



SIMON WIESENTHAL CENTER, INC. AND AFFILIATE

Consolidated Financial Statements

Year Ended June 30, 2022

(With Independent Auditors' Report Thereon)

SIMON WIESENTHAL CENTER, INC. AND AFFILIATE

Year ended June 30, 2022

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KPMG LLP
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Los Angeles, CA 90071-2629

Independent Auditors' Report

The Board of Trustees
Simon Wiesenthal Center, Inc. and Affiliate:

Opinion

We have audited the consolidated financial statements of Simon Wiesenthal Center, Inc. and Affiliate (the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and its statement of activities, functional expenses, and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Other Matter

The consolidated financial statements of the Organization as of June 30, 2021, and for the year then ended were audited by another auditor whose report, dated July 25, 2022, expressed an unmodified opinion on those financial statements on July 25, 2022.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher



than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Information

Another auditor previously audited the Simon Wiesenthal Center's June 30, 2021, consolidated financial statements, and they expressed an unmodified audit opinion on those audited consolidated financial statements in their report dated July 25, 2022. As part of our audit of the June 30, 2022, consolidated financial statements, we also audited the adjustment described in Note 2(t) that was applied to restate net assets as of June 30, 2021. Simon Wiesenthal Center's previously issued consolidated financial statements were audited, before the restatement described in Note 2(t), by the other auditor. In our opinion, such adjustments are appropriate and have been properly applied in the summarized comparative net asset information presented herein and the remaining summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Los Angeles, California
August 28, 2023

SIMON WIESENTHAL CENTER, INC. AND AFFILIATE

Consolidated Statement of Financial Position

June 30, 2022

(With comparative totals for year ended June 30, 2021)

Assets	2022	2021 (as restated)
Cash and cash equivalents	\$ 16,914,324	15,772,203
Restricted cash and cash equivalents	74,208	465,035
Investments	9,735	10,196
Restricted investments	357,097	—
Other receivables	2,674,386	1,284,592
Pledges receivable, net	2,058,154	2,753,772
Inventory	239,995	296,860
Related party receivable	31,477,790	30,739,530
Property and equipment, net	25,805,337	28,404,000
Other assets	3,150,791	2,761,135
Total assets	<u>\$ 82,761,817</u>	<u>82,487,323</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,812,944	2,208,514
Deferred revenue	987,452	522,748
Note payable	8,340,224	8,647,196
Paycheck Protection Program Loan	180,104	3,019,695
Term loan note	25,000,000	25,000,000
Total liabilities	<u>37,320,724</u>	<u>39,398,153</u>
Net assets:		
Without donor restrictions	44,275,937	41,455,495
With donor restrictions	1,165,156	1,633,675
Total net assets	<u>45,441,093</u>	<u>43,089,170</u>
Total liabilities and net assets	<u>\$ 82,761,817</u>	<u>82,487,323</u>

See accompanying notes to consolidated financial statements.

SIMON WIESENTHAL CENTER, INC. AND AFFILIATE

Consolidated Statement of Activities

Year ended June 30, 2022

(With comparative totals for year ended June 30, 2021)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2022</u>	<u>2021</u>
Revenue and support:				
Contributions	\$ 13,205,519	1,165,156	14,370,675	13,570,689
Special events, net	3,796,767	—	3,796,767	1,657,991
Government contracts	4,911,327	—	4,911,327	11,281,432
Education	880,893	—	880,893	189,867
Royalty revenue	46,767	—	46,767	4,109
Interest and dividend income	12,481	—	12,481	4,047
Rental income	473,716	—	473,716	496,743
PPP Loan Forgiveness	2,768,913	—	2,768,913	—
Other	337,378	—	337,378	34,348
Net assets released from restrictions	1,633,675	(1,633,675)	—	—
Total revenue and support	<u>28,067,436</u>	<u>(468,519)</u>	<u>27,598,917</u>	<u>27,239,226</u>
Expenses:				
Program services	18,326,396	—	18,326,396	15,700,963
General and administrative	4,557,400	—	4,557,400	3,523,180
Fundraising	2,363,198	—	2,363,198	2,176,174
Total expenses	<u>25,246,994</u>	<u>—</u>	<u>25,246,994</u>	<u>21,400,317</u>
Change in net assets	2,820,442	(468,519)	2,351,923	5,838,909
Net assets – beginning of the year, as restated	<u>41,455,495</u>	<u>1,633,675</u>	<u>43,089,170</u>	<u>37,250,261</u>
Net assets – end of year	<u>\$ 44,275,937</u>	<u>1,165,156</u>	<u>45,441,093</u>	<u>43,089,170</u>

