SWC Museum Corp.
(a nonprofit corporation)

Consolidated Financial Statements
Years Ended June 30, 2019 and 2018

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Contents

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Description of the Museum

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.

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515 Flower Street
47th Floor
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Independent Auditor's Report

Board of Trustees
SWC Museum Corp.
Los Angeles, California

We have audited the accompanying consolidated financial statements of SWC Museum Corp., which comprise the consolidated balance sheets as of June 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 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.

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, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

January 3, 2020

Consolidated Financial Statements

SWC Museum Corp.
(a nonprofit corporation)

Consolidated Balance Sheets

June 30,	**2019**	2018
Assets		
Cash and cash equivalents	**$ 6,539,606**	$ 5,214,677
Restricted cash	**671,296**	655,880
Other receivables	**479,544**	150,457
Pledges receivable, less allowance for uncollectible pledges of $852,000 and $1,094,000, respectively, and discount of $2,199,000 and $2,209,000, respectively	**34,971,032**	37,192,155
Other assets	**353,286**	221,097
Loan fees	**140,085**	142,849
Property and equipment, net	**144,706**	181,499
Construction in progress	**113,442,294**	87,851,580
Land use costs	**2,000,000**	2,000,000
Intangible assets	**133,410**	145,011
Total assets	**$ 158,875,259**	$ 133,755,205
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 7,145,498**	$ 5,350,780
Deferred Revenue	**50,393**	-
Related party payable	**912,604**	144,432
Total liabilities	**8,108,495**	5,495,212
Commitments and Contingencies		
Net assets		
With donor restrictions	**150,766,764**	128,259,993
Total net assets	**150,766,764**	128,259,993
Total liabilities and net assets	**$ 158,875,259**	$ 133,755,205

See accompanying independent auditor’s report, summary of significant accounting policies and notes to consolidated financial statements.

SWC Museum Corp.
(a nonprofit corporation)

Consolidated Statements of Activities and Changes in Net Assets

Year ended June 30, 2019	Without donor restrictions	With donor restrictions	Total
Revenue, gains and support			
Fundraising	$ -	$ 26,201,161	$ 26,201,161
Rental income	-	822,010	822,010
Investment income	-	171,037	171,037
Net realized and unrealized gains (losses) on cash and investments	-	(4,171)	(4,171)
Other income		130,406	130,406
Net assets released from restrictions: Satisfaction of program restrictions	4,813,672	(4,813,672)	-
Total revenue, gains and support	4,813,672	22,506,771	27,320,443
Expenses and losses (1)			
Fundraising	1,787,254	-	1,787,254
General and administrative expenses	3,026,418	-	3,026,418
Total expenses and losses	4,813,672	-	4,813,672
Net increase in net assets	-	22,506,771	22,506,771
Net assets, beginning of year	-	128,259,993	128,259,993
Net assets, end of year	$ -	$ 150,766,764	$ 150,766,764

See accompanying independent auditor's report, summary of significant accounting policies and notes to consolidated financial statements.

(1) As of June 30, 2019, the Museum is constructing the Museum of Tolerance Jerusalem. As such, there are no active programs at this time.

SWC Museum Corp.
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Consolidated Statements of Activities and Changes in Net Assets (Continued)

Year ended June 30, 2018	Without donor restrictions	With donor restrictions	Total
Revenue, gains and support			
Fundraising	$ -	$ 20,820,491	$ 20,820,491
Rental income	-	857,603	857,603
Investment income	-	107,636	107,636
Net realized and unrealized gains (losses) on cash and investments	-	25,532	25,532
Other income	-	6,877	6,877
Net assets released from restrictions:			
Satisfaction of program restrictions	5,527,061	(5,527,061)	-
Total revenue, gains and support	5,527,061	16,291,078	21,818,139
Expenses and losses (1)			
Fundraising	2,443,030	-	2,443,030
General and administrative expenses	3,084,031	-	3,084,031
Total expenses and losses	5,527,061	-	5,527,061
Net increase in net assets	-	16,291,078	16,291,078
Net assets, beginning of year	-	111,968,915	111,968,915
Net assets, end of year	$ -	$ 128,259,993	$ 128,259,993

See accompanying independent auditor's report, summary of significant accounting policies and notes to consolidated financial statements.

