of December 31, 2014 and 2013, DHM/CET has approximately \$182,000 and \$201,000, respectively, of donated artifacts that have not been recorded in the accompanying financial statements. The decline in volume in 2014 is due to the return of donated artwork to a donor.

### *Property and Equipment*

Property and equipment are stated at cost (if purchased) or fair value at the date of donation (if donated) less accumulated depreciation. DHM/CET capitalizes property and equipment with a cost or donated value of over \$500 and an estimated life greater than one year. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to twenty years.

### *Impairment of Long-Lived Assets*

DHM/CET periodically reviews the carrying value of its long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To the extent fair value of a long-lived asset, determined based upon the estimated future cash inflows attributable to the asset, less estimated future cash outflows, are less than the carrying amount, an impairment loss is recognized. See Note 4 for impairment reflected in the 2013 financial statements. There was no such impairment for the year ended December 31, 2014.

### *Income Taxes*

DHM/CET has qualified as a tax exempt organization under section 501(c)(3) of the Internal Revenue Code. Therefore, no federal income taxes are paid or accrued so long as DHM/CET's gross receipts are used for its exempt purpose or purposes. DHM/CET recognizes interest accrued related to unrecognized tax benefits and penalties in administrative expenses, if any. For 2014 and 2013, there were no interest or penalty expenses, and DHM/CET is not under examination for tax purposes by any taxing jurisdiction. Open tax years subject to examination are 2011 to present. DHM/CET generated unrelated business income tax liability, recorded in accounts payable, of \$36,873 and \$17,850 related to parking lot revenue in 2014 and 2013, respectively. DHM/CET believes it has taken no significant uncertain tax positions.

### *Estimates*

The preparation of financial statements in conformity with accounting standards generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

# Dallas Holocaust Museum/ Center for Education and Tolerance

## Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

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### *Concentrations of Credit and Market Risk*

Concentrations of credit risk consist primarily of cash, investments and pledges receivable. Cash is held with financial institutions. At times, balances may exceed FDIC insured levels. Investments are exposed to various risks, such as interest rate, market and credit risk. Due to these risks, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and those changes could materially affect the financial statements. Approximately 44% of pledges receivable are due from two individuals at December 31, 2014. Approximately 90% of pledges receivable are due from eight individuals at December 31, 2013.

### *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been reported according to their natural classification in the statements of functional expenses. Certain costs are jointly shared by programs, fundraising, and general and administrative functions and, accordingly, have been allocated among the functions benefited based on management's estimates.

### *Fair Value of Financial Instruments*

The carrying amount of DHM/CET's cash and cash equivalents, investments, receivables, and accounts payable, accrued expenses and debt approximate fair value.

### *In-Kind Services*

DHM/CET recognizes contributions of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

### *Revenue and Support Recognition*

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

### *Reclassifications*

Certain 2013 amounts have been reclassified to conform to current year presentation.

## 2. Pledges Receivable

Pledges receivable consist of the following at December 31, 2014 and 2013:

<i>December 31,</i>	<u>2014</u>		<u>2013</u>	
Gifts related to capital campaign	\$	6,554,645	\$	862,544
Other restricted and unrestricted gifts		91,050		101,875
Net unconditional promises to give	\$	6,645,695	\$	964,419

# Dallas Holocaust Museum/ Center for Education and Tolerance

## Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

The expected maturities of pledges receivable is as follows at December 31, 2014 and 2013:

<i>December 31,</i>	2014	2013
Capital campaign pledges due within one year	\$ 1,059,625	\$ 208,333
Other pledges due within one year	91,050	101,875
Capital campaign pledges due between one and five years	5,690,000	666,667
Total before discount	6,840,675	976,875
Less present value discount	(194,980)	(12,456)
Net pledges receivable	\$ 6,645,695	\$ 964,419

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 \$3,145,000 and \$475,000 exist at December 31, 2014 and 2013 respectively. These are not included in the accompanying financial statements. Two gifts are conditioned upon availability of funds in the related philanthropic fund and approval of the distributions by the foundation which retains variance power over the fund. Another gift is conditioned upon the donor's satisfaction with project viability.

### 3. Other Receivables

Other receivables consist of the following at December 31, 2014 and 2013:

<i>December 31,</i>	2014	2013
Hope for humanity event receivable	\$ 72,750	\$ 39,930
Parking revenues receivable	32,371	20,940
Other programs and activities receivable	3,286	11,365
Allowance for uncollectable accounts	(6,750)	-
Total other receivables, net	\$ 101,657	\$ 72,235

### 4. Property and Equipment

Property and equipment consists of the following at December 31, 2014 and 2013:

<i>December 31,</i>	2014	2013
Furniture and equipment	\$ 460,083	\$ 464,370
Books	25,098	25,098
Improvements	338,596	338,596
Total depreciable property and equipment	823,777	828,064
Less accumulated depreciation	(572,456)	(521,146)
Net depreciable property and equipment	251,321	306,918
Land	6,367,818	6,367,818
Construction in progress	298,703	78,111
Total property and equipment, net	\$ 6,917,842	\$ 6,752,847

# Dallas Holocaust Museum/ Center for Education and Tolerance

## Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

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Construction in progress at December 31, 2014 and 2013 is for architectural, planning and design costs incurred for a facility to be located on land owned by DHM/CET. During 2013, the details regarding this future facility were altered, and management concluded that the planning and design work performed prior to 2013 would not be used in the ultimate construction of the new facility. Therefore, the costs incurred through December 31, 2012 were written off in 2013. Costs reflected as construction in process at December 31, 2014 and 2013 reflect additional amounts incurred in 2014 and 2013 based on the revised plans for the future facility. As of the date these financial statements were available to be issued, no long-term commitments or obligations exist related to the future construction of the facility.

