

The Center for Holocaust and Humanity Education

**Financial Statements
June 30, 2019 and 2018, and
Independent Auditors' Report**

THE CENTER FOR HOLOCAUST AND HUMANITY EDUCATION

June 30, 2019 and 2018

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Independent Auditors' Report

Board of Trustees
The Center for Holocaust and Humanity Education
Cincinnati, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of The Center for Holocaust and Humanity Education (nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Center for Holocaust and Humanity Education as of June 30, 2019 and 2018, 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.

Effect of Adopting a New Accounting Standard

As discussed in Note 1, The Center for Holocaust and Humanity Education has adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Our opinion is not modified with respect to that matter.

Barnes, Dennig & Co., Ltd.

November 26, 2019
Cincinnati, Ohio

THE CENTER FOR HOLOCAUST AND HUMANITY EDUCATION

**Statements of Financial Position
June 30, 2019 and 2018**

	2019	2018
Assets		
Cash and cash equivalents	\$ 989,300	\$ 726,280
Grants receivable and other assets	38,638	92,804
Capital campaign pledges receivable, net	4,484,795	5,143,806
Restricted cash	1,474,595	2,676,214
Property and equipment, net	6,098,089	1,447,509
Total assets	\$ 13,085,417	\$ 10,086,613
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 106,619	\$ 351,870
Funds held for Ohio Holocaust Council	16,542	17,595
Total liabilities	123,161	369,465
Net assets		
Without donor restriction	6,771,010	2,330,938
With donor restriction	6,191,246	7,386,210
Total net assets	12,962,256	9,717,148
Total liabilities and net assets	\$ 13,085,417	\$ 10,086,613

See accompanying notes to financial statements

THE CENTER FOR HOLOCAUST AND HUMANITY EDUCATION

**Statements of Activities
Years Ended June 30, 2019 and 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support						
Grants and contributions	\$ 356,355	\$ 4,014,575	\$ 4,370,930	\$ 158,845	\$ 5,338,476	\$ 5,497,321
Special events, net	170,769	-	170,769	169,797	-	169,797
Other income	138,577	-	138,577	49,098	-	49,098
Net assets released from restrictions	5,209,539	(5,209,539)	-	1,763,111	(1,763,111)	-
Total revenues and support	5,875,240	(1,194,964)	4,680,276	2,140,851	3,575,365	5,716,216
Expenses						
Program services	1,116,425	-	1,116,425	566,831	-	566,831
Management and general	210,578	-	210,578	70,785	-	70,785
Fundraising	108,165	-	108,165	115,823	-	115,823
Total expenses	1,435,168	-	1,435,168	753,439	-	753,439
Change in net assets	4,440,072	(1,194,964)	3,245,108	1,387,412	3,575,365	4,962,777
Net assets, beginning of year	2,330,938	7,386,210	9,717,148	943,526	3,810,845	4,754,371
Net assets, end of year	<u>\$ 6,771,010</u>	<u>\$ 6,191,246</u>	<u>\$ 12,962,256</u>	<u>\$ 2,330,938</u>	<u>\$ 7,386,210</u>	<u>\$ 9,717,148</u>

See accompanying notes to financial statements

THE CENTER FOR HOLOCAUST AND HUMANITY EDUCATION

**Statements of Functional Expenses
Years Ended June 30, 2019 and 2018**

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and related benefits	\$ 509,150	\$ 35,940	\$ 53,910	\$ 599,000	\$ 364,774	\$ 25,749	\$ 38,623	\$ 429,146
Depreciation	332,476	3,064	-	335,540	9,313	3,064	-	12,377
Grand opening and relocation	86,861	34,891	5,485	127,237	8,941	1,394	-	10,335
Professional services	-	69,963	48,770	118,733	19,036	21,661	75,680	116,377
Rent	82,787	20,697	-	103,484	23,520	5,880	-	29,400
Technology	29,884	7,471	-	37,355	7,834	1,958	-	9,792
Travel and professional development	21,567	6,139	-	27,706	7,397	5,061	-	12,458
Honorariums and production	25,726	-	-	25,726	55,507	-	-	55,507
Supplies and equipment	3,705	17,821	-	21,526	16,443	1,013	1,520	18,976
Exhibit costs	14,931	-	-	14,931	46,770	-	-	46,770
Insurance	-	14,592	-	14,592	-	5,005	-	5,005
Meals and entertainment	9,338	-	-	9,338	7,296	-	-	7,296
	<u>\$ 1,116,425</u>	<u>\$ 210,578</u>	<u>\$ 108,165</u>	<u>\$ 1,435,168</u>	<u>\$ 566,831</u>	<u>\$ 70,785</u>	<u>\$ 115,823</u>	<u>\$ 753,439</u>