(1) As of June 30, 2018, the Museum is constructing the Museum of Tolerance Jerusalem. As such, there are no active programs at this time.

SWC Museum Corp.
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Consolidated Statements of Functional Expenses

Year ended June 30, 2019	Fundraising Expenses	General and Administrative Expenses	Total Support Expenses [1]
Expenses			
Salaries, payroll taxes, and benefits	$ 966,659	$ 343,639	$ 1,310,298
Bad debt expense	(210,362)	-	(210,362)
Development expenses	291,154	-	291,154
Outreach program	323,649	-	323,649
Printing and postage	140	56,369	56,509
Legal, accounting and professional fees [2]	416,014	1,612,564	2,028,578
General and administrative expenses	-	857,411	857,411
General insurance	-	3,716	3,716
Depreciation expense	-	65,726	65,726
Amortization expense	-	27,166	27,166
Interest expense	-	41,494	41,494
Foreign exchange loss	-	18,333	18,333
Total expenses	$ 1,787,254	$ 3,026,418	$ 4,813,672

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

[1] As of June 30, 2019 and 2018, the Museum is constructing the Museum of Tolerance Jerusalem. As such, there are no active programs at this time.

[2] Legal, accounting and professional fees are composed of attorneys' fees and fees for administrative consultants.

SWC Museum Corp.
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Consolidated Statements of Functional Expenses (Continued)

Year ended June 30, 2018	Fundraising Expenses	General and Administrative Expenses	Total Support Expenses [1]
Expenses			
Salaries, payroll taxes, and benefits	$ 940,045	$ 354,685	$ 1,294,730
Bad debt expense	570,555	-	570,555
Development expenses	491,661	-	491,661
Outreach program	65,132	-	65,132
Printing and postage	209	80,954	81,163
Legal, accounting and professional fees [2]	375,428	1,565,516	1,940,944
General and administrative expenses	-	897,896	897,896
General insurance	-	5,555	5,555
Depreciation expense	-	71,407	71,407
Amortization expense	-	23,183	23,183
Interest expense	-	29,139	29,139
Foreign exchange loss	-	55,696	55,696
Total expenses	$ 2,443,030	$ 3,084,031	$ 5,527,061

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

(1) As of June 30, 2019 and 2018, the Museum is constructing the Museum of Tolerance Jerusalem. As such, there are no active programs at this time.

(2) Legal, accounting and professional fees are composed of attorneys' fees and fees for administrative consultants.

SWC Museum Corp.
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Consolidated Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Year ended June 30, 2019	With donor restrictions	Total
Cash flows from operating activities		
Net increase in net assets	$ 22,506,771	$ 22,506,771
Adjustments to reconcile net increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	77,327	77,327
Loan fee amortization	15,564	15,564
Provision for losses on pledges receivable	(210,362)	(210,362)
Net realized and unrealized losses on investments	4,172	4,172
Changes in:		
Pledges receivable	1,603,284	1,603,284
Other receivables	(329,087)	(329,087)
Other assets	(132,189)	(132,189)
Accounts payable and accrued expenses	1,794,718	1,794,718
Deferred revenue	50,393	50,393
Interfund receivable / payable	755,372	755,372
Net cash provided by operating activities	26,135,963	26,135,963
Cash flows from investing activities		
Purchase of property and equipment	(28,933)	(28,933)
Proceeds on sale of investments	824,029	824,029
Construction in progress	(25,590,714)	(25,590,714)
Restricted cash	(15,416)	(15,416)
Net cash used in investing activities	(24,811,034)	(24,811,034)
Cash flows from financing activities		
Related party note	-	-
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents	1,324,929	1,324,929
Cash and cash equivalents, beginning of year	5,214,677	5,214,677
Cash and cash equivalents, end of year	$ 6,539,606	$ 6,539,606

See accompanying independent auditor's report, summary of significant accounting policies and notes to consolidated financial statements.

