

**SWC MUSEUM CORP.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**



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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
SWC Museum Corp.  
Los Angeles, California

We have audited the accompanying consolidated financial statements of SWC Museum Corp., (a nonprofit corporation) which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Board of Trustees  
SWC Museum Corp.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SWC Museum Corp. as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis-of-Matter Regarding Prior Period Adjustment***

As described in Note 13 to the financial statements, SWC Museum Corp. recorded pledges that did not meet the requirements of accounting principles generally accepted in the United States of America for financial statement recognition and incorrectly classified earned income as with donor restrictions for the year ended June 30, 2019. Our opinion is not modified with respect to these matters.



**CliftonLarsonAllen LLP**

Los Angeles, California  
October 19, 2021

**SWC MUSEUM CORP.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**

**ASSETS**

Cash and Cash Equivalents	\$ 4,992,100
Restricted Cash	427,600
Other Receivables	499,287
Pledges Receivable, Net	17,198,712
Prepays and Other Assets	438,098
Loan Fees	124,520
License Agreement	121,809
Property and Equipment, Net	104,104
Construction in Progress	149,416,822
Land Use Costs	<u>2,000,000</u>
Total Assets	<u><u>\$ 175,323,052</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 6,469,390
Related Party Payable	<u>27,681,982</u>
Total Liabilities	<u>34,151,372</u>

**COMMITMENTS AND CONTINGENCIES**

**NET ASSETS**

Without Donor Restrictions:	
Undesignated	3,144,770
Restricted Cash	427,600
Invested in Property and Equipment, Net	104,104
Invested in Construction in Progress and Land Use Costs, Net of Related Debt	<u>129,178,490</u>
Total Net Assets Without Donor Restrictions	<u>132,854,964</u>
With Donor Restrictions:	
Restricted by the Passage of Time	<u>8,316,716</u>
Total Net Assets	<u>141,171,680</u>
Total Liabilities and Net Assets	<u><u>\$ 175,323,052</u></u>

*See accompanying Notes to Consolidated Financial Statements.*

**SWC MUSEUM CORP.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions and Pledge Revenue	\$ 5,114,445	\$ 2,425,000	\$ 7,539,445
Rental Income	715,038	-	715,038
Investment Income	52,144	-	52,144
Loss on Cash and Investments	(11,821)	-	(11,821)
Other Income	14,285	-	14,285
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	9,837,240	(9,837,240)	-
Total Revenue and Support	15,721,331	(7,412,240)	8,309,091
<b>EXPENSES</b>			
General and Administrative Expenses	3,520,400	-	3,520,400
Fundraising	1,483,577	-	1,483,577
Total Expenses	5,003,977	-	5,003,977
<b>CHANGE IN NET ASSETS</b>	10,717,354	(7,412,240)	3,305,114
Net Assets - Beginning of Year			
Before Prior Period Adjustment and			
Net Asset Reclassification	-	150,766,764	150,766,764
Prior Period Adjustment	(12,900,198)	-	(12,900,198)
Net Asset Reclassification	135,037,808	(135,037,808)	-
Net Assets - Beginning of Year			
as Restated	122,137,610	15,728,956	137,866,566
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 132,854,964</b>	<b>\$ 8,316,716</b>	<b>\$ 141,171,680</b>

See accompanying Notes to Consolidated Financial Statements.

**SWC MUSEUM CORP.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	General and Administrative Expenses	Fundraising	Total Support Expenses
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Salaries	\$ 346,561	\$ 705,835	\$ 1,052,396
Employee Benefits	49,956	101,742	151,698
Payroll Taxes	13,376	27,243	40,619
Total Salary Related Expenses	<u>409,893</u>	<u>834,820</u>	<u>1,244,713</u>
Legal, Accounting, and Professional Fees	1,532,570	208,527	1,741,097
Interest Expense	544,107	-	544,107
Bad Debt Expense	353,433	-	353,433
Travel	-	352,138	352,138
Office Expense	275,353	3,723	279,076
License Fees and Taxes	265,405	-	265,405
Outreach	-	45,112	45,112
Bank Fees	42,093	-	42,093
Development Expenses	-	39,257	39,257
Printing and Postage	22,906	-	22,906
General Insurance	3,107	-	3,107
	<u>3,448,867</u>	<u>1,483,577</u>	<u>4,932,444</u>
Expenses Before Depreciation and Amortization			
Depreciation and Amortization	<u>71,533</u>	<u>-</u>	<u>71,533</u>
Total Expenses	<u><u>\$ 3,520,400</u></u>	<u><u>\$ 1,483,577</u></u>	<u><u>\$ 5,003,977</u></u>