See accompanying notes to consolidated financial statements.

SIMON WIESENTHAL CENTER, INC. AND AFFILIATE

Consolidated Statement of Functional Expenses

Year ended June 30, 2022

(With comparative totals for year ended June 30, 2021)

	Program services					Supporting services		2022	2021
	Outreach Social Action Public Info Education	Museum Public Programs	Museum Diversity Training Courses	Moriah Documentary Films	Program services	General and administrative	Fundraising		
Salaries, payroll taxes, and benefits	\$ 3,749,604	1,673,521	1,960,283	532,174	7,915,582	1,637,465	1,147,673	10,700,720	10,626,289
Professional fees	474,849	58,248	923,989	2,237	1,459,323	1,234,948	196,875	2,891,146	1,306,697
Security	—	735,051	—	—	735,051	143,173	—	878,224	747,239
Rent and utilities	148,157	555,828	17,322	—	721,307	140,470	34,542	896,319	771,730
Travel	219,749	14,222	414,996	2,391	651,358	8,628	208,487	868,473	65,565
Renewals and special appeals	200,379	46,493	—	—	246,872	—	498,462	745,334	784,342
General insurance	375	503,722	—	—	504,097	180,615	—	684,712	662,810
Interest expense	—	—	—	—	—	138,622	—	138,622	16,561
Outreach/public information expense	1,318,417	—	—	—	1,318,417	—	—	1,318,417	519,783
Repairs and maintenance	—	318,687	—	888	319,575	88,582	—	408,157	323,648
Office expense	132,414	219,740	114,530	27,812	494,496	129,259	66,263	690,018	373,755
Publications	166,755	—	—	—	166,755	—	—	166,755	301,698
Educational and marketing materials	320	5,869	78,946	—	85,135	—	—	85,135	59,106
Printing and postage	237,396	1,015	1,826	749	240,986	2,426	83,935	327,347	171,576
Credit card and bank fees	—	—	—	—	—	176,169	—	176,169	157,685
Information technology	129,987	—	—	—	129,987	—	490	130,477	98,599
Bad debt expense	—	—	—	—	—	210,486	—	210,486	59,300
Meeting expenses	9,708	—	77,235	—	86,943	3,084	—	90,027	2,309
Licenses and taxes	—	11,794	—	—	11,794	85,712	—	97,506	84,985
Development expense	—	—	—	14,196	14,196	—	4,380	18,576	31,620
Telephone	22,114	7,329	3,006	3,156	35,605	31,130	15,446	82,181	69,383
Media expense	—	—	—	44,872	44,872	—	—	44,872	38,546
	6,810,224	4,151,519	3,592,133	628,475	15,182,351	4,210,769	2,256,553	21,649,673	17,273,226
Depreciation and amortization	204,594	1,989,698	930,360	19,393	3,144,045	346,631	106,645	3,597,321	4,127,091
Total expense 2022	\$ 7,014,818	6,141,217	4,522,493	647,868	18,326,396	4,557,400	2,363,198	25,246,994	
Total expense 2021	\$ 5,612,659	3,970,530	4,786,668	1,331,106	15,700,963	3,523,180	2,176,174		21,400,317

See accompanying notes to consolidated financial statements.