SWC Museum Corp.
(a nonprofit corporation)

Consolidated Statements of Cash Flows (Continued)

Increase (Decrease) in Cash and Cash Equivalents

Year ended June 30, 2018	With donor restrictions	Total
Cash flows from operating activities		
Net increase in net assets	$ 16,291,078	$ 16,291,078
Adjustments to reconcile net increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	83,008	83,008
Loan fee amortization	11,582	11,582
Provision for losses on pledges receivable	570,555	570,555
Net realized and unrealized losses on investments	(25,532)	(25,532)
Changes in:		
Pledges receivable	(3,290,941)	(3,290,941)
Other receivables	(36,884)	(36,884)
Other assets	86,936	86,936
Accounts payable and accrued expenses	(1,173,391)	(1,173,391)
Net cash provided by operating activities	12,516,411	12,516,411
Cash flows from investing activities		
Purchase of property and equipment	(136,838)	(136,838)
Proceeds on sale of investments	2,710,672	2,710,672
Construction in progress	(21,853,261)	(21,853,261)
Restricted cash	16,557	16,557
Net cash used in investing activities	(19,262,870)	(19,262,870)
Cash flows from financing activities		
Related party payable	(10,000)	(10,000)
Net cash used in financing activities	(10,000)	(10,000)
Net decrease in cash and cash equivalents	(6,756,459)	(6,756,459)
Cash and cash equivalents, beginning of year	11,971,136	11,971,136
Cash and cash equivalents, end of year	$ 5,214,677	$ 5,214,677

See accompanying independent auditor's report, summary of significant accounting policies and notes to consolidated financial statements.

Business

SWC Museum Corp. (the “Museum”) 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.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The consolidated financial statements of the Museum include the accounts of Shehada Amir Building and Development LTD. (“Shehada”).

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

- Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations that limit the use of the donated assets and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Museum’s management and the Board of Trustees and are comprised of undesignated amounts.
- Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that restrict the use of the donated assets. The restrictions are satisfied either by actions of the Museum and/or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions (i.e., a donor may restrict a pledge for a stipulated purpose or time period). Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions and pledges, including unconditional promises to give, are recognized as revenues in the period received. Pledges to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved, which range from 0.78% to 3.55%. Amortization of discounts is recorded as additional fundraising revenue annually in accordance with donor-imposed restrictions, if any, on the pledges. 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.

Cash Equivalents

The Museum considers all liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Museum maintains the majority of its cash and cash equivalents in a number of commercial bank accounts with financial institutions in the US and internationally and, at times, balances may exceed federally insured limits. The Museum has never experienced any losses related to these balances.

Investments

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958 "Not-for-Profit Entities" Subtopic 320, "Investment – Debt and Equity Securities," the Museum accounts for its investments in equity securities with readily determinable fair values and all investments in debt securities at fair value on the Consolidated Balance Sheets. The Museum records realized and unrealized gains and losses on investments in the Statements of Activities and Changes in Net Assets as increases or decreases in net assets without donor restrictions unless their use is temporarily or permanently restricted by explicit donor stipulations.

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.

Intangible Assets

Intangible assets are tested for impairment annually, and more frequently upon the occurrence of certain events. As of June 30, 2019 and 2018, the Center did not have any impairment. Intangible assets with definite lives are amortized over their useful life.

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

SWC Museum Corp. is a nonprofit corporation exempt from Federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code.

The Museum believes it is in compliance with all applicable laws, however, upon audit by a taxing authority, if amounts are found due, the Museum may be liable for such taxes. Management has analyzed the Museum's tax positions taken on Federal and state income tax returns for all open tax years and has concluded that, as of June 30, 2019 and 2018, no liabilities are required to be recorded in connection with such tax positions in the Museum's consolidated financial statements. The 2016 through 2018 tax years remain open for examination by the taxing authorities. No interest or penalties were recognized during the year as the Museum has not recorded income tax contingencies. The Museum had an examination by the Internal Revenue Service for the 2011 tax year and there were no findings. The Museum continues to qualify for exemption from federal income tax.

Use of Estimates in Preparation of Consolidated Financial Statements

The preparation of consolidated 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 amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Such estimates include valuation of pledge receivables, other receivables and property and equipment.

