

PERFORMANCE & ACCOUNTABILITY

REPORT

FISCAL YEAR 2007

October 1, 2006 — September 30, 2007



November 28, 2007

PERFORMANCE AND ACCOUNTABILITY REPORT

Fiscal Year 2007

Table of Contents

<u>Tab</u>	<u>Contents</u>	<u>Page</u>
1	Message from the Director	1
	Statement of Assurance	2
	Management's Discussion and Analysis.....	3
	Program Performance Report (GPRA)	9
	Museum Organization Chart.....	28
2	Message from the CFO	29
	Independent Auditors' Report.....	31
	Financial Statements.....	33
	Supplementary Information	53
	Independent Auditors' Report on Compliance and Control	54

Message from the Director

When the Museum opened in 1993, its founders understood that it presented fundamental truths about human nature. They knew that its message was timeless, but they could not have imagined that in the 21st century its message would become even more timely. As a *living* memorial, the Museum teaches the history and lessons of the Holocaust so that both leaders and citizens will be motivated to confront hatred, prevent genocide, promote human dignity, and strengthen democracy.

In a world with increasing ethnic violence and extremism, rising anti-Semitism, and continuing genocide, our work has never been more pertinent or more urgent. We believe that our programs for teachers, diplomats, law enforcement officers, the military, the clergy, and concerned citizens help people understand the powerful lessons that history holds for our own times.

Through its on-site programs, outreach activities, and Web site, the Museum is reaching millions of Americans as well as a growing international audience each year with these stark lessons: evil is not eradicable; indifference has consequences; freedom requires responsibility. Inspired by the survivors, challenged by our times, and gratified by the continued high demand for our programs, the Museum will continue in Fiscal Year 2008 to bring these lessons to millions more.



Sara J. Bloomfield
Director

Statement of Assurance

I, Sara J. Bloomfield, Director of the United States Holocaust Memorial Museum, state and assure that to the best of my knowledge:

- (1) The system of internal controls of this agency is functioning and provides reasonable assurance as to the: efficiency and effectiveness of programs and operations, reliability of financial performance information, and compliance with laws and regulations. These controls satisfy the requirements of the *Federal Managers Financial Integrity Act*.
- (2) The system of internal controls of this agency that relates to the security of financial management systems and performance and other financial data provide protections commensurate with the risk and magnitude of harm resulting from the loss, misuse, or unauthorized access and satisfy the requirements of section 5131 of the *Clinger-Cohen Act* of 1996; sections 5 and 6 of the *Computer Security Act*; and section 3533(D)(2) of the *Government Information Security Reform Act* and the *Federal Information Security Management Act* .
- (3) The financial management systems of this agency provide reasonable assurances that: obligations and costs are in compliance with applicable law; performance data and proprietary and budgetary accounting transactions applicable to the agency are properly recorded and accounted for to permit the timely preparation of accounts; reliable performance information, and to maintain accountability for the assets. The financial control at this agency satisfies the requirements of the *Federal Managers Financial Integrity Act*.
- (4) The financial management systems of this agency provide this agency with reliable, timely, complete, and consistent performance and other financial information to make decisions, efficiently operate and evaluate programs, and satisfy the requirements of the *Federal Financial Management Improvement Act* section 803(a), the *Government Performance and Results Act*, and OMB circular No. A-11 Preparation and Submission of Budget Estimates. A remediation plan under *FMFIA* is not required.
- (5) There are no material weaknesses reported.



Sara J. Bloomfield
Director

Management's Discussion and Analysis

Introduction

This report, *Management's Discussion and Analysis* (unaudited), provides an overview of the financial position and results of activities of the United States Holocaust Memorial Museum (the "Museum") for the fiscal year ended September 30, 2007 (FY 2007). Prepared by Management, it is required supplemental information to the financial statements and the footnotes in Part 2 of the *Performance and Accountability Report* (PAR). This information should assist readers of these statements in better understanding the Museum's financial position and operating activities.

As America's national institution for Holocaust education and remembrance, the Museum brings the history and lessons of the Holocaust to Americans from all walks of life through educational outreach, teacher training, traveling exhibitions, and scholarship.

The Museum is a public-private partnership which receives an annual Federal appropriation as well as private donations. The Federal appropriation primarily supports the basic operations of the Museum facility which is a national memorial. Private (Non-appropriated) funding primarily supports educational programming, scholarly activities, and outreach.