See accompanying notes to financial statements

THE CENTER FOR HOLOCAUST AND HUMANITY EDUCATION

**Statements of Cash Flows
Years Ended June 30, 2019 and 2018**

	2019	2018
Cash Flows From Operating Activities		
Change in net assets	\$ 3,245,108	\$ 4,962,777
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	335,540	12,377
Contributions restricted for capital campaign and endowment	(3,933,974)	(5,252,460)
Changes in:		
Grants receivable and other assets	54,166	27,606
Accounts payable and accrued expenses	13,443	48,895
Funds held for Ohio Holocaust Council	(1,053)	(2,137)
Net cash used in operating activities	(286,770)	(202,942)
Cash Flows From Investing Activities		
Redemption of certificate of deposit	-	252,557
Purchase of property and equipment	(5,244,814)	(1,134,491)
Net cash used in investing activities	(5,244,814)	(881,934)
Cash Flows From Financing Activities		
Contributions restricted for capital campaign and endowment	4,592,985	2,463,787
Net Change in Cash, Cash Equivalents and Restricted Cash	(938,599)	1,378,911
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	3,402,494	2,023,583
Cash, Cash Equivalents and Restricted Cash, End of Year	\$ 2,463,895	\$ 3,402,494
Supplemental Cash Flow Information:		
Purchase of property and equipment included in accounts payable	\$ -	\$ 258,694

See accompanying notes to financial statements

THE CENTER FOR HOLOCAUST AND HUMANITY EDUCATION

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Center for Holocaust and Humanity Education (Organization) remembers, informs, and transforms, by educating current and future generations about the Holocaust, its victims, and its lessons. Dedicated to curriculum development, teacher training and innovative educational programs for all communities, religious and secular, local and worldwide, the Organization fosters tolerance, inclusion, social justice, and civic responsibility based on lessons from the Holocaust. Originally the brainchild of an impassioned group of local Holocaust survivors and their families, the Center for Holocaust and Humanity Education opened its doors in the year 2000.

Since then, the Organization has worked fervently to educate and empower others to learn about and act against injustice, intolerance and indifference. It has evolved to develop and sustain lasting educational experiences for diverse groups and communities throughout Cincinnati and the world. The Organization educates over 30,000 individuals reaching communities in Ohio, Indiana, and Kentucky. The initiatives of the Organization include: a permanent exhibition, eight traveling exhibitions, an oral history program, a speaker's bureau, diversity workshops, teacher training, and a resource center.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Capital Campaign and Development

During 2017, the Organization embarked on a \$10,000,000 capital campaign to fund the construction and development of new exhibit space located in Union Terminal in Cincinnati, Ohio and to establish a donor-restricted endowment to assist in funding future operations. Unless specifically requested to fund the endowment, campaign pledges and payments are being first applied to the construction of the new exhibit space and any remaining funds will be transferred to a donor-restricted endowment at the conclusion of the project.

Cash and Cash Equivalents

The Organization considers bank deposits and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. At June 30, 2019 and 2018, cash equivalents consisted primarily of money market accounts. The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

THE CENTER FOR HOLOCAUST AND HUMANITY EDUCATION

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment is recorded at cost or, if donated, at the estimated fair value at the date of receipt. Depreciation is computed on a straight-line basis over an estimated useful life of the respective assets. The cost of maintenance and repairs is expensed as incurred while significant improvements are capitalized.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same period are recorded as donor restricted and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenues and net assets with donor restrictions. Absent explicit donor stipulations for the time period the long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restriction to net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue. Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met.

Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Collections

Collections of works of art, historical treasures and similar assets are not capitalized in as much as the items are preserved and cared for continuously. Purchases of collection items are reported in the year of acquisition as decreases in net assets without donor restrictions, or in net assets with donor restrictions if the assets used to purchase the items were restricted to that use by donor stipulation. Contributions of collection items are not reported in the financial statements. Proceeds from disposal of and insurance recoveries related to collection items are reported as increases in the appropriate net asset classes.

THE CENTER FOR HOLOCAUST AND HUMANITY EDUCATION

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Ohio state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization's IRS Form 990 is subject to review and examination by federal and state authorities. The Organization believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Certain costs have been allocated among the program, management and general and fundraising categories based on the specific identification and other methods. The most significant allocations are salaries and related expenses, which were allocated based upon time spent by Organization personnel.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Effect of Adopting New Accounting Standards

In 2018, the Organization adopted Financial Accounting Services Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provide about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Net asset classifications have been reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions). In addition, updated disclosure requirements are presented regarding risk exposure and availability of cash for short-term use and expenses are reported by both natural and functional classification. The Organization adopted ASU 2016-14 as of July 1, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented except for disclosing information about liquidity and availability of resources, which is permitted to be omitted for any periods presented before the period of adoption.

THE CENTER FOR HOLOCAUST AND HUMANITY EDUCATION

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers. This standard will be effective for the year ending June 30, 2020.

In June 2018, the FASB issued ASU 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The standard clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard also requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. This standard will be effective for the year ending June 30, 2020.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the year ending June 30, 2021.

The Organization is currently in the process of evaluating the impact of adoption of these ASUs on the financial statements.

Subsequent Event Evaluation

In preparing its financial statements, the Organization has evaluated events subsequent to the statement of financial position date through November 26, 2019, which is the date the financial statements were available to be issued.

THE CENTER FOR HOLOCAUST AND HUMANITY EDUCATION

**Notes to Financial Statements
(Continued)**

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, comprise of the following:

Financial assets:	
Cash and cash equivalents	\$ 989,300
Grants receivable and other assets	38,638
Capital campaign pledges receivable, net	4,484,795
Restricted cash	<u>1,474,595</u>
Total financial assets	6,987,328
Less net assets with donor restrictions for capital campaign and endowments	<u>(6,084,097)</u>
	<u><u>\$ 903,231</u></u>

For the purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments.

NOTE 3 CAPITAL CAMPAIGN PLEDGES RECEIVABLE

Capital campaign pledge receivables as of June 30 are due to be collected as follows:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 2,798,204	\$ 1,400,237
Due in one to five years	1,775,314	3,907,456
Less unamortized discount	<u>(88,723)</u>	<u>(163,887)</u>
	<u><u>\$ 4,484,795</u></u>	<u><u>\$ 5,143,806</u></u>

Discount rates ranging from 1.79% and 2.72% were used at June 30, 2019 and 2018.

NOTE 4 RESTRICTED CASH

The Organization has \$1,474,595 and \$2,676,214 of proceeds from the capital campaign being held in a depository account with the Jewish Federation of Cincinnati. These funds are donor-restricted for use in the relocation and development of new exhibit space.

THE CENTER FOR HOLOCAUST AND HUMANITY EDUCATION

**Notes to Financial Statements
(Continued)**

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment as of June 30 consisted of the following:

	2019	2018
Exhibits	\$ 4,716,622	\$ 640,669
Leasehold improvements	2,154,287	-
Computer and other equipment	191,555	26,837
Construction in progress	-	1,410,438
Less accumulated depreciation	(964,375)	(630,435)
	\$ 6,098,089	\$ 1,447,509

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30 consisted of the following:

	2019	2018
Restricted as to purpose:		
Capital campaign	\$ 3,884,097	\$ 5,135,163
Early Education	13,585	-
Moniek's Legacy	49,656	24,750
Phillipines Project	22,250	4,114
Collections / Rescuing	1,658	-
Claims Conference	-	2,183
Restricted as to period of use:		
Jewish Federation allocation	20,000	20,000
Donor-restricted endowment	2,200,000	2,200,000
	\$ 6,191,246	\$ 7,386,210

THE CENTER FOR HOLOCAUST AND HUMANITY EDUCATION

Notes to Financial Statements (Continued)

NOTE 7 ENDOWMENTS

The Organization has established a donor-restricted endowment fund associated with the capital campaign. The endowment will not be fully funded until the construction project has been completed, at which time, any remaining funding from the capital campaign will be transferred to the donor-restricted endowment fund to assist in funding future operations. The Center has a formal investment and spending policy for its endowment funds but will not implement this policy until the construction project is completed and the endowment is fully funded.

Investment Policy

The endowment funds are to be held in a custodial account with the Jewish Federation of Cincinnati (JFC). It is the goal of the Organization to have these long-term funds invested in a diversified portfolio, with significant consideration given to protecting the corpus of the funds while realizing earnings appropriate for the given risk level. To achieve this in an efficient manner the Organization has elected to invest its endowment funds along with JFC's endowment funds, directly aligning the Organization's investment strategy with JFC's.

Spending Policy

The Organization's Board has approved a targeted spending policy of 4.0% of the value of the endowment fund per fiscal year, applied to a rolling 16-quarter weighted average of the market value of the asset pool. However, if the Board decides to override the spending policy, it must be done with a super-majority, which is defined as a seventy five percent (75%) majority of the Board of Trustees. While the policy provides for up to 4%, it is not mandatory that such funds are spent from the fund. Any funds approved for spending but not used in a fiscal year can carry forward to be used in the future in addition to future year's approved spending allowances.

NOTE 8 SPECIAL EVENTS

The Organization held special events during 2019 and 2018. Gross revenues and expenses included in the statement of activities for the years ended June 30, 2019 and 2018 related to these events were:

	<u>2019</u>	<u>2018</u>
Revenues	\$ 360,500	\$ 267,163
Less direct expenses	<u>189,731</u>	<u>97,366</u>
	<u>\$ 170,769</u>	<u>\$ 169,797</u>

THE CENTER FOR HOLOCAUST AND HUMANITY EDUCATION

Notes to Financial Statements (Continued)

NOTE 9 RELATED PARTY TRANSACTIONS

The Organization is closely affiliated with the Jewish Federation of Cincinnati (the Federation). The Federation provides the Organization and other local Jewish non-profit organizations financial support through annual allocations and grants. During 2019 and 2018, the Federation provided grants and allocations of \$40,000 to the Organization.

The Federation also provides the Organization accounting and administrative support through its Shared Business Services (SBS) program. During 2019 and 2018, the Organization paid the Federation \$6,335 and \$5,650, respectively, for these services. Additionally, the Organization recorded in-kind revenue of \$18,827 for the value of services received from SBS in excess of amounts paid. This amount was determined based on the market value of services provided.

The Federation also facilitates the solicitation and collection of the Organization's capital campaign. During 2019 and 2018, the Organization paid the Federation \$37,225 and \$5,000, respectively, for these services and accrued expenses for \$91,435 and \$90,000 as of June 30, 2019 and 2018, respectively.

NOTE 10 OPERATING LEASES

Through December 2018, the Organization leased exhibit and office space from Rockwern Academy. This lease was terminated in December 2018. Effective January 2019, the Organization began leasing exhibit and office space at Union Terminal under a noncancelable lease with initial maturity in December 2023 and options to renew through December 2037. The lease calls for escalating rent payments to be made over the initial term of the lease. No adjustments have been made for straight-line rental expense, as management has considered them to be immaterial. Rent expense included in the statement of activities was \$103,484 and \$29,400 for 2019 and 2018, respectively.

Future minimum lease payments at June 30, 2019 were:

2020	\$	153,162
2021		165,419
2022		174,609
2023		180,732
2024		91,898
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	\$	<u>765,820</u>