Certain judgments and estimates are considered in determining pledge allowances, including prior collection history, types of contributions, nature of the fundraising activities, the discount rate reflecting the risk inherent in future cash flows, the interpretation of current economic indicators, and ability of donors to fulfill their future obligation. Actual results may differ from these judgments and estimates and could have a material adverse effect on the Museum's financial condition or operating results.

Concentration of Credit Risk

Financial instruments that potentially subject the Museum to significant concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, pledges receivable, and Israel bonds. Invested funds are subject to certain risks, which could result in losses in the event of economic circumstances. The Museum has not experienced any credit losses on its cash and cash equivalents, restricted cash and Israel bonds. The Museum judges pledge receivable credit risk based on the history and the financial wherewithal of donors, most of which are foundations or individuals well known to the Museum. As of June 30, 2019 and 2018, the Museum provided an allowance for uncollectible pledges of $852,000 and $1,094,000, respectively.

Contributions and Pledges with Donor Restrictions

The Museum records contributions and pledges as donor restricted if they are received with donor stipulations that limit their use through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as 'Net assets released from restrictions.'

Fair Value of Financial Instruments

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

Investments are carried at fair value, which is based on quoted market prices or discounted cash flows due to the lack of market activity.

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.

Fair Value Measurements

The Museum follows ASC 820, "Fair Value Measurements" to determine fair value for its financial assets and financial liabilities. ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on assumptions that market participants would use in pricing the asset or liability.

ASC 820 establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available.

Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Museum for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities that the Museum has the ability to access as of the measurement date.

Level 2 Inputs that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

ASC 820 also requires the Museum to measure certain nonfinancial assets and nonfinancial liabilities at fair value on a nonrecurring basis. These assets and liabilities include assets acquired and liabilities assumed in an acquisition or in a nonmonetary exchange and property, plant and equipment that are written down to fair value when they are held for sale or determined to be impaired. During the years ended June 30, 2019 and 2018, the Museum does not have any nonfinancial assets or nonfinancial liabilities that were measured at fair value on a nonrecurring basis.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, “Revenue from Contracts with Customers (Topic 606).” This update, along with ASU 2016-08, “Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net),” ASU 2016-10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing,” and ASU 2016-12, “Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients,” establishes a comprehensive revenue recognition standard. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for Museum until annual periods beginning after December 15, 2018. ASU 2014-09 is effective for Museum’s fiscal year 2020. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of these ASUs on the financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, “Leases (Topic 842).” This update, along with ASU 2018-10, “Codification Improvements to Topic 842: Leases,” ASU 2018-11, “Leases (Topic 842): Targeted Improvements,” and ASU 2018-20, “Leases (Topic 842): Narrow-Scope Improvements for Lessors,” establishes a comprehensive leasing standard. These updates require the recognition of lease assets and lease liabilities on the balance sheet and disclosure of key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The guidance also expands the required quantitative and qualitative lease disclosures as well as provides entities with an additional (and optional) transition method to adopt the new standard. On October 16, 2019, the FASB approved a proposal to defer the effective date to fiscal years beginning after January 2021. The ASU is effective for Museum’s fiscal year 2021. Management is currently evaluating the impact of these ASUs on the financial statements.

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, “Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments.” This update, along with ASU 2018-19, “Codification Improvements to Topic 326, Financial Instruments – Credit Losses” changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. Entities will be required to estimate credit losses over the entire contractual term of an instrument. On October 16, 2019, the FASB approved a proposal to defer the effective date to fiscal years beginning after January 2023. The ASU is effective for Museum’s fiscal year 2024. An entity must apply the amendments in the ASU through a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective except for certain exclusions. Management is currently evaluating the impact of this ASU on the financial statements.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: a) updating net asset classification scheme to two classes ("net assets without restrictions" and "net assets with restrictions"), b) quantitative and qualitative disclosures about liquidity and availability of resources, c) requirement to report expenses by function, nature, and an analysis showing the relationship between function and nature, d) continue to allow direct or indirect method for operating cash flows, and e) present investment return net of external and direct internal investment expenses. Museum is adopting this ASU for the year ended June 30, 2019, with comparative presentation and disclosures for the year ended June 30, 2018.

