

LOS ANGELES MUSEUM OF THE HOLOCAUST
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
NOTES TO FINANCIAL STATEMENTS	7 - 16

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Los Angeles Museum of the Holocaust
Los Angeles, California

We have audited the accompanying financial statements of Los Angeles Museum of the Holocaust, which comprise the statement of financial position as of December 31, 2014 and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Los Angeles Museum of the Holocaust as of December 31, 2014, 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.

Report on Summarized Comparative Information

We have previously audited Los Angeles Museum of the Holocaust's 2013 financial statements, and our report dated October 31, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The Ozurovich Group, Inc.

The Ozurovich Group, Inc.

Los Angeles, California
November 13, 2015

**LOS ANGELES MUSEUM OF THE HOLOCAUST
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)**

	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 842,291	\$ 857,846
Account receivable	40,220	59,599
Employee receivable	2,000	2,000
Inventory	13,178	10,066
Pledges receivable, current	146,000	171,000
Prepaid expenses	28,102	30,370
Total current assets	1,071,791	1,130,881
Pledges receivable, net of current portion	81,277	130,000
Investments	312,443	279,389
Investments - endowment	1,140,262	1,140,262
Property and equipment - net	16,030,921	16,910,135
Archives	84,741	84,741
Deposits	15,475	15,475
	\$ 18,736,910	\$ 19,690,883
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 20,984	\$ 43,387
Accrued expenses	20,462	21,094
Total current liabilities	41,446	64,481
Long-term liabilities		
Line of credit	1,371,531	1,578,584
Total liabilities	1,412,977	1,643,065
Net assets		
Unrestricted net assets	15,766,772	16,580,657
Temporarily restricted net assets	416,899	326,899
Permanently restricted net assets	1,140,262	1,140,262
Total net assets	17,323,933	18,047,818
TOTAL LIABILITIES AND NET ASSETS	\$ 18,736,910	\$ 19,690,883

See independent auditors' report and accompanying notes.

**LOS ANGELES MUSEUM OF THE HOLOCAUST
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)**

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support					
Individuals	\$ 311,403	\$ 100,000	\$ -	\$ 411,403	\$ 375,000
Foundations and trust Corporation	434,730	25,000	-	459,730	704,970
Government	37,613	-	-	37,613	44,629
Remember Us	-	-	-	-	15,000
Special events	339,216	-	-	339,216	252,593
Less: direct expenses	917,174	-	-	917,174	452,809
Affiliated organizations	(282,552)	-	-	(282,552)	(156,481)
Total support	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>35,000</u>
	<u>1,792,584</u>	<u>125,000</u>	<u>-</u>	<u>1,917,584</u>	<u>1,723,520</u>
Revenue					
Investment income	74,879	-	-	74,879	196,328
Other income	6,904	-	-	6,904	6,768
Total revenue	<u>81,783</u>	<u>-</u>	<u>-</u>	<u>81,783</u>	<u>203,096</u>
Donated services	<u>5,391</u>	<u>-</u>	<u>-</u>	<u>5,391</u>	<u>-</u>
Total support, revenue and donated services	1,879,758	125,000	-	2,004,758	1,926,616
Net assets released from restriction	<u>35,000</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support, revenue and reclassifications	<u>1,914,758</u>	<u>90,000</u>	<u>-</u>	<u>2,004,758</u>	<u>1,926,616</u>
Expenses					
Program services					
Archives and library	256,485	-	-	256,485	236,733
Education	177,874	-	-	177,874	181,678
Museum operations	1,661,457	-	-	1,661,457	1,441,824
Total program services	<u>2,095,816</u>	<u>-</u>	<u>-</u>	<u>2,095,816</u>	<u>1,860,235</u>
Supporting services					
Management	451,886	-	-	451,886	316,696
Fund raising	180,941	-	-	180,941	144,849
Total support services	<u>632,827</u>	<u>-</u>	<u>-</u>	<u>632,827</u>	<u>461,545</u>
Total expenses	<u>2,728,643</u>	<u>-</u>	<u>-</u>	<u>2,728,643</u>	<u>2,321,780</u>
CHANGE IN NET ASSETS	(813,885)	90,000	-	(723,885)	(395,164)
NET ASSETS, beginning of year	<u>16,580,657</u>	<u>326,899</u>	<u>1,140,262</u>	<u>18,047,818</u>	<u>18,442,982</u>
NET ASSETS, end of year	<u>\$ 15,766,772</u>	<u>\$ 416,899</u>	<u>\$ 1,140,262</u>	<u>\$ 17,323,933</u>	<u>\$ 18,047,818</u>

See independent auditors' report and accompanying notes.