See accompanying Notes to Consolidated Financial Statements.

**SWC MUSEUM CORP.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 3,305,114
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	55,968
Loan Fee Amortization	15,565
Bad Debt Expense	353,433
Loss on Investments	11,821
(Increase) Decrease in Assets:	
Pledges Receivable	4,231,758
Other Receivables	(19,743)
Other Assets	(84,812)
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Expenses	(676,108)
Deferred Revenue	(50,393)
Related Party Payable	26,769,378
Net Cash Provided by Operating Activities	33,911,981

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Property and Equipment	(3,765)
Construction in Progress	(35,974,528)
Restricted Cash	243,696
Proceeds from Sale of Investments	275,110
Net Cash Used by Investing Activities	(35,459,487)

**CASH FLOWS FROM FINANCING ACTIVITIES**

-

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(1,547,506)

Cash and Cash Equivalents - Beginning of Year

6,539,606

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 4,992,100

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash Paid During the Year for:

Interest

\$ 477,049

**SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING  
AND FINANCING ACTIVITY**

Investment Donations

\$ 291,428

*See accompanying Notes to Consolidated Financial Statements.*



**SWC MUSEUM CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 ORGANIZATION**

SWC Museum Corp. (the Museum), a nonprofit corporation, was organized under the laws of the state of California on January 31, 2000. The purpose of the Museum is to raise donations to construct a tolerance museum in Jerusalem.

The Museum of Tolerance Jerusalem will be a world-class Museum that will include a multi-faceted educational institution and modern social laboratory in the heart of Jerusalem that speaks to the world and confronts today's critical issues such as: global anti-Semitism, extremism, hate, and the responsibility of promoting human dignity and unity between Jews and people of all faiths. The 94,000 square foot site will house a 149,000 square foot building, which includes two high-tech experiential museums, one for adults and one for children, a state-of-the-art international Conference Center, Grand Hall, Education Center and Theater for the Performing Arts. The building will be surrounded by the Tikkun Olam Garden of approximately 24,000 square feet as well as a 1,000 seat Amphitheater of approximately 11,765 square feet.

Shehada Amir Building and Development LTD. (Shehada) was acquired in 2015 for the purpose of acquiring a contractor's license with a C-5 contracting classification.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Museum and Shehada. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "the Museum."

**Basis of Accounting**

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

**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 the Museum 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.

**SWC MUSEUM CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

*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, 2020, the Museum 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.

**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.

**Concentration of Credit Risk**

The Museum maintains its cash and cash equivalents in bank deposit and other investment accounts which may, at times, exceed federally insured limits. The Museum has not experienced any losses related to these balances and believes it is not exposed to any significant credit risk on cash and cash equivalents. At June 30, 2020, cash in bank exceeds the FDIC limit.

**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.

The Museum 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, 2020.

**Promises to Give**

The Museum 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 range from 0.78% to 2.71%. 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, 2020, allowance for doubtful pledges was \$350,000.

**SWC MUSEUM CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. Accordingly, salary cost has been allocated between the supporting services based upon time and level of effort. As the Museum is under construction, there are currently no active programs at this time.

**Property and Equipment**

Property and equipment are stated at cost at date of acquisition or fair value at date of donation. Major additions are capitalized; repairs and maintenance are charged to expense as incurred.

Depreciation is computed over the estimated useful lives of the respective assets utilizing the straight-line method.

**Construction in Progress**

Construction in progress is stated at cost.

**Land Use Costs**

Land use costs consist of costs incurred related to the rights to use land and are stated at cost.