### 5. Investments and Fair Value Measurements

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

**Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that DHM/CET 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 common pool by a foundation, and which are carried at fair market value as reported by the foundation based on DHM/CET's share of holdings in the common pool. These investments are classified in Level 2 of the fair value hierarchy. There have been no changes in the methodologies used at December 31, 2014 and 2013. DHM/CET 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 For the Years Ended December 31, 2014 and 2013

<i>December 31,</i>	2014	2013
Equity funds	60%	60%
Fixed income funds	16%	16%
Alternative investment funds	20%	20%
Money market or cash-brokerage/banks	4%	4%

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although DHM/CET 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, DHM/CET's investments at fair value as of December 31, 2014 and 2013, and related changes in 2014 and 2013:

<i>December 31,</i>	Investments (Level 2)	
	2014	2013
Balance, beginning of year	\$ 1,026,226	\$ 934,301
Additional investments	26,356	23,405
Proceeds from sales and maturities	(48,258)	(45,514)
Realized gains	69,688	49,729
Unrealized (losses) gains	(55,051)	64,305
Balance, end of year	\$ 1,018,961	\$ 1,026,226

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

<i>December 31,</i>	2014	2013
Investments designated by the Board of Directors as endowment	\$ 927,987	\$ 938,864
Investments restricted by donors as endowment	89,971	87,362
Investments unrelated to endowments	1,003	-
	\$ 1,018,961	\$ 1,026,226

Investment income for the years ended December 31, 2014 and 2013 consists of the following:

<i>Year Ended December 31,</i>	2014	2013
Realized gains	\$ 69,688	\$ 49,729
Unrealized (losses) gains	(55,051)	64,305
Net realized and unrealized gains	14,637	114,034
Interest, dividends and fees	25,489	23,820
	\$ 40,126	\$ 137,854

# Dallas Holocaust Museum/ Center for Education and Tolerance

## Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

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### 6. Donor Restricted and Board Designated Endowments

DHM/CET's endowment consists of three donor-restricted funds and one fund designated by the Board of Directors to serve as an endowment. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of DHM/CET 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, 2014 and 2013, due to donor restrictions and the Board of Directors' interpretation of TUPMIFA, DHM/CET 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 DHM/CET in a manner consistent with the standard of prudence prescribed by TUPMIFA.

In accordance with TUPMIFA, DHM/CET 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 investments, (6) other resources of DHM/CET, and (7) DHM/CET'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 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** - DHM/CET 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 a 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.

# Dallas Holocaust Museum/ Center for Education and Tolerance

## Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

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 distributed to DHM/CET on a quarterly basis. For other endowment funds, because actual investment returns in any given year vary, DHM/CET reviews investment return throughout the year in conjunction with authorizing distributions to ensure the distributions do not liquidate the underlying endowment assets.

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

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

Changes in donor-restricted endowment net assets as of December 31, 2014, is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment net assets, beginning of year	\$ 1,703	\$ 85,659	\$ 87,362
Contributions	-	29,338	29,338
Investment earnings (net of fees of \$411)	1,522	1,087	2,609
Transfer of unused earnings required by donor	-	-	-
Appropriations	-	-	-
<b>Donor-restricted endowment net assets, end of year</b>	<b>\$ 3,225</b>	<b>\$ 116,084</b>	<b>\$ 119,309</b>

Changes in donor-restricted endowment net assets as of December 31, 2013, is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment net assets, beginning of year	\$ 2,362	\$ 75,152	\$ 77,514
Contributions	-	100	100
Investment earnings (net of fees of \$265)	1,438	8,310	9,748
Transfer of unused earnings required by donor	(2,097)	2,097	-
Appropriations	-	-	-
<b>Donor-restricted endowment net assets, end of year</b>	<b>\$ 1,703</b>	<b>\$ 85,659</b>	<b>\$ 87,362</b>

Changes in board designated endowment net assets as of December 31, 2014, is as follows:

	Unrestricted
Board designated endowment net assets, beginning of year	\$ 938,864
Operating surplus designated as endowment	224,785
Net unrealized and realized gain	13,550
Investment earnings	23,418
Distributions and expenses	(47,845)
<b>Board designated endowment net assets, end of year</b>	<b>\$ 1,152,772</b>

# Dallas Holocaust Museum/ Center for Education and Tolerance

## Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

Changes in board designated endowment net assets as of December 31, 2013, is as follows:

		Unrestricted
Board designated endowment net assets, beginning of year	\$	856,787
Net unrealized and realized gain		105,724
Investment earnings		21,602
Distributions and expenses		(45,249)
Board designated endowment net assets, end of year	\$	938,864

### 7. Capital Lease Obligation

The company entered into a lease agreement for the lease of equipment costing \$12,829 at December 31, 2013, which is classified as a capital lease. Amortization of the equipment was approximately \$3,500 and \$267 for 2014 and 2013 respectively and is included in depreciation expense.