**LOS ANGELES MUSEUM OF THE HOLOCAUST
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)**

	2014							2013	
	Program Services				Supporting Services			Total	Total
	Archives and Library	Education	Museum Operations	Total	Management	Fundraising	Total		
Salaries, payroll taxes and employee benefits	\$ 34,227	\$ 34,227	\$ 410,725	\$ 479,179	\$ 68,454	\$ 136,908	\$ 205,362	\$ 684,541	\$ 602,017
Bank charges	-	-	11,557	11,557	7,704	-	7,704	19,261	12,363
Depreciation	88,449	26,534	725,275	840,258	44,224	-	44,224	884,482	881,946
Dues and subscriptions	-	-	-	-	1,750	-	1,750	1,750	250
Equipment rental and maintenance	10,105	10,105	65,682	85,892	111,154	5,052	116,206	202,098	185,896
Event costs	-	7,077	21,231	28,308	-	7,077	7,077	35,385	18,770
Insurance	10,862	5,595	10,862	27,319	5,595	-	5,595	32,914	32,704
Interest	21,181	10,912	21,181	53,274	10,912	-	10,912	64,186	79,462
License and permits	6	6	18	30	-	-	-	30	7,207
Marketing and promotion	12,637	12,637	20,220	45,494	-	5,055	5,055	50,549	30,229
Miscellaneous	6,626	8,833	19,874	35,333	8,834	-	8,834	44,167	11,200
Occupancy	13,496	1,038	84,092	98,626	4,153	1,038	5,191	103,817	93,111
Office	7,303	4,382	7,303	18,988	8,764	1,461	10,225	29,213	28,920
Postage and delivery	452	1,356	2,712	4,520	2,712	1,808	4,520	9,040	7,737
Printing and copying	4,058	8,116	16,231	28,405	-	4,058	4,058	32,463	63,987
Professional services	8,659	6,350	148,633	163,642	158,268	16,994	175,262	338,904	107,017
Program costs	3,061	15,304	42,850	61,215	8,116	-	8,116	69,331	18,893
Security	33,377	16,212	38,146	87,735	7,629	-	7,629	95,364	85,823
Sponsorship	-	7,700	-	7,700	-	-	-	7,700	40,000
Telephone	1,986	1,490	3,476	6,952	1,490	1,490	2,980	9,932	9,914
Travel	-	-	11,389	11,389	2,127	-	2,127	13,516	4,334
TOTAL EXPENSES - 2014	\$ 256,485	\$ 177,874	\$ 1,661,457	\$ 2,095,816	\$ 451,886	\$ 180,941	\$ 632,827	\$ 2,728,643	\$ 2,321,780
TOTAL EXPENSES - 2013	\$ 236,733	\$ 181,678	\$ 1,441,824	\$ 1,860,235	\$ 316,696	\$ 144,849	\$ 461,545	\$ 2,321,780	

See independent auditors' report and accompanying notes.

**LOS ANGELES MUSEUM OF THE HOLOCAUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (723,885)	\$ (395,164)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	884,482	881,946
Realized/unrealized gains and losses	(50,497)	(175,799)
(Increase) decrease in assets		
Accounts receivable	19,379	(50,599)
Inventory	(3,111)	(925)
Pledges receivable	73,723	287,400
Prepaid expenses	2,268	3,426
Archives	-	(13,761)
Increase (decrease) in assets		
Accounts payable	(22,403)	9,881
Accrued expense	(631)	(15,202)
Net cash provided by operating activities	<u>179,325</u>	<u>531,203</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures – Furniture, fixtures and equipment	(5,268)	(44,187)
Purchases of securities	(129,095)	(60,960)
Proceeds from sales of investments	<u>146,536</u>	<u>18,780</u>
Net cash provided/(used) by investing activities	<u>12,173</u>	<u>(86,367)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on line of credit	1,646,716	132,051
Principal payments on line of credit	<u>(1,853,769)</u>	<u>(225,467)</u>
Net cash used by financing activities	<u>(207,053)</u>	<u>(93,416)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(15,555)	351,420
CASH AND CASH EQUIVALENTS, Beginning of year	<u>857,846</u>	<u>506,426</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 842,291</u>	<u>\$ 857,846</u>
<i>Supplement information</i>		
Interest paid	<u>\$ 64,186</u>	<u>\$ 79,462</u>

See independent auditors' report and accompanying notes.

**LOS ANGELES MUSEUM OF THE HOLOCAUST
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - ORGANIZATION

Los Angeles Museum of the Holocaust (the Organization) is a Los Angeles-based not-for-profit corporation, incorporated in 2002 under the laws of the State of California. The Organization operates a museum that was founded in 1961 by survivors of the Holocaust. The Museum fulfills its mission of Holocaust education and commemoration by maintaining an archives, presenting exhibits and programming to the public, and hosting school groups and members of the public to museum tours and survivor lectures. Its' main sources of revenue comes from contributions from individuals, corporations and foundations. The Organization also receives grants from other non-profit groups and federal support for its museum operations.