The Museum is an independent establishment of the United States Government (*Public Law 106-292–October 12, 2000*) and is governed by a board of trustees known as the United States Holocaust Memorial Council (the "Council"). The Council has 65 voting members and three nonvoting members. Of the voting members, 55 are appointed by the President of the United States, five are appointed from among Members of the U. S. House of Representatives, and five are appointed from among members of the U. S. Senate. Of the three nonvoting members, one appointment is made by each of the Secretaries of the Departments of the Interior, State, and Education. Presidentially appointed members serve five-year terms; Members of Congress serve until the end of the Congressional term.

Performance Goals and Results

Having achieved extraordinary success in its first ten years, the Museum established a strategic plan that provides a vision and framework for its activities through its second decade. The Museum had 60 established objectives for FY 2007 related to education, remembrance, research, and infrastructure support. The Museum met or exceeded 47 objectives, partially met eight objectives, and deferred the targeted completion dates on five objectives. Full details on these goals and the related results are presented in the PAR that follows this section.

Financial Statements Summary

The Museum's financial position remained strong at September 30, 2007, with total assets of approximately \$351 million and total liabilities of approximately \$9.4 million. Net assets, which represent the residual interest in the Museum's assets after liabilities are deducted, are \$341.6 million. This is a nine percent increase over last fiscal year's net assets. The increase in net assets is primarily attributable to investment appreciation.

STATEMENT OF FINANCIAL POSITION

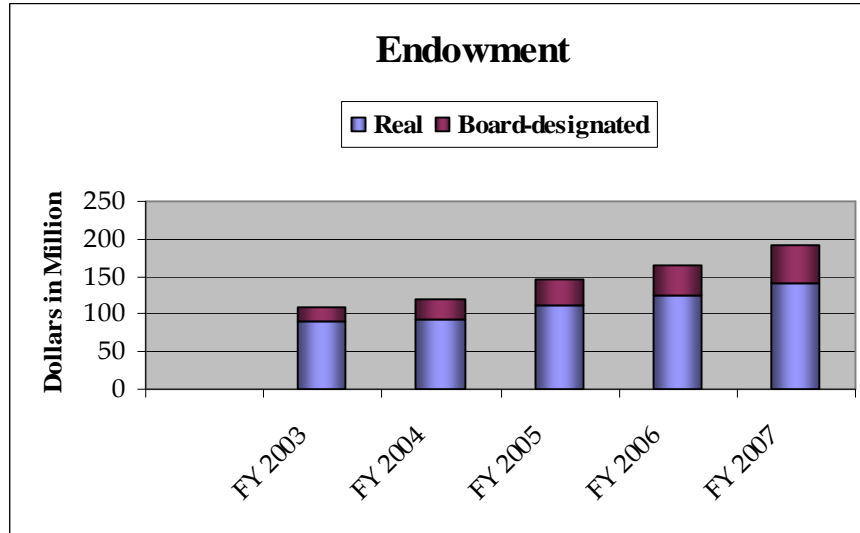
Current assets. Current assets, which consist primarily of cash, operating investments, contributions receivable due within the year, inventory, and accounts receivable, totaled \$28.4 million. Total current assets cover current liabilities of \$9.4 million by a factor of three.

Contributions Receivable. The Museum has contributions receivable, net of allowance for doubtful accounts and discounts to present value of \$19.5 million. Of these receivables, \$6.7 million are current and \$12.8 million are due after one year.

Long-Term Investments. Long-term investments are the largest of the non-current assets and consist mainly of donated securities and the investment of endowment funds. The current Museum investment policies call for an asset allocation of 60 (-20 / +10) percent in equities, 30 (- / +15) percent in fixed investments, and ten (- / + 10) percent in alternatives for endowment investments. Included in the Museum's interpretation of equity and fixed income strategies are investments in limited partnerships, limited liability companies, and trusts that seek a diverse range of equity and fixed income positions.

With the assistance of a highly qualified investment consultant, the Museum closely monitors all investments by meeting periodically with individual investment managers, reviewing related management reports including independently audited statements, daily monitoring public sources for issues of concern with these firms, and continually assessing performance benchmarks and risk indicators.