1. Cash and Cash Equivalents

Income earned on cash and cash equivalents represents interest income of $171,037 and $107,636 for the years ended June 30, 2019 and 2018, respectively.

The Museum converted its Israeli cash accounts from shekels to US dollars based on the period-end spot rate. The Museum recognized exchange losses on cash of $18,333 for the year ended June 30, 2019 and $55,696 for the year ended June 30, 2018.

2. 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, investments and interest receivable) as of June 30, 2019 and 2018, reduced by amounts not available for general expenditures within one year:

	2019	2018
Cash and cash equivalents	**$ 7,210,902**	$ 5,870,557
Investments	**-**	-
Pledge receivable, net	**34,971,032**	37,192,155
Other receivables	**479,544**	150,457
Subtotal financial assets available within one year	**42,661,478**	43,213,169
Less amounts unavailable for general expenditures within one year:		
Restricted cash and cash equivalents	**671,296**	655,880
Pledged receivable, net over 1 year	**18,898,240**	24,805,035
Total amounts unavailable for general expenditures within one year	**19,569,536**	25,460,915
Financial assets available to meet cash needs for general expenditures within one year	**$ 23,091,942**	$ 17,752,254

3. Pledges Receivable

At June 30, 2019 and 2018, pledges receivable consists entirely of unconditional promises to give and are recorded net of a discount of approximately $2,199,000 and $2,209,000, respectively. The pledges receivable are collectible in varying amounts generally over the next one to ten years.

The Museum has established an allowance for uncollectible pledges of $852,000 and $1,094,000 at June 30, 2019 and 2018, respectively.

Gross pledges receivable at June 30, 2019 are due as follows:

	Amount
Less than one year	$ 17,280,662
One year to five years	18,958,504
More than five years	1,783,279
	$ 38,022,445

4. Investments

Investments at June 30, 2019 consist of:

	Book Value	*Gross Unrealized Gains*	*Gross Unrealized Losses*	*Estimated Fair Value*
Equity securities	**$**	**$**	**$**	**$**
	$	**$**	**$**	**$**

Investments at June 30, 2018 consist of:

	Book Value	*Gross Unrealized Gains*	*Gross Unrealized Losses*	*Estimated Fair Value*
Equity securities	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -

Realized gains and losses from the sale of investments are summarized as follows:

Years ended June 30,	**2019**	2018
Equity securities:		
Realized gains	**$ 2,150**	$ 27,432
Realized losses	**(6,321)**	(1,900)
	$ (4,171)	$ 25,532

All investments are classified between short-term and long-term investments on the Balance Sheets, based on their maturity date and the Museum's intention.

5. Acquisition

On September 7, 2015, the Museum acquired 100% of the shares of Shehada for 660,000 NIS or $174,014. Shehada is a private company lawfully registered in Israel. The acquisition was considered a business combination under ASC 805 as the Museum obtained control of Shehada. The Museum allocated the purchase price to the acquired contractor's license with a C-5 contracting classification based upon management's estimates of their fair value at the date of acquisition.

6. Fair Value Measurements

The Museum adopted the provisions of ASC 820, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

As of June 30, 2019 and 2018, the Museum has $0 and $0, respectively, of Level 1 equity securities.

7. Property and Equipment

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

June 30,	**2019**	2018	Years
Furniture and equipment	**$ 543,609**	$ 514,676	5-10
Less accumulated depreciation	**398,903**	333,177	
	$ 144,706	$ 181,499	

Depreciation expense for the years ended June 30, 2019 and 2018 was $65,726 and $71,407, respectively.

8. Intangible Asset

Information regarding the Museum's identifiable indefinite lived intangible asset, is as follows:

June 30,	**2019**	2018	Years
Contractor's license	**$ 174,014**	$ 174,014	15
Less accumulated amortization	**40,604**	29,003	
	$ 133,410	$ 145,011	

Amortization expense for the years ended June 30, 2019 and 2018 was $11,601 and $11,601, respectively.

9. Construction in Progress and Land Use Costs

The Museum has approved a plan to build the Museum of Tolerance in Jerusalem. During the years ended June 30, 2019 and 2018, the Museum capitalized construction costs of $25,590,714 and $22,236,231, respectively. As of June 30, 2019 and 2018, the capitalized construction in progress is $113,442,294 and $87,851,580, respectively. 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.