Archives and Library

The Museum maintains archives of thousands of objects of relevance to the Holocaust. These objects include historical artifacts, documents and records from the Holocaust era and its aftermath, books, and artistic works depicting or responding to the Holocaust. The archives are available to scholars and members of the public with a serious interest in the subject matter. The archives also enhance the museum exhibits by rotating objects on public display.

Education

The Museum provides free educational programming about the Holocaust to school groups and members of the public. This program consists of museum tours and survivor lectures, as well as public lectures, movie screenings, special exhibits, discussion forums, and other special events.

Museum Operations

The Organization's currently operating museum, the Los Angeles Museum of the Holocaust, was founded for the purpose of commemorating the Holocaust experience during the war, in the ghettos and in the death camps and educating the public about these experiences.

At the behest of the museum's founders, the museum is free of charge to visitors and under certain circumstances the museum has provided transportation for school trips to ensure that no visitor is turned away for lack of money. The museum's operations are sustained by grants and contributions from the public.

**LOS ANGELES MUSEUM OF THE HOLOCAUST
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

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

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted General Net Assets – Include contributions, fundraising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Organization.

Temporarily Restricted Net Assets – Include gifts and grants received that are temporarily restricted with respect to time or use by the donor or grantor. When the restrictions expire, the net assets of this fund are reclassified to unrestricted net assets. Restricted gifts and grants received are reported as unrestricted revenue if the restriction is met in the same reporting period.

Permanently Restricted Net Assets – Includes assets that have been restricted by the donor in perpetuity and cannot be expended by the Organization.

See independent auditors' report

**LOS ANGELES MUSEUM OF THE HOLOCAUST
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Expense Allocation

The costs of providing the program and supporting services have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and in the Statement of Functional Expenses. Certain costs have been allocated among the programs based on ratios determined by management.

Tax Status

LAMOTH is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from California franchise tax under Section 23701(d) of the State Revenue and Taxation Code.

The Organization's federal income tax and informational returns for tax years ending December 31, 2011 and subsequent remain subject to examination by the Internal Revenue Service. The returns of California, the Organization's most significant jurisdiction, remain subject to examination by the California Franchise Tax Board for tax years ending December 31, 2011 and subsequent.

See independent auditors' report

**LOS ANGELES MUSEUM OF THE HOLOCAUST
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Archives and Library

Archive items acquired are recorded at cost if purchased and at fair value at date of accession if donated. Gains and losses from deaccessions are reported as changes in net assets based on the absence or existence and nature of donor-imposed restrictions. Archive items are protected, kept unencumbered, cared for, and preserved.

Advertising

The Organization uses advertising to promote its programs and activities among its target audiences. The total cost for other publicity and promotion costs advertising are expensed as incurred. During the year ending December 31, 2014, advertising costs totaled \$50,549.

Cash and Cash Equivalents

For the purpose of the financial statements, the Organization considers all investments purchased with a maturity date of three months or less to be cash equivalents.

Inventory

Inventory is calculated at the lower of cost (first-in, first-out method) or market and consists primarily of books and souvenirs.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized. Property and equipment are carried at cost if purchased or fair value if contributed and are depreciated using the straight-line method over the estimated useful life of the asset.

	<u>Estimated Useful Lives</u>
Furniture, Fixtures, Software and Equipment	3 – 7 years
Building	39 years
Video Wall	5 years

Normal repairs and maintenance are expensed as incurred whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

**LOS ANGELES MUSEUM OF THE HOLOCAUST
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statement for the year ended December 31, 2013, from which the summarized information was derived.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which the organization has access to at the measurement date.
- *Level 2* - Inputs other than quoted prices included in level 1 that observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that the observable inputs are not available.

See independent auditors' report

**LOS ANGELES MUSEUM OF THE HOLOCAUST
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

When available, the organization uses fair value level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the organization's financial statements are

- Initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- Recurring measurement of short term investments
- Recurring measurement of endowment investments.

NOTE 4 - INVESTMENTS

Investments for the years ended December 31 are as follows:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain or (Loss)</u>
Municipal bonds	\$ 314,866	\$ 312,403	\$ (2,463)
Money market funds	24,851	24,851	-
Corporate stock	4,833	7,895	3,062
Mutual funds	<u>1,057,627</u>	<u>1,107,556</u>	<u>49,928</u>
Total - 2014	<u>\$ 1,402,177</u>	<u>\$ 1,452,705</u>	<u>\$ 50,527</u>
Total - 2013	<u>\$ 1,243,850</u>	<u>\$ 1,419,650</u>	<u>\$ 175,800</u>

See independent auditors' report

**LOS ANGELES MUSEUM OF THE HOLOCAUST
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 4 - INVESTMENTS (CONTINUED)

Investment income is comprised of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 38,139	\$ 33,031
Unrealized gain/(loss) on investments	51,905	176,395
Realized loss on investments	(1,407)	(596)
Investment fees	(13,758)	(12,502)
	<u>\$ 74,879</u>	<u>\$ 196,328</u>

NOTE 5 - ENDOWMENT FUND

The Organization's endowment consists of corporate bonds that were donated. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The donor imposed restrictions are that the donation (principal) be held in perpetuity and the income derived from such investments is to be used for the general support of the organization. Unrealized and realized gains are recognized and reported as unrestricted net assets.