**Income Taxes**

The Museum 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. The Museum recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management of the Museum does not believe the financial statements include any uncertain tax positions.

**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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**SWC MUSEUM CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounting Pronouncement Adopted**

The Museum adopted Financial Accounting Standards Board's Accounting Standard (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional. Upon application of the ASU there was no impact to The Museum's financial statements.

**Effect of Economic Conditions on Contributions**

The Museum depends heavily on contributions for its revenue. The ability of certain of the Museum'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 the Museum. While the Museum's board of trustees believes the Museum has the resources to continue its construction, its ability to do so and the extent to which it continues, may be dependent on the above factors.

**Risk and Uncertainties**

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic in March 2020. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID19 may impact various parts of its 2021 operations and financial results, including grants. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**NOTE 3 CASH AND CASH EQUIVALENTS**

Income earned on cash and cash equivalents represents interest income of \$52,144 for the year ended June 30, 2020.

The Museum converted its Israeli cash accounts from shekels to U.S. dollars based on the period-end spot rate. The Museum recognized exchange gains on cash of \$11,486 for the year ended June 30, 2020.

**SWC MUSEUM CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 AVAILABILITY AND LIQUIDITY**

The Museum has a policy to manage its liquidity and reserves following three guiding principles: maintaining appropriate levels of liquidity, maximizing returns within reasonable and prudent levels of risk, and maintaining or increasing the purchasing power of the investment portfolio in order to support grant making activities. The following table reflects the Museum's financial assets (cash and cash equivalents and interest receivable) as of June 30, 2020, reduced by amounts not available for general expenditures within one year.

Cash and Cash Equivalents	\$ 5,419,700
Other Receivables	499,287
Pledge Receivable, Net	<u>17,198,712</u>
Subtotal Financial Assets Available Within One Year	23,117,699
Less: Amounts Unavailable for General Expenditures Within One Year:	
Restricted Cash and Cash Equivalents	427,600
Pledge Receivable, Net Over One Year	<u>8,316,716</u>
Total Amounts Unavailable for General Expenditures Within One Year	<u>8,744,316</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 14,373,383</u></u>

**NOTE 5 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, 2020 are due as follows:

Less Than One Year	\$ 9,128,109
One Year to Five Years	8,765,823
More Than Five Years	462,000
Present Value Discount	(807,220)
Allowance for Uncollectable Pledges	<u>(350,000)</u>
Total	<u><u>\$ 17,198,712</u></u>

**SWC MUSEUM CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 PROPERTY AND EQUIPMENT**

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

		<u>Years</u>
Furniture and Equipment	\$ 547,374	5 to 10
Less: Accumulated Depreciation	443,270	
Total	\$ 104,104	

Depreciation expense for the year ended June 30, 2020 was \$44,367.

**NOTE 7 LICENSE AGREEMENT**

Information regarding the Museum's contractor's license agreement, is as follows:

		<u>Years</u>
Contractor's License	\$ 174,013	15
Less: Accumulated Depreciation	52,204	
Total	\$ 121,809	

Amortization expense for the year ended June 30, 2020 was \$11,601.

**NOTE 8 CONSTRUCTION IN PROGRESS AND LAND USE COSTS**

The Museum has approved a plan to build the Museum of Tolerance in Jerusalem. During the year ended June 30, 2020, the Museum capitalized construction costs of \$35,974,528. As of June 30, 2020, the capitalized construction in progress is \$149,416,822 and land use cost is \$2,000,000. Construction costs consist of direct costs associated with the Museum of Tolerance in Jerusalem, including excavation costs, foundation and skeleton cost, film production for exhibits, architectural and consulting fees.

**NOTE 9 RESTRICTED CASH**

At June 30, 2020, the Museum has restricted cash of \$427,600, with a bank, which is primarily to provide collateral for the Jerusalem Municipality that certain infrastructure and development work will be performed by the Museum. In accordance with the Undertaking Agreement with the Jerusalem Municipality, the Museum is required to perform infrastructure and development work, and if the Museum does not perform, the Jerusalem Municipality has the right to withdraw this cash.