Land use costs of $2,000,000 were recorded as a result of the accrual of the $2,000,000 obligation payable to the Jerusalem Municipality to obtain the rights and use of the parking lot (see Note 12). In September 2014, 2013 and August 2012, the Museum made payments of $150,000, $150,000 and $300,000, respectively, to the Jerusalem Municipality and the rights and use of the parking lot was transferred to the Museum. The remaining balance is due in one installment 36 months after opening the Museum, but not later than August 2022.

10. Net Assets

Net assets with donor restrictions at June 30, 2019 and 2018 of $150,766,764 and $128,259,993, respectively, are restricted for the construction of a tolerance museum in Jerusalem.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors.

June 30,	**2019**	2018
Purpose restrictions accomplished:		
Fundraising and general expenses	**$ 4,813,672**	$ 5,527,061
	$ 4,813,672	$ 5,527,061

11. Restricted Cash

At June 30, 2019 and 2018, the Museum has restricted cash of $421,296 and $405,880, respectively, 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. At June 30, 2019, the Museum is performing in accordance with the Undertaking Agreement and the cash will remain restricted until completion of the infrastructure and development work.

The Museum also has restricted cash of $250,000 in order to exercise its right to purchase the intellectual property from the architect in order to complete the design of the Museum's project (see Note 12).

12. Commitments and Contingencies

Commitments

On March 20, 2005, the Museum entered into a Development Agreement with the 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 the Israel Land Administration ("ILA") was for 36 months. 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, which originally included the Museum shops, bar/café on the lobby level, the cafeteria and the underground parking lot.

Subsequent to this assessment, the Museum's plans replaced the cafeteria with a children's museum, which will reduce the assessed value. The base value was initially estimated at NIS (Israeli New Shekel) 10,771,500 ($2,516,706). This resulted in a total use fee of 15% over the 36-month period. The total initial payment for the three year Development Agreement amounted to NIS 1,890,400 ($441,313), which includes V.A.T. (value added tax). The Museum also agreed with the ILA to enter a process of determination of the development costs that should be deducted from the estimated value. Such process was not completed because of the litigation related to the land. Since the Museum was interested in receiving possession of the land before such process was completed, the Museum was required to pay 75% or NIS 1,417,800 ($330,915) to the ILA and to cover the remaining 25% or NIS 472,600 ($110,399) in a bank guarantee. In April 2005, the Museum paid and submitted the guarantee for these amounts and obtained possession of the land. Due to the reduction in the base value of the land, in October 2011 the Museum received a cash refund of NIS 608,896 ($163,677) and the bank guarantee was released.

During the year ended June 30, 2011, the Museum entered into a revised Agreement with the ILA, which extended the development period for the construction of the Museum through June 1, 2012 and requires an annual use fee of NIS 140,954 ($41,167). This lower amount is the result of the new base value of that lot, which has been reduced to NIS 2,979,086 ($870,282) from the original estimated base value of NIS 10,771,500 ($2,516,706). During the year ended June 30, 2015, the Museum entered into a revised Agreement with the ILA, which extended the development period for the construction of the Museum through January 1, 2016, and the Museum paid an extension fee of NIS 823,300 ($212,000). As of June 30, 2017, the Museum did not receive an annual fee assessment from the ILA. During the year ended June 30, 2018, the Museum paid its 2017 and 2018 annual leaseholder fees of NIS 430,291 ($120,323).

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 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 thirty-six months following the opening of the Museum, but not later than August 2022.

Contingencies

In June 2011, the Museum was notified of a claim from the architect ("Architect"), which demands additional fees under a Letter of Engagement dated September 5, 2010 between the Architect and the Museum ("Letter of Engagement") of up to approximately $950,000 for services performed. As of June 30, 2012, the Architect has increased the claim regarding additional fees to $1,080,000. As of June 30, 2014, the Architect further increased the claim to $1,310,000. The Museum believes the Architect's claims are governed by a provision in the Letter of Engagement that states clearly that the fee associated with the subject matter of such claims is a fixed fee arrangement and/or are otherwise conditional (i.e., based on the Architect's own interpretation of the Letter of Engagement and/or on conditions that have not taken place) and therefore the Architect is not entitled to the additional fees claimed. The Museum and Architect selected an arbitrator regarding the claim and the arbitration hearings commenced in June 2016 and ended in May 2017 and summaries have been prepared by both parties and both parties prepared a response to each of the summaries that were submitted in October 2018.