SIMON WIESENTHAL CENTER, INC. AND AFFILIATE

Consolidated Statement of Cash Flows

Year ended June 30, 2022

(With comparative totals for year ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,351,923	5,838,909
Adjustments to reconcile change in net assets to net cash:		
Provided (used) by operating activities:		
Depreciation and amortization	3,597,321	4,127,091
Forgiveness of Paycheck Protection Program Loan	(2,768,913)	—
Bad debt expense	210,486	59,300
(increase) decrease in assets:		
Investments	461	703
Restricted investments	(357,097)	—
Pledges receivable	485,132	(818,761)
Other receivables	(1,389,794)	1,180,129
Inventory	56,865	137,315
Related party receivable	(738,260)	(3,057,548)
Other assets	(389,656)	6,678
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	604,430	(860,287)
Deferred revenue	464,704	(1,119,291)
Net cash provided by operating activities	<u>2,127,602</u>	<u>5,494,238</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(998,658)</u>	<u>(9,326,945)</u>
Net cash used in investing activities	<u>(998,658)</u>	<u>(9,326,945)</u>
Cash flows from financing activities:		
Payments on notes payable	(306,972)	(297,165)
Borrowings on line of credit	—	2,761,668
Payments on the Paycheck Protection Program Loan	(70,678)	—
Borrowings on Paycheck Protection Program Loan	—	1,299,595
Net cash provided by (used) in financing activities	<u>(377,650)</u>	<u>3,764,098</u>
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	751,294	(68,609)
Cash and cash equivalents and restricted cash and cash equivalents – beginning of year	<u>16,237,238</u>	<u>16,305,847</u>
Cash and cash equivalents and restricted cash and cash equivalents – end of year	<u>\$ 16,988,532</u>	<u>16,237,238</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 134,303	139,154
Supplemental disclosure of noncash investing and financing activity:		
Investment donations	\$ 481,017	394,462
Forgiveness of Paycheck Protection Program Loan	2,768,913	—

See accompanying notes to consolidated financial statements.

SIMON WIESENTHAL CENTER, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022

(1) Nature of Operations

Simon Wiesenthal Center, Inc. (the Center), a nonprofit human rights organization, with a constituency of over 400,000, confronts anti-Semitism and hate, promotes human dignity, defends democracy and freedom, and teaches the lessons of the Holocaust for future generations. The Center was organized in 1977 and incorporated under the laws of the state of California on March 25, 1985 under section 501(c)(3) of the Internal Revenue Code. The Center speaks out against international terrorism and defends the safety of Jews worldwide.

Established in 1977, the Center has become one of the most important global institutions of its kind. Its programs include the Snider Global Action Network, international conferences, exhibitions, missions, Nongovernmental Organization (NGO) status at the United Nations, United Nations Education, Scientific and Cultural Organization (UNESCO), and the Council of Europe. Its educational arm includes the renowned Museum of Tolerance in Los Angeles. The Center's Moriah Films produces documentaries on pivotal events of the 20th and 21st centuries. Each year the Center produces an interactive report on Digital Terrorism and Hate, which surveys problematic postings on the internet and social media. Headquartered in Los Angeles, the Center also maintains offices in New York, Miami, Chicago, Paris, Buenos Aires and Jerusalem.

On March 29, 2010, SWC Roxbury Corp. (Roxbury Corp.) assigned, conveyed and transferred its right, title and interest as a sole corporate member and manager of SWC Roxbury, LLC (Roxbury or Affiliate) to the Center. Roxbury was incorporated under the laws of the state of California on August 28, 2009, as a California limited liability company. Roxbury's purpose is to hold title to real and/or personal property and collect income from such property.

The consolidated financial statements include the accounts of the Simon Wiesenthal Center, Inc., which include the Affiliate (collectively referred to as SWC).