Endowment. The endowment has grown from \$109.5 million to \$191.6 million in the past five years. As outlined in the footnotes, the endowment consists of both board-designated and real endowments which are pooled for investment purposes. As of September 30, 2007 the board-designated endowment balance was approximately \$51.2 million, and the real endowments balances totaled approximately \$140.4 million.



Performance. The annual return for the pooled endowment fund this year was 13.7 percent. Included in the calculation of this performance figure are realized and unrealized gains and losses along with investment income.

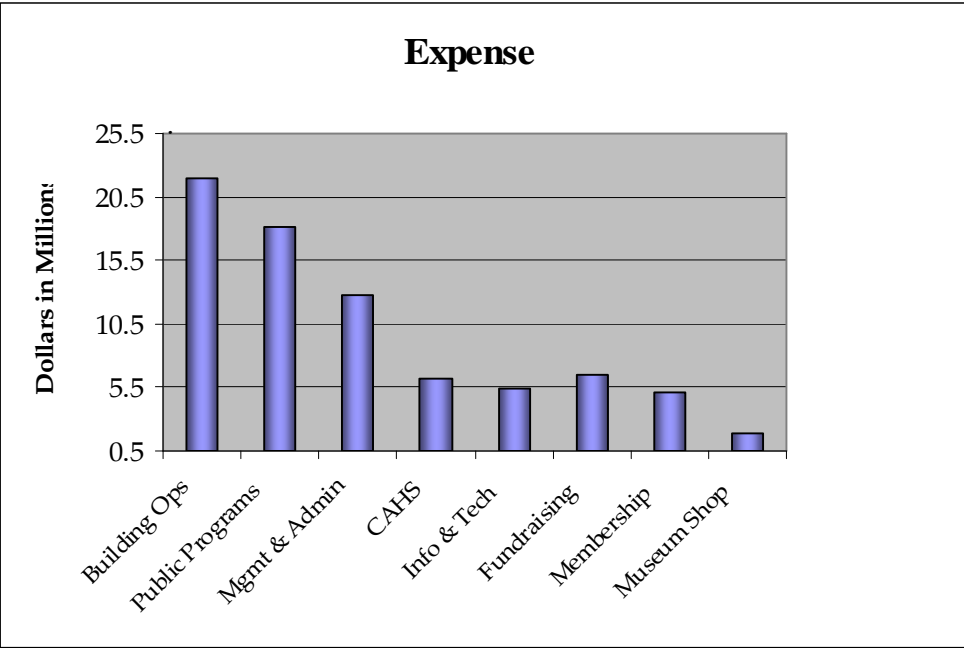
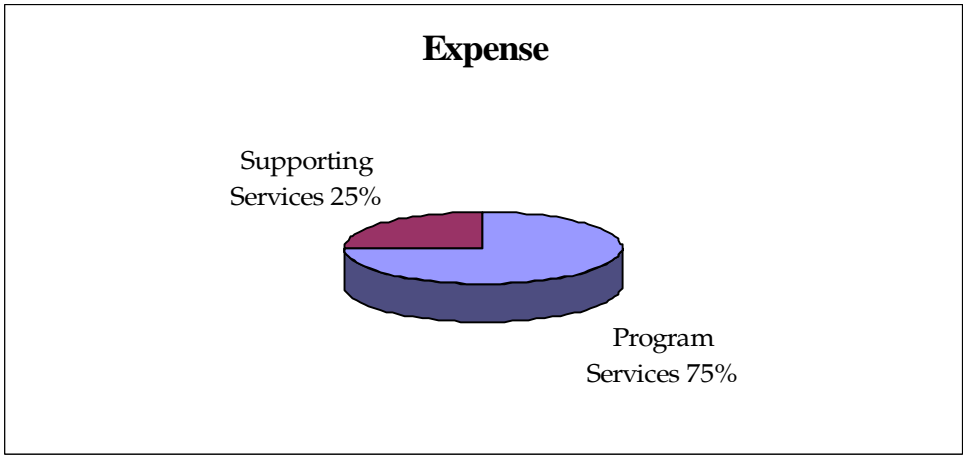
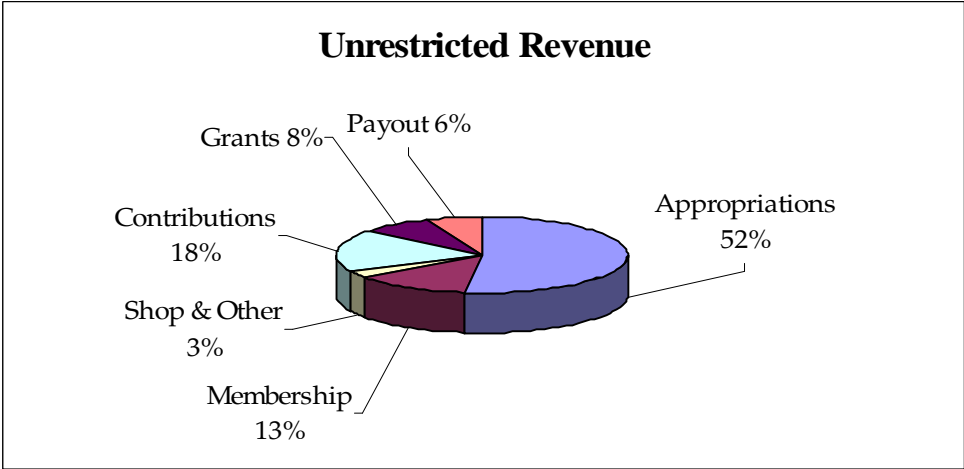
Liabilities. Liabilities consist primarily of accounts payable and accrued compensation. Total liabilities are \$9.4 million.