The following is a schedule by year of future minimum lease payments under the capital lease obligation together with the present value of the net minimum lease payments as of December 31, 2014.

<i>December 31,</i>		2014
2015	\$	3,425
2016		3,425
2017		3,139
Total minimum lease payments		9,989
Less amount representing interest		(472)
Present value of minimum lease payments	\$	9,517

### 8. Note Payable

DHM/CET 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 requires 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. In December 2014, DHM/CET made a \$1,000,000 principal payment on the note.

### 9. Line of Credit

DHM/CET has a revolving line of credit agreement with a bank. The line of credit has a maximum commitment of \$250,000 and bears interest at the bank's prime rate, 3.25% at December 31, 2014 and 2013. The line of credit matures in September 2015. As of December 31, 2014 and 2013, no amounts have been advanced against the line of credit. The line of credit is secured by DHM/CET's land.

# Dallas Holocaust Museum/ Center for Education and Tolerance

## Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

### 10. Restrictions and Designations on Net Assets

Temporarily restricted net assets consist of amounts restricted as follows:

<i>December 31,</i>	2014	2013
Capital campaign	\$ 1,202,396	\$ 1,156,623
Capital campaign - time restrictions only	5,384,992	-
Teacher training	11,000	5,083
Scholarships and Museum Experience	88,590	46,370
Survivor testimonials	38,088	4,000
Endowment earnings	3,225	1,703
Other	46,701	53,737
	<b>\$ 6,774,992</b>	<b>\$ 1,267,516</b>

Permanently restricted net assets consist of amounts restricted as follows:

<i>December 31,</i>	2014	2013
Scholarships	\$ 75,241	\$ 74,154
Staff development	15,743	11,505
Museum experience	25,100	-
	<b>\$ 116,084</b>	<b>\$ 85,659</b>

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

<i>December 31,</i>	2014	2013
Endowment	\$ 927,987	\$ 938,864
Endowment not yet invested	224,785	-
Operating contingency fund	100,000	-
Capital campaign	1,090,366	75,489
	<b>\$ 2,343,138</b>	<b>\$ 1,014,353</b>

### 11. Special Events

Special events consisted of the following in 2014 and 2013:

<i>Year Ended December 31,</i>	2014	2013
Hope for Humanity Dinner revenue	\$ 1,086,739	\$ 682,791
Other special events	65,500	55,342
	1,152,239	738,133
Less direct donor benefit costs	(75,850)	(63,420)
	<b>\$ 1,076,389</b>	<b>\$ 674,713</b>

# Dallas Holocaust Museum/ Center for Education and Tolerance

## Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

### 12. Program Service Fees and Store Sales

DHM/CET 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:

<i>Year Ended December 31,</i>	2014		2013	
Sales	\$	56,139	\$	67,533
Cost of Sales		(31,920)		(38,609)
Gross profit from sales		24,219		28,924
Other educational program service fee		10,083		6,681
Total	\$	34,302	\$	35,605

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

### 13. Parking Lot Revenue

DHM/CET 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, including the one purchased during 2013. Related revenue is reported on the statements of activities net of costs required to generate the revenue, as follows:

<i>December 31,</i>	2014		2013	
Revenue (net of sales tax)	\$	440,066	\$	145,274
Interest expense related to parking lot acquisition		(119,438)		(39,572)
Other operating costs		(53,636)		(34,776)
Estimated unrelated business income tax		(77,588)		(17,850)
Total	\$	189,404	\$	53,076

### 14. Operating Leases

DHM/CET 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. Related rent expense amounted to approximately \$109,000 per year for the years ended December 31, 2014 and 2013. Future minimum rental payments required under this operating lease are:

2015	\$	130,368
2016		149,292
2017		154,339
2018		158,965
2019		145,718
Total	\$	738,682

# Dallas Holocaust Museum/ Center for Education and Tolerance

## Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

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### 15. Advertising

DHM/CET expenses all advertising costs as incurred. Total expense was \$222,057 and \$306,837, respectively for the years ended December 31, 2014 and 2013.

### 16. Related Party Activity

DHM/CET receives insurance advisory services from a company with whom a member of DHM/CET's board of directors is employed. Commissions of approximately \$6,900 and \$4,500 were paid to this company for the years ended December 31, 2014 and 2013, respectively. The board of directors approved this related party activity.

### 17. 403(b) Plan

DHM/CET 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 percentage allowed by the law.

### 18. Subsequent Events

The date to which events occurring after December 31, 2014 have been evaluated for possible adjustment to the financial statements or disclosure is May 4, 2015, which is the date on which the financial statements were available to be issued.