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Center and Roxbury because the Center has both control and an economic interest in Roxbury. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as SWC.

(b) Basis of Accounting

The financial statements of SWC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

(c) Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). These standards require that SWC

SIMON WIESENTHAL CENTER, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022

report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of June 30, 2022, SWC had no donor-imposed restrictions that are perpetual in nature. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(d) Cash Equivalents

Cash and cash equivalents include all funds in banks and highly liquid investments in other financial institutions, with initial maturity of three months or less, unless it is restricted for long term purposes. At June 30, 2022, SWC has restricted cash and cash equivalents of \$74,208.

(e) Concentration of Credit Risk

SWC maintains its cash and cash equivalents in bank deposits at major financial institutions and other investment accounts which may, at times, exceed federally insured limits. SWC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. At June 30, 2022, cash in bank exceeds the FDIC limit by \$16,312,060.

(f) Contributions

In accordance with U.S. GAAP, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor limitations on the use of the support. When a restriction expires (that is, when a 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 consolidated statement of activities as net assets released from restrictions. When the restriction expires in the same period as the contribution, the amount is initially reported as net assets without donor restrictions.

SWC recognizes contributions, including unconditional promises to give, as revenues in the period received. Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met; that is, when the conditional promise becomes unconditional. There are no conditional promises to give at June 30, 2022.

SWC converts all stock or other security contributions to cash as soon as practical.

SIMON WIESENTHAL CENTER, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022

(g) Promises to Give

SWC records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved, which may range from 0.24% to 2.57%. Amortization of discounts is recorded as additional fundraising revenue annually in accordance with donor-imposed restrictions, if any, on the pledges. Promises to give are written off when deemed uncollectible. For the year ended June 30, 2022, allowance for doubtful pledges was \$94,591.

(h) Functional Allocation of Expenses

The costs of providing supporting services have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Salaries and benefits have been allocated between program and supporting services based on time and level of effort. Professional fees and security have been allocated based on time spent on program and supporting services. Rent and utilities have been allocated based on square footage. General insurance has been allocated based on the number of visitors to the Museum of Tolerance and the administrative office at 1399 Roxbury Drive, respectively. Travel, repairs and maintenance, office expense, printing and postage, meeting expenses, and telephone expenses have been allocated based on usage for program and supporting services.

(i) Joint Costs

SWC's direct mailings contain both a program service and fundraising message. If certain criteria are met, joint costs associated with these mailings are allocated between program services and fundraising categories on the basis of the use made of the literature, as determined from its content.

The portion allocated to each functional expense category is as follows:

Program services	\$	930,795
Fundraising		<u>921,624</u>
Total direct mail costs	\$	<u><u>1,852,419</u></u>

(j) Rental Income

Rental income is recognized on a straight-line basis to the extent that rental income is deemed collectible. Where there is uncertainty of collecting rental amounts, rental income is recognized as the amounts are collected.

(k) Property, Plant and Equipment

Property, plant and equipment over \$750 and a useful life in excess of one year are recorded at historical cost or fair value at date of donation. Major additions, including building and tenant improvements, are capitalized as incurred; repairs and maintenance are charged to expense as incurred.

SIMON WIESENTHAL CENTER, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022

Depreciation and amortization is computed over the estimated useful lives of the respective assets by utilizing both the straight-line and accelerated methods. The museum scrolls and certain exhibits are nondepreciable assets. SWC periodically reviews such assets for possible impairments and expected losses, if any, are recorded currently.

(l) Income Taxes

SWC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 2370(1)(d) of the California Revenue and Taxation Code, therefore, no provision has been made for income taxes.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. SWC recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management of SWC does not believe the financial statements include any uncertain tax positions.

(m) Investments

In accordance with U.S. GAAP, SWC accounts for its investments in equity securities with readily determinable fair values and all investments in debt securities at fair value on the consolidated statement of financial position. SWC records realized and unrealized gains and losses on investments in the consolidated statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations.