Net Assets/Federal Equity. The Museum has total equity of \$341.6 million, of which approximately \$145.8 million is permanently restricted, and approximately \$20.8 million is temporarily restricted by donors. The Museum's equity includes investments in the Museum building and exhibitions.

STATEMENT OF ACTIVITIES

The *Statement of Activities* presents the Museum's results of financial activity for the fiscal year and matches revenues to related expenses. The statement summarizes the annual gain/loss in equity.

Non-appropriated sources in FY 2007 provided 47 percent of revenues (compared to 46 percent in FY 2006) reflective of the Museum's success in obtaining donor support for the Museum's program activities. Museum expenditures increased \$3.9 million (five percent) from FY 2006 and are attributed to increases in payroll and contracts. Program services comprise 75 percent of these expenditures. The charts that follow provide details.



MANAGEMENT INTEGRITY: CONTROLS AND COMPLIANCE

The Museum maintains a comprehensive management control program through the activities of its full-time internal auditor, efforts by the independent audit committee of the Council, monitoring and reviews by the Museum's legal staff, and the ongoing proactive efforts to review and improve management controls by management staff.

Based on this program, the Museum has reasonable assurance that:

- The financial reporting is reliable.
- The Museum is in compliance with all applicable laws and regulations.
- Management's performance reporting systems are reliable.

In addition to these efforts, the Museum has also been accredited by the American Association of Museums. In going through the accreditation process, qualified museum professionals conducted a thorough independent evaluation of all aspects of the Museum, including a review of management controls.

The Director's Statement of Assurance, as required under the *Federal Manager's Financial Integrity Act* attests to these and other Federal requirements for financial management.

INVESTMENT IN FUNDRAISING

The Museum continues to make significant investments in activities related to raising funds for Museum operations, including contributions to the Museum's endowment. These activities include membership, planned giving, and major gift officer operations. Annually, Museum management reviews and evaluates the level of these investment levels, by specific fund raising activity, to ensure that funds expended for such purposes are returning results that fully justify and support the level of investment. Museum officials are available to discuss this work upon request.

LIMITATIONS OF THE FEDERAL FINANCIAL STATEMENTS

The Federal financial statements have been prepared to report the financial position and results of operations of the Museum, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the Museum in accordance with generally accepted accounting principles for Federal entities, the Federal statements are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records. The statements should be read with the realization that they are for a component of the United States Government, a sovereign entity.

FUTURE CONCERNS AND ISSUES

As the lessons of the Holocaust become increasingly relevant to our own times, the demand for the Museum's programs has been growing nationally and internationally. While the current level of funding covers

the basic operating costs of the Museum facility, the Museum depends on private support for educational programming and outreach. As demand for these programs increases and the Holocaust recedes in time, it is increasingly critical to secure the financial future of the institution, and hence the Museum continues to make a significant commitment to building the institution's endowment.