**SWC MUSEUM CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

**Commitments**

Beginning in March 2005, the Museum entered into a development agreement with the Israel Land Administration (ILA) to develop and lease a plot of land located in Jerusalem for the purpose of establishing the Museum of Tolerance Jerusalem. The lease agreement, which will come into effect at the end of the development, is for 49 years from the transaction approval date, with an option to extend for an additional 49 years. The development agreement with ILA was originally for 36 months and subsequently extended. The development agreement required the Museum to pay an annual development use fee, which was based on 5% of the base value of the commercial parts of the plot.

In addition, in accordance with the lease agreement, at the end of the development, the Museum will be required either to pay an annual lease fee of 5% of the value of the plot that will be determined, or pay a capitalized amount for the whole lease period remaining.

In connection with the above agreements, the Museum also entered into an agreement with the Jerusalem Municipality regarding the municipality's investment in a portion of the land received from the ILA, referred to as the underground parking lot, which was built by the municipality and was operated by its concessionaire.

The parking lot was under the rights of use of the Jerusalem Municipality, which has made investments into this property to construct this parking lot building. In August 2012, the Museum received the rights of use of the parking lot from the Jerusalem Municipality. In exchange for these rights of use, the Museum made payments of \$600,000 (in 2015, 2014, and 2013 of \$150,000, \$150,000, and \$300,000, respectively) towards the total commitment obligation of \$2,000,000, which was originally accrued as of June 30, 2010, with a corresponding amount capitalized under land use costs. The remaining obligation of \$1,400,000 is required to be paid in one installment 36 months following the opening of the Museum, but not later than August 2022.

In September 2004, the Museum entered into an agency agreement with the Friends of Simon Wiesenthal Center for Holocaust Studies (the Friends of SWC), a nonprofit organization incorporated without share capital under the laws of Canada. The agency agreement was entered into to enable Friends of SWC to collect donation revenues on behalf of the Museum in Canada. Per the terms of the agreement, Friends of SWC is entitled to a 49-year lease to a portion of the finished building (renewable at the option of Friends of SWC for a further term of 49 years) for the purpose of exhibits.

**Contingencies**

The Museum may be party to various legal proceedings in the ordinary course of business, which, in the opinion of management, will not have a material adverse impact on its financial positions or consolidated statements of activities and changes in net assets.

**SWC MUSEUM CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 RELATED PARTY**

On September 29, 2017, the Simon Wiesenthal Center, Inc. (the Center) entered into a credit agreement with a revolving line of credit for \$35,000,000 with a bank to fund construction of the Museum of Tolerance, Jerusalem.

The Museum signed an unsecured revolving line of credit promissory note for \$35,000,000 in favor of the Center. The Museum will also reimburse the Center for all attorneys' fees and costs to obtain the loan.

In connection with the note, the Museum will reimburse the Center for loan fees of \$167,232, which are amortized over the term of the note based on the effective interest method and are included in Other Assets on the consolidated statement of financial position.

The note requires monthly interest on the principal outstanding (LIBOR rate plus 1.85%) commencing November 2017. In no event shall the interest rate be less than 3% per annum. The 10-year revolving line of credit reduces by \$1,200,000 each year ended September 30 beginning September 30, 2020. There is an unused line of credit fee of .10% due quarterly beginning with the quarter starting on September 30, 2017. These charges will be reimbursed to the Center.

During the year ended June 30, 2020, interest expense for the year ended June 30, 2020 was \$544,107.

The credit agreement between the bank and the Center requires the Museum to meet certain covenants. As of June 30, 2020, the Museum was in compliance with all covenants.

On January 28, 2020, the Museum signed an unsecured promissory note for \$4,663,391 in favor of SWC. 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. These charges will be reimbursed to SWC.

As of June 30, 2020, the Museum had total related party payables of \$27,681,982, due to the Center related to the revolving line of credit promissory note, unsecured promissory note and other expenses.