(n) Use of Estimates

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

(o) Contributed Services

A number of unpaid volunteers make significant contributions of their time to aid in SWC's operations and fundraising activities. The value of this contributed time is not reflected in these consolidated financial statements as it does not meet the criteria to record under U.S. GAAP.

(p) Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, restricted cash and cash equivalents, other receivables and accounts payable and accrued expenses approximate fair value because of their short maturity.

Long term investments are carried at fair value, which is based on quoted market prices or discounted cash flows due to the lack of market activity. Restricted investments consist of long term certificates of deposit that are reported at cost based on the nature of the investment type.

SIMON WIESENTHAL CENTER, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022

Pledges are carried at fair value. The fair value of pledges that are expected to be paid in less than one year are measured at net realizable value and all other pledges are recorded at the present value of estimated future cash flows.

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

(q) Effect of Economic Conditions on Contributions

SWC depends heavily on contributions for its revenue from its 400,000 family constituency. The ability of certain of SWC's contributors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of contributions to SWC. While SWC's board of trustees believes SWC has the resources to continue its programs, its ability to do so and the extent to which it continues, may be dependent on the above factors.

SIMON WIESENTHAL CENTER, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022

(r) Interest Rate Swap

To mitigate the risk of interest rate fluctuations associated with SWC's variable rate long-term debt, SWC has implemented an interest rate risk management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings caused by interest rate volatility. SWC's goal is to manage interest rate sensitivity by modifying the repricing characteristics of certain liabilities so that the net-interest margin is not, on a material basis, adversely affected by the movements in interest rates. The interest rate swap is recognized on the consolidated statement of financial position at fair value as other assets. The interest rate swap does not meet the requirements for hedge accounting and is marked to market through interest expense (income) within SWC's consolidated statements of activities and changes in net assets.

(s) Presentation of Certain Prior Year Information

The consolidated statements of activities and functional expenses include certain prior year summarized consolidated financial information for comparative purposes only, such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the SWC's consolidated financial statements for the year ended June 30, 2021 from which the summarized information was derived. See also note 2(t) below.

(t) Restatement

The June 30, 2021 financial statements have been restated to reflect a reclassification of \$11,687,421 from net assets with donor restrictions to net assets without donor restrictions.

(3) Liquidity and Availability

SWC has a policy to manage its liquidity and reserves by maintaining appropriate levels of liquidity to support its grant making activities and operations. The following table reflects SWC's financial assets (cash and cash equivalents, investments and pledges and other receivable) as of June 30, 2022, reduced by amounts not available for general expenditures within one year:

Cash and cash equivalents and restricted cash and cash equivalents	\$	16,988,532
Investments and restricted investments		366,832
Pledges receivable, net		2,058,154
Other receivables		<u>2,674,386</u>
Total		<u>22,087,904</u>
Less amounts unavailable for general expenditures within one year:		
Restricted cash and cash equivalents		74,208
Restricted investments		357,097
Restricted pledges receivable, net		<u>1,165,156</u>
Total amounts unavailable for general expenditure within one year		1,596,461
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>20,491,443</u></u>

SIMON WIESENTHAL CENTER, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2022

(4) Fair Value Measurements

The fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
U.S. Municipal bonds	\$ 4,566	—	—	4,566
Israel bonds	—	5,169	—	5,169
Interest rate swap	—	142,981	—	142,981
	<u>\$ 4,566</u>	<u>148,150</u>	<u>—</u>	<u>152,716</u>

(5) Term Loan Note

In 2017, SWC had obtained a \$35,000,000 revolving line of credit with a financial institution secured by a lien on real property and certain personal property, at a variable interest rate, currently at 3%, maturing September 2027. The line of credit was entered into to help fund construction of the Museum of Tolerance, Jerusalem.