PROGRAM PERFORMANCE REPORT

Mission Statement

A living memorial to the Holocaust, the United States Holocaust Memorial Museum was created to remember the victims and to stimulate leaders and citizens to confront hatred, prevent genocide, promote human dignity, and strengthen democracy. The Museum, which opened in 1993, was created in response to recommendations by the *President's Commission on the Holocaust* (P.L. 96-388), which mandated the following:

- Operate and maintain a permanent living memorial museum to the victims of the Holocaust,
- Provide appropriate ways for the nation to commemorate the victims of the Holocaust through the annual national civic observances known as *Days of Remembrance*, and
- Carry out the recommendations of the President's Commission on the Holocaust in its Report to the President of September 27, 1979.

Mission Goals

- ◆ Protect and Strengthen the Core of the Living Memorial
- ◆ Enhance the Nation's Moral Discourse
- ◆ Secure the Future of the Memorial Museum
- ◆ Maintain efficient Management and Administration

Use of Non-Federal Parties

The United States Holocaust Memorial Museum is a public-private partnership and as such employs staff with both Federal and non-appropriated funds. Both Federal and non-appropriated employees contribute to accomplishing the mission of the Museum and subsequently to the content of this report. No outside contractors were used to prepare the report.

Impact of FY 2007 Results on Future Performance Plans

The partially met objectives from FY 2007 are carried forward in the FY 2008 and later performance plans, as necessary and where consistent with the current plans and funding levels.

Format of the Performance Report

The performance report for FY 2007 has been changed from previous years to improve readability and to incorporate additional objectives, targets, and results that were not presented in the original performance plan. The elements contained in the report are as specified in guidance issued by the Office of Management and Budget in circular A-11. Required elements of the report are identified below:

Comparison of actual performance with projected level of performance – This information is contained in the “YTD Results / Status” column of the report for each indicator for each performance objective.

Explanation of reasons for unmet objectives – This information, where required, is identified in the results descriptions.

Description of plans to meet unmet objectives in the future – The FY 2008 and future performance plans address any plans to extend unmet objectives into the future.

Evaluation of FY 2008 performance plan – This information is contained under “Impact of FY 2007 Results on Future Performance Plans.”

Availability of Additional Information

Additional information about the FY 2007 accomplishments and about the programs and public resources of the United States Holocaust Memorial Museum is available through the following means:

The USHMM Web site at <http://www.USHMM.org>

James Gaglione, Budget Officer, (202) 314-0336; jgaglione@ushmm.org

SUMMARY ANNUAL PERFORMANCE REPORT

Consolidated status of all objectives

	FY 07 Results		FY 06
Met or exceeded targets	47	78%	78%
Partially met targets	8	14%	14%
Deferred	5	8%	8%

GOAL: Protect and strengthen the core of the living memorial

Major objectives:

- Operate the Museum and improve visitor services
- Rescue the evidence of the Holocaust
- Engage new audiences in Days of Remembrance
- Shape the emerging field of Holocaust studies

Highlights:

- Visitation increased, especially through scheduled groups, which increased by 18% over FY 2006
- Over 500 collections acquired, including the first group of digital archival images transferred from the International Tracing Service
- Exceeded goals for scholarship by engaging over 200 scholars during FY 07 from over 25 states and 10 foreign countries

Status of objectives:

	FY 07 Results		FY 06
Met or exceeded targets	20	90%	68%
Partially met targets	1	5%	18%
Deferred	1	5%	14%

GOAL: Enhance the nation’s moral discourse

Major objectives:

- Effectively use the Committee on Conscience to respond to contemporary genocide
- Increase the base of citizens with knowledge of the Holocaust
- Improve Holocaust teaching at the secondary level
- Improve the distribution of support to underserved communities
- Serve as a catalyst for professions of leadership
- Use the Wexner Learning Center to enhance visitor engagement
- Extend the impact of the Permanent Exhibition

Highlights:

- Drew international attention to the crisis in Darfur through the President’s speech at the Museum and through the “*Darfur, Darfur*” event in November.
- Traveling exhibitions on view in thirteen states
- 400% increase in traffic to the Museum’s anti-Semitism web pages
- Successful translation of Web site pages into Arabic and Farsi
- Expansion of regional educational programs and outreach to military audiences

Status of objectives:

	FY 07 Results		FY 06
Met or exceeded targets	12	63%	50%
Partially met targets	5	26%	50%
Deferred	2	11%	

GOAL: Secure the future of the Memorial Museum

Major objectives:

- Undertake fundraising efforts to fulfill the strategic plan and integrate fundraising plans with programmatic priorities
- Enhance perception of the Museum as institution that teaches the lessons of the Holocaust and encourages leaders and citizens to confront hate, prevent genocide, promote human dignity and strengthen democracy
- Position the museum to anticipate and benefit from opportunities that support the mission

Highlights:

- Exceeded fundraising goal for the annual fund and attracted 29,000 new members
- President’s speech at the Museum in April resulted in widespread coverage of the Darfur crisis

Status of objectives:

	FY 07 Results		FY 06
Met or exceeded targets	9	100%	100%
Partially met targets			
Deferred			

GOAL: Improve management and administration

Major objectives:

- Pursue continuous improvement and excellence in financial and human capital management, information technology support, and museum management and governance
- Address the relevant elements of the President’s Management Agenda

Highlights:

- Implemented e-travel
- Implemented new retirement plan for non-appropriated employees
- Completed first segment of new collections management system

Status of objectives:

	FY 07 Results		FY 06
Met or exceeded targets	6	60%	50%
Partially met targets	2	20%	50%
Deferred	2	20%	

GOAL: PROTECT AND STRENGTHEN THE CORE OF THE LIVING MEMORIAL

Objective	FY 2007 activity planned, target or comparison baseline	Results / Status
<p>General museum operating statistics</p> <ul style="list-style-type: none"> • Visitation • Volunteer hours worked 	<p>FY 2006:</p> <ul style="list-style-type: none"> • 1,559,357 visitors <ul style="list-style-type: none"> ▪ 259,783 in groups (17%) ▪ 589,281 in RTC (38%) ▪ 219,246 in KR Gallery (14%) (gallery dark 6/1-12/15/06) ▪ 190,553 in Learning Center (12%) • 22,920 volunteer hours worked 	<p>Met:</p> <ul style="list-style-type: none"> • 1,623,762 visitors <ul style="list-style-type: none"> ▪ 306,721 in groups (18.8%) ▪ 550,618 RTC (33.9) ▪ 116,586 in KR Gallery (7.2%) (gallery dark 6/1 – 12/15/06) ▪ 171,307 in Learning Center (10.6%) • 23,883 volunteer hours worked
	<p>Operate the Museum 7 days per week on normal schedule with no partial or complete closures due to deferred maintenance or staff shortages for public access to the exhibitions, library, theaters, and other spaces and to all public programs</p>	<p>Met: No partial or complete closures due to deferred maintenance or staff shortages for public access</p>
<p>Improve visitor services at the Museum</p>	<p>Maximize group visitation services by expanding the number of entrances used for groups</p> <p>Offer group visits to special exhibitions to expand group visitation opportunities</p> <p>Implement an automated group reservation system through the USHMM Web site</p>	<p>Met: This practice has been made permanent.</p> <p>Met: 591 scheduled group visits to special exhibits or other non-PE areas of the Museum (compared to none in FY05 and 48 in FY06).</p> <p>Exceeded: Completed ahead of schedule in FY 2006</p>

GOAL: PROTECT AND STRENGTHEN THE CORE OF THE LIVING MEMORIAL

Objective	FY 2007 activity planned, target or comparison baseline	Results / Status
<p>Rescue the Evidence:</p> <p>Develop a more comprehensive collection that is better able to serve exhibition and research needs and fill identified gaps (this objective encompasses all areas and types of collections as well as collections management and access)</p>	<p>Pursue strategic acquisitions activities, primarily in United States, Israel, Australia, Southeast Asia.</p>	<p>Met: Acquired 442 collections in the U.S., Israel, Europe, and South America.</p>
	<p>Pursue the cooperative Names List Project with Yad Vashem to expand the Survivor's Registry (multi-year project goal is a database of both Jewish and non-Jewish names)</p>	<p>Met:</p> <ul style="list-style-type: none"> Met in Jerusalem in October 2006 and by video conference in August 2007 to discuss shared work with documentation from the International Tracing Service collection. Data updates shared
	<p>Focus library acquisitions to support research, education, and exhibition needs of the Museum</p>	<p>Met:</p> <ul style="list-style-type: none"> The Library added 3,704 items to the collection in FY07 bringing the count of items in the collection to 74,756. Unprocessed backlog stands at close to 10,000 items. Significant progress will be made at reducing this number in the first quarter of FY2008
	<p>Implement collections management database system by FY 2008. Phase 1 in 2007 and phase 2 in 2008.</p>	<p>(see status report under Information Technology objective elsewhere in performance plan)</p>
	<p>Assess, treat, and rotate permanent exhibition artifacts according to the priority list of 438 objects compiled in 2006.</p>	<p>Met: 210 items (45%) of objects rotated/treated</p>
	<p>Digitize the collection of 4,200 hours of USHMM-produced video survivor interviews and store the new digital files for long term survival. 2,100 hours scheduled for 2007 digitization.</p> <p>Acquire 1 million pages of archival material per year for 10 years.</p>	<p>Partial: This effort was not completed in 2007 and is continuing in 2008.</p> <p>Exceeded: Acquired 70 collections, totaling 3,960,000 pages, including 15 JSSI-related collections totaling 800,000 pages</p>