**NOTE 12 DEFINED CONTRIBUTION PROFIT SHARING AND RETIREMENT SAVINGS PLAN**

The Museum participates in the Simon Wiesenthal Center, Inc.'s 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. The Museum has accrued profit sharing contributions and incurred expenses of \$23,240 in 2020.



**SWC MUSEUM CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 12 DEFINED CONTRIBUTION PROFIT SHARING AND RETIREMENT SAVINGS PLAN  
(CONTINUED)**

The Museum also participates in the Simon Wiesenthal Center, Inc.'s 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 the Museum and each participating employee. In addition, the Museum makes nonelective contributions on behalf of certain employees to the Simon Wiesenthal Center, Inc.'s plan, subject to certain limitations, and incurred expenses of \$50,228 and in 2020.

**NOTE 13 PRIOR PERIOD ADJUSTMENTS AND NET ASSET RECLASSIFICATION**

Net assets as of June 30, 2019 have been restated to correct reporting errors. The effect of the restatement for assets were decreases in pledges receivable. Had these items been properly recorded, the net assets would have decreased by \$12,900,198 for the year ended June 30, 2019. The restatement for July 1, 2019 is as follows:

	As Previously Reported	Adjustments	As Restated
Cash and Cash Equivalents	\$ 6,539,606	\$ -	\$ 6,539,606
Restricted Cash	671,296	-	671,296
Other Receivables	479,544	-	479,544
Pledges Receivable, Net	34,971,032	(12,900,198)	22,070,834
Other Assets	353,286	-	353,286
Loan Fees	140,085	-	140,085
Property and Equipment, Net	144,706	-	144,706
Construction in Progress	113,442,294	-	113,442,294
Land Use Costs	2,000,000	-	2,000,000
Intangible Assets	133,410	-	133,410
	<u>\$ 158,875,259</u>	<u>\$ (12,900,198)</u>	<u>\$ 145,975,061</u>
Accounts Payable and Accrued Expenses	\$ 7,145,498	\$ -	\$ 7,145,498
Deferred Revenue	50,393	-	50,393
Related Party Payable	912,604	-	912,604
Total Liabilities	<u>8,108,495</u>	<u>-</u>	<u>8,108,495</u>
Net Assets	<u>150,766,764</u>	<u>(12,900,198)</u>	<u>137,866,566</u>
Total Liabilities and Net Assets	<u>\$ 158,875,259</u>	<u>\$ (12,900,198)</u>	<u>\$ 145,975,061</u>

**SWC MUSEUM CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 13 PRIOR PERIOD ADJUSTMENTS AND NET ASSET RECLASSIFICATION (CONTINUED)**

The Museum previously classified all revenue under the category of net assets with donor restrictions. Earned income, such as parking revenue and investment income, were incorrectly classified as these amounts are not subject to donor restrictions. Upon further review, it was determined that contributions received were within the broad limits resulting from the nature and purpose of the organization and from the environment in which it operates. Therefore, all net assets have been reclassified to net assets without donor restrictions, with the exception of pledges restricted by the passage of time.

**NOTE 14 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 19, 2021, the date the financial statements were available to be issued.

The Museum drew an additional \$2,761,668 on its revolving line of credit promissory note, bringing the outstanding total to \$25,000,000.

Effective March 1, 2021, Simon Wiesenthal Center, Inc. (SWC) entered into a second modification agreement, which amended the credit agreement dated September 29, 2017, and a term loan note with a bank to fund construction of the Museum of Tolerance, Jerusalem, modifying the outstanding revolving line of credit balance of \$25,000,000 to a term loan with a facility maturity date of March 1, 2031.

The Museum signed an unsecured revolving line of credit promissory note for \$25,000,000 in favor of SWC. The note requires monthly interest on the principal outstanding of 2.41% through March 1, 2026. The Museum deposited \$1,178,331 into a bank-controlled interest reserve account. Commencing April 1, 2026, the note 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. The Museum will also reimburse SWC for all attorneys' fees and costs to obtain the loan.

In August 2020, an agreement of principal terms regarding the Museum's funding was agreed upon and as of this date, the Museum has received a loan for \$10 million from three of the Museum's board members.

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