On February 26, 2021, SWC entered into a modification agreement, which amended the existing line of credit agreement and converted it to a term loan note maturing on March 1, 2031. As part of the term loan agreement, SWC was required to deposit \$1,178,331 into a bank-controlled interest reserve account for the purposes of paying interest. This amount was funded by SWC Museum Corp. As of March 31, 2023, the deposit has been fully utilized.

The term loan note requires monthly interest on the principal outstanding of 2.41% through March 1, 2026. Commencing April 1, 2026, the term note loan requires through the facility maturity date equal monthly installments of principal over a 25 year amortization period and interest of 3%. On the facility maturity date, the entire remaining principal balance, together with all accrued and unpaid interest is due and payable.

Future principal payments on the term loan note are summarized as follows:

	<u>Amount</u>
Year ending June 30:	
2023	\$ —
2024	—
2025	—
2026	250,000
2027	1,000,000
Thereafter	<u>23,750,000</u>
Total	<u>\$ 25,000,000</u>

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(6) Pledges Receivable

Promises to give are included in the consolidated financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges receivable at June 30, 2022 are due as follows:

	Amount
Less than one year	\$ 987,591
In one to five years	1,210,000
Present value discount	(44,846)
Allowance for uncollectable pledges	(94,591)
Total	\$ 2,058,154

(7) Property, Plant, and Equipment

Major classes of property, plant and equipment and their estimated useful lives consist of:

		Estimated useful life (years)
Land	\$ 3,500,000	N/A
Building	35,475,725	20 to 31.5
Museum scrolls	1,726,512	N/A
Exhibits	44,666,289	5 to 10
Film	22,618,517	2
Furniture and equipment	8,013,211	5 to 10
Computers	2,148,284	5
Interactive computers	524,817	7
Interactive CD	260,000	3
Library books	43,153	7 to 10
Automobiles	96,860	5
Building improvements	19,592,164	5 to 10
Total	138,665,532	
Less accumulated depreciation and amortization	112,860,195	
Property, plant, and equipment, net	\$ 25,805,337	

Depreciation and amortization expense for the year ended June 30, 2022 was \$3,597,321.

(8) Notes Payable

Roxbury has a term note agreement for \$10,000,000 and a seven-year fixed interest rate swap. SWC Museum Corp. is responsible for \$4,715,746 of the loan's balance. In connection with entering and amending the term note, Roxbury recorded deferred loan costs of \$50,473, which will be amortized over

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the term of the note based on the effective interest method. The term note agreement requires Roxbury to meet certain covenants and prepayment provisions. As of June 30, 2022, Roxbury was in compliance with all covenants. For the year ended June 30, 2022, interest expense was \$128,213, and amortization expense was \$5,047 for a total of \$133,260, included in general and administrative expenses on the consolidated statement of activities.

Future principal payments on note payable are summarized as follows:

	<u>Amount</u>
Year ending June 30:	
2023	\$ 317,103
2024	327,558
2025	338,364
2026	349,530
2027	<u>7,007,669</u>
Total	<u>\$ 8,340,224</u>

(9) Interest Rate Swap

SWC entered into a seven-year fixed interest rate swap, with an effective date of September 6, 2016, that was based on a one-month LIBOR rate versus a 1.31% fixed rate and had a notional value of \$10,000,000. The fair value of the interest rate swap at June 30, 2022 was \$142,981, and is recorded in other assets in the consolidated statement of financial position. As of June 30, 2022, SWC recognized a gain of \$328,742, which is recorded in other income in the consolidated statement of activities.

(10) Paycheck Protection Program Loan

SWC received loans in the amount of \$1,720,100 and \$1,299,595 to fund payroll, rent, and utilities through the Paycheck Protection Program (PPP). The PPP Loans are eligible to be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. On February 21, 2022, \$1,469,318 of the \$1,720,100 PPP Loan was partially forgiven and SWC has begun repaying the balance. The PPP Loan for \$1,299,595 was fully forgiven on March 1, 2022.