Endowment net asset composition by type of fund as of December 31, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ 282,578	\$ -	\$ 1,140,262	\$1,422,840

Changes in endowment net assets as of December 31, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, Beginning of the year	\$ 279,388	\$ -	\$ 1,140,262	\$ 1,419,650
Contributions	-	-	-	-
Investment income	50,439	-	-	50,439
Expenses paid	(90,560)	-	-	(90,560)
Net appreciation	45,421	-	-	45,421
Realized loss	(2,110)	-	-	(2,110)
	<u>\$ 282,578</u>	<u>\$ -</u>	<u>\$ 1,140,262</u>	<u>\$ 1,422,840</u>

See independent auditors' report

**LOS ANGELES MUSEUM OF THE HOLOCAUST
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 6 - PROMISES TO GIVE

Unconditional promises to give at December 31, 2014, are as follows:

Receivable in less than one year	\$ 146,000
Receivable in one to five years	<u>95,000</u>
Total unconditional promises to give	241,000
Less discounts to net present value	<u>(13,723)</u>
Net unconditional promises to give	<u>\$ 227,277</u>

NOTE 7 - PROPERTY AND EQUIPMENT

For the years ended December 31, property and equipment consisted of the following:

	<u>2014</u>	<u>2013</u>
Furniture, Fixtures, Software and Equipment	\$ 1,148,405	\$ 1,144,037
Building	17,027,672	17,026,772
Video Wall	<u>1,368,301</u>	<u>1,368,301</u>
	19,544,378	19,539,110
Less: Accumulated Depreciation	<u>(3,513,457)</u>	<u>(2,628,975)</u>
	<u>\$ 16,030,921</u>	<u>\$ 16,910,135</u>

Depreciation for the years ended December 31, 2014 and 2013 was \$884,482 and \$881,946, respectively.

NOTE 8 - LEASE COMMITMENTS

In the fall of 2008, the Museum entered into a 50 year, \$1 a year lease with the City of Los Angeles for the land on which the Museum building sits. The Organization has not recorded an in-kind contribution of donated facilities as the fair value of the donated land could not be established.

See independent auditors' report

**LOS ANGELES MUSEUM OF THE HOLOCAUST
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 9 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors.

Purpose-restriction accomplished:

Museum building projects	\$ 20,000
Awareness campaign	5,000
Special event	<u>10,000</u>
	<u>\$ 35,000</u>

NOTE 10 – RELATED PARTY TRANSACTIONS

The Organization is affiliated with the Jewish Federation Council of Greater Los Angeles (JFC). JFC's affiliation with the museum's operations pre-dates the Organization's date of incorporation. Until January 1, 2005, JFC was the custodian of the Organization's assets and also managed its financial affairs. Until 2005, JFC was historically the museum's largest donor, contributing goods, services, and guidance.

JFC currently owns a large portion of the museum's archive. As well, according to the Organization's by-laws, JFC may name up to five members of the Organization's board of directors. In recent years, JFC has abstained from doing so.

JFC also negotiates insurance coverage and rates and other services on behalf of its twenty-two affiliates, including the Organization, in order to gain reduced group rates and other benefits for its affiliates. These expenses are paid by JFC and then billed to the Organization as a reduction of its monthly allocation.

The Organization received payments from JFC on a monthly basis constituting the amount of the monthly allocation reduced by expenses paid by JFC on behalf of the Organization. The total of these transactions for the year ending December 31, 2014, is as follows:

Net allocations	<u>\$ 35,000</u>
-----------------	------------------

**LOS ANGELES MUSEUM OF THE HOLOCAUST
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 11 - LINE OF CREDIT

The Organization has a revolving line of credit with East West Bank totaling \$2,000,000, which bears interest at the bank's reference index plus 1.75% over the index. At December 31, 2014 the reference index interest rate was 5.00% and the unused balance was \$628,470. The line of credit matures on February 23, 2016.

The revolving line of credit is secured by personal guarantee of the President of Board of Directors of the Organization.

NOTE 12 - SUBSEQUENT EVENTS

Events subsequent to December 31, 2014 have been evaluated through November 13, 2015, the date at which the Organization's audited financial statements were available to be issued. No events requiring disclosures have occurred through this date.