GOAL: PROTECT AND STRENGTHEN THE CORE OF THE LIVING MEMORIAL

Objective	FY 2007 activity planned, target or comparison baseline	Results / Status
Engage new audiences in Days of Remembrance (DOR)	Expand the DOR component of the web site	Deferred pending reassessment of the value of this effort
	Provide special programming to engage the next generation of Museum supporters	Met: Reached out to donors, potential donors, Council and other leadership through array of events that highlight DOR and showcase breadth and depth of Museum programs.
	Use innovative communications methods such as Web advertising and DVDs to build partnerships, connect with influencers and steward constituencies; specific target for FY 2007 is to create a special DOR Web page for the military community	Met: Special Web page has been created. A downloadable poster is available. Educational Resources for Military Personnel have been loaded onto the site.
	Expand outreach to key audiences: military, law enforcement, educators, college students	Met: Special DOR materials mailed to governors and boards of education in all 50 states and Puerto Rico and to 252 U.S. military bases.
Increase efforts at encouraging Teacher Fellows to create and engage in DOR activities in their schools and communities		Met: Mailed posters to schools nationwide

GOAL: PROTECT AND STRENGTHEN THE CORE OF THE LIVING MEMORIAL

Objective	FY 2007 activity planned, target or comparison baseline	Results / Status
<p>Center for Advanced Holocaust Studies</p> <p>Shape the emerging field of Holocaust studies to promote its excellence and vitality</p>	<p>Engage 75-100 new university-based scholars in CAHS network of research/teaching activities</p> <p>Facilitate university scholars' research and teaching work through faculty seminars (2 per year); fellows program (25-30 per year); campus outreach/presence (50-75 presentations per year)</p>	<p>Exceeded: Engaged 156 new university-based scholars in CAHS research and teaching activities</p> <p>Exceeded:</p> <ul style="list-style-type: none"> • 46 fellows in residence from 15 states, and 7 foreign countries • 3 seminars for 72 professors from 22 states, DC, and Canada • 68 campus-outreach programs in 25 states, DC, and Canada
	<p>Build networks of scholars/communities of discourse through 6-10 summer research workshops; symposia; partnered activities off-site</p>	<p>Met:</p> <ul style="list-style-type: none"> • 6 programs conducted, comprising 48 scholars from 20 states, DC, and 10 foreign countries. • Topics included historical and contemporary anti-Semitism, Ukraine, collaboration by cultural elites, American responses, geography and the Holocaust, and the Eastern European churches and the Holocaust.
	<p>Complete an encyclopedia of Nazi killing centers, camps, ghettos, and other detention sites by FY 2010. Volumes 1 scheduled for printing in FY 2007. (Target revised downward from volumes 1 & 2.)</p>	<p>Met:</p> <ul style="list-style-type: none"> • Volume 1 manuscript completed and sent to Indiana University Press • 86% of entries assigned and 63% received for volume 2
	<p>Complete an archival studies project on Jewish responses to persecution by FY 2010.</p>	<p>Met: Over 180,000 pages of USHMM material surveyed and preliminary selections made for first two of five volumes of Archival Studies Project on Jewish Responses to Nazi Persecution</p>
<p>Publish new research</p>		<p>Met:</p> <ul style="list-style-type: none"> • 5 research monographs • 3 issues of Holocaust and Genocide Studies • 2 occasional papers

GOAL: ENHANCE THE NATION'S MORAL DISCOURSE

Objective	FY 2007 activity planned, target or comparison baseline	Results / Status
Effectively use the Committee on Conscience to respond to contemporary genocide	<p>Institutionalize the student outreach program and increase the Listserv network</p>	<p>Met:</p> <ul style="list-style-type: none"> • Podcast/blog on website expanded • Genocide Prevention Leadership Summit with over 200 participants including the COC's Student Advisory Board • Awarded op-ed contest winners for the 2nd annual contest for high school and university students. Contest judges included, Madeleine Albright, Barak Obama and Nicholas Kristoff. • Co-hosted a student conference with over 400 students from across the country. • Hosted <i>Darfur, Darfur</i> projecting images of Darfur genocide onto the USHMM façade during November 2006, garnering national and international media attention <p>Deferred: Opening date revised to winter 2008.</p>
Expand the network of citizens who care about genocide	<p>Launch an exhibition on contemporary genocide in the Wexner Learning Center.</p> <p>The Academy will host at least 4 roundtables</p>	<p>Partial: Three roundtables conducted</p> <p>Met: Task Force was created and initial structure put in place including securing a Genocide Prevention Task Force Coordinator, Executive Director, two high level former government officials as Co-chairs and eight high-level Task Force members.</p>
Expand the reach of the Academy for Genocide Prevention	<p>Launch Google Earth partnership for mapping atrocities in Darfur and other regions.</p>	<p>Met:</p> <ul style="list-style-type: none"> • <i>Crisis in Darfur</i> launched at a press conference on April 10th and generated hundreds of media interviews • developing partnership with UN Department of Peacekeeping Operations (DPKO) and other organizations for further data acquisition and information sharing.

GOAL: ENHANCE THE NATION'S MORAL DISCOURSE

Objective	FY 2007 activity planned, target or comparison baseline	Results / Status
<p>Carry out the NIHE objectives</p> <p>Increase the base of citizens with knowledge of the Holocaust</p> <p>Improve the quality and extent of Holocaust teaching at secondary level</p> <p>Improve the distribution of resources and support to underserved communities</p> <p>Increase the Museum's capacity to serve as a catalyst for professions that lead and protect society</p> <p>Use Wexner Learning Center as a locus of activity to enhance visitor engagement and provoke questions and involvement including greater appreciation for connections between Holocaust history and contemporary issues</p>	<p>Develop and present products and programs related to Lodz, Propaganda, and Genocide exhibitions</p> <p>Develop curricular material based on <i>Deadly Medicine</i> for medical professionals</p> <p>Manage the traveling exhibition program: Launch <i>Deadly Medicine</i> traveling exhibition and programs</p> <p>Increase awareness of contemporary anti-Semitism and its historical roots.</p> <p>Conduct teacher training programs with the Regional Education Corps (REC) and Museum Teacher Fellowship Program</p>	<p>Met:</p> <ul style="list-style-type: none"> • Public tours of Lodz exhibition 3/07-10/07 • 585 attendees at First Person programs • Developing a program with Columbia University for January 2008 <p>Partial: Curriculum development efforts underway for completion in 1st quarter FY 2008.</p> <p>Met:</p> <ul style="list-style-type: none"> • 7 exhibitions on view in 20 cities/13 states • Deadly Medicine traveling tour launched 12/17/06 with 4 venues booked <p>Met:</p> <ul style="list-style-type: none"> • 400 % increase in visitation to Anti-Semitism Web page • Briefed congressional staff on anti-Semitism issues • Launched audio/podcast series and Arabic and Farsi Web site translations • Conducted 5-day training institute for the United Nations Information Officers (UNIOs) from 10 Latin American countries <p>Met:</p> <ul style="list-style-type: none"> • REC presentations in Arizona, Montana, Wisconsin, and Connecticut. • Teacher workshops in Washington, California, Florida, Ohio, Wyoming and DC. • Teacher Fellows in Georgia, Nebraska, Washington, New York, New Jersey, and Mississippi developed lessons that were filmed for the Museum website. • Regional Education Summit in Pittsburgh with the Deadly Medicine exhibit. • REC membership increased from 20 to 30 and Teacher Fellows from 222 to 232

Objective	FY 2007 activity planned, target or comparison baseline	Results / Status
<p>Carry out the NIIE objectives - continued</p> <p>Increase the base of citizens with knowledge of the Holocaust</p> <p>Improve the quality and extent of Holocaust teaching at