The SBA reviewed funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors and determined that SWC had a liability of \$250,782. As of June 30, 2022, SWC repaid \$70,678. The remaining balance of \$180,104 will be repaid over five years with a 1%

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interest rate. For the year ended June 30, 2022, interest expense was \$5,362 included in general and administrative expenses on the consolidated statement of activities.

	<u>Amount</u>
Year ending June 30:	
2023	\$ 62,985
2024	63,608
2025	<u>53,511</u>
Total	<u>\$ 180,104</u>

(11) Commitments

(a) SWC as a Lessee

SWC leases facilities and equipment under operating leases expiring at various dates through August 2027. Future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2022 are as follows:

	<u>Amount</u>
Year ending June 30:	
2023	\$ 991,490
2024	915,736
2025	880,960
2026	153,498
2027	<u>24,340</u>
Total	<u>\$ 2,966,024</u>

Rent expense for the year ended June 30, 2022 was \$946,361, of which \$745,740 is eliminated upon consolidation because it is paid to related parties. The Center's lease requires monthly rent of \$62,145 and expires August 2025.

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(b) SWC as a Lessor

SWC has operating leases expiring at various dates through December 2026 and includes a lease with Roxbury. As of June 30, 2022, future minimum rental income under the existing leases that have remaining noncancelable terms in excess of one year are as follows:

	<u>Amount</u>
Year ending June 30:	
2023	\$ 1,299,631
2024	1,305,016
2025	1,310,508
2026	432,331
2027	<u>142,330</u>
Total	<u>\$ 4,489,816</u>

(12) Related Party Transactions

(a) Legal

SWC pays a law firm in which a board member has a financial interest. Total fees paid to the law firm for the year ended June 30, 2022 are \$115,941. The transactions are approved by the board of directors. There were no amounts payable on June 30, 2022.

(b) Receivables

SWC Museum Corp., a nonprofit corporation, was organized under the laws of the State of California on January 31, 2000, to construct a tolerance museum in Jerusalem. Several members of the SWC board also serve on the board of SWC Museum Corp.

In conjunction with the term loan discussed in note 5, SWC Museum Corp. signed an unsecured promissory note for \$25,000,000 in favor of SWC which remains outstanding on June 30, 2022. The terms of this note mirror the terms of the loan discussed in note 5.

SWC Museum Corp. also signed an unsecured promissory note in favor of the Center for \$4,715,746 as discussed in note 8. The note requires monthly interest on the principal outstanding (LIBOR rate plus 2%) The principal due under this note, along with all remaining unpaid interest due hereunder, are payable in full on June 30, 2026.

As of June 30, 2022, SWC had other related party receivable of \$1,762,044 due from SWC Museum Corp. related to other expenses.

(c) Transactions with Roxbury

During the year ended June 30, 2022, the Center received cash donations from Roxbury of \$400,000. As of June 30, 2022, there is an outstanding receivable from Roxbury for \$1,635,000. Both of these amount have been eliminated upon consolidation.

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The Center and the Museum of Tolerance lease 27,620 square feet from Roxbury. The Center paid rent directly to Roxbury for the year ended June 30, 2022 of \$745,740. This amount has been eliminated upon consolidation.

(d) Transactions with Friends of Simon Wiesenthal Center for Holocaust Studies

SWC has an agency agreement with the Friends of Simon Wiesenthal Center for Holocaust Studies (FSWC), a nonprofit organization incorporated without share capital under the laws of Canada. The agency agreement was entered into to act from time to time in matters concerning the assistance, encouragement, promotion, and advancement of human knowledge through the study of and research into the Holocaust. FSWC can direct funding of certain charitable projects and activities utilizing the agent to carry out on its behalf.