On September 23, 2011, the architect in connection with the Museum of Tolerance Jerusalem project resigned as the architect of record. Under the provisions of the Letter of Engagement, the Museum is exercising its right to purchase the intellectual property for $250,000 to complete the design of the Museum's project. The Museum has allocated $250,000 as restricted cash related to the purchase price of the intellectual property. The Museum has engaged new architects to complete the plans of the Museum's project and the plans have been completed.

On December 16, 2019, the arbitrator issued his ruling on the above matter as discussed in the subsequent event section.

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 Statements of Activities and Changes in Net Assets.

13. Related Party

On September 29, 2017 the Simon Wiesenthal Center, Inc. ("Center") entered into a Credit Agreement with a revolving line of credit for $35,000,000 with ZB, N.A. d/b/a California Bank and Trust 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 Balance Sheets.

The Note requires monthly interest on the principal outstanding (LIBOR rate plus 1.85%) commencing November 1, 2017. In no event shall the interest rate be less than 3% per annum. The ten year revolving line of credit reduces by $1,200,000 each year ending 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, 2019 the Museum paid $40,886. Interest expense for the year ended June 30, 2019 was $41,493. During the year ended June 30, 2018 the Museum paid $28,671. Interest expense for the year ended June 30, 2018 was $29,139.

The Credit Agreement between the bank and the Center requires the Museum to meet certain covenants. As of June 30, 2019, the Museum was in compliance with all covenants.

As of June 30, 2019 and 2018, the Museum had a related party payable of $912,604 and $144,432, respectively, due to the Center related to the revolving line of credit and other expenses.

On September 1, 2004, the Museum entered into an Agency Agreement with the Friends of Simon Wiesenthal Center for Holocaust Studies (the “Friends of SWC”), a related-party non-profit organization incorporated without share capital under the laws of Canada. Friends of SWC is an affiliate of the Center and is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

The agency agreement was entered into to enable Friends of SWC to collect donation revenues on behalf of SWC Museum Corp 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.

14. 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.

15. Defined Contribution Profit Sharing and Retirement Savings Plans

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 $53,786 and $53,670 in 2019 and 2018, respectively.

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 non-elective contributions on behalf of certain employees to the Simon Wiesenthal Center, Inc.’s plan, subject to certain limitations, and incurred expenses of $52,196 and $51,484 in 2019 and 2018, respectively.

16. Supplemental Cash Flow Disclosures

During the years ended June 30, 2019 and 2018, the Museum received investment donations valued at $828,200 and $2,576,981, respectively.

Non-cash Financing Activities

During the years ended June 30, 2019 and 2018, the Museum had related party payable activity of $12,800 and $144,432, respectively, related to capitalized loan fees.

17. Subsequent Events

The Museum evaluated subsequent events through January 3, 2020, which is when these consolidated financial statements were available to be issued. The Museum is not aware of any additional significant events that would have a material impact on its consolidated financial statements or require disclosure in the notes to the consolidated financial statements, except as follows:

The Museum drew $14,568,372 on its Revolving Line of Credit Promissory Note. In addition, the Museum incurred an additional related party payable with SWC Roxbury, LLC of $4,663,391.

On December 16, 2019, the arbitrator issued his ruling on the matter disclosed in the contingencies section noted in footnote 12. The arbitrator dismissed all claims but granted the counterparty compensation for their claim of damage of their copyright and acknowledged that by way of a binding decision the counterparty is receiving what was offered to them at the outset. The Museum will pay within 45 days of the conclusion of this arbitration a total of $250,000 that will be translated into new Israeli shekel at the representative exchange rate on September 27, 2011. The Shekel amount will bear interest and linkage differences in accordance with the provision of the Interest and Linkage Law, from September 27, 2011 until the actual payment date.