(13) Net Assets

Net assets with restrictions are available for the following purposes or periods:

Subject to the passage of time:	
For periods greater than one year	\$ <u>1,165,156</u>
Total net assets with donor restrictions	\$ <u><u>1,165,156</u></u>

(14) Government Grants

SWC met the program restrictions for government grants during the fiscal year and recognized revenue from the following grants.

The Center received a grant from the state of California for \$2,000,000 for the period July 1, 2020 through December 31, 2021 and \$2,000,000 for the period January 1, 2022 through December 31, 2022. The grant was used for training California education professionals (Tools for Tolerance® for Educators). For the year ended June 30, 2022, the Center incurred eligible expenses of \$2,150,801 and recognized revenue in the same amount.

The Center received a grant from the state of California for \$1,556,000 for the period July 1, 2020 through March 31, 2022 and \$1,556,000 for the period April 1, 2022 through December 31, 2022. The grant was used for training California Law Enforcement personnel (Law Enforcement Tools for Tolerance® Training). For the year ended June 30, 2022, the Center incurred eligible expenses of \$1,823,036 and recognized revenue in the same amount.

The Center received a grant from the New York City Council for \$484,000 for the period July 1, 2021 through June 30, 2022. The grant is being used to teach tolerance to New York City schools as part of its Combat Hate program. For the year ended June 30, 2022, the SWC incurred eligible expenses of \$465,513 and recognized revenue in the same amount.

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The Center received a grant from the U.S. Department of Justice, Office of Community Oriented Policing Services in the amount of \$1,099,764 for the period September 1, 2016 through May 31, 2022. The grant is being used for training national law enforcement personnel through its Law Enforcement Tools for Tolerance® Training program. For the year ended June 30, 2022, the Center incurred eligible expenses of \$385,349 and recognized revenue in the same amount.

The Center received a grant from the State of California Natural Resources Agency in the amount of \$9,500,000 for the period April 1, 2022 through October 31, 2025. The grant is being used to design and build an experiential, interactive exhibit on anti-Semitism on the third floor of the Museum of Tolerance. For the year ended June 30, 2022, the Center incurred eligible expenses of \$55,481 and recognized revenue in the same amount.

The Center received a grant from the Department of Homeland Security for \$225,692 for the period October 1, 2020 through March 31, 2023. The grant is being used to augment services and treatment for individuals who committed a hate/extremist crime. For the year ended June 30, 2022, the SWC incurred eligible expenses of \$31,147 and recognized revenue in the same amount.

(15) Defined Contribution Profit Sharing and Retirement Savings Plans

SWC maintains a defined contribution profit sharing plan under Section 401(k) of the Internal Revenue Code, which covers substantially all employees. Eligible employees may receive discretionary profit-sharing contributions, subject to certain limitations. SWC has accrued profit sharing contributions and incurred expenses of \$452,463 in 2022.

SWC also maintains a retirement savings plan under Section 403(b) of the Internal Revenue Code, a voluntary savings plan, open to all employees whereby pre-tax contributions to the plan are made on a monthly basis pursuant to a salary reduction agreement between SWC and each participating employee. In addition, SWC makes nonelective contributions on behalf of certain employees, subject to certain limitations, and incurred expenses of \$253,022 in 2022.

(16) Subsequent Events

On July 1, 2023, the fixed interest rate swap SWC entered in September 2016 and described in note 9 expired. Currently, there are no plans to replace the swap.

On August 15, 2023, the Company and certain board members entered into an agreement with SWC Museum Corp. that tolls the statute of limitations for any claims each party to the agreement might have against one another with respect to disputes regarding the control and management of the Museum of Tolerance Jerusalem, and certain other matters. At this time, the extent to which SWC Museum Corp. or the Company disputes any particular aspect of their relationship is not clear, nor has any particular claim been made or asserted to date.

Starting in 2023, the Company initiated an investment program in short-term U.S. Treasuries to receive a higher return and alleviate credit risk on cash and cash equivalents.

Management has evaluated subsequent events through August 28, 2023, the date the financial statements were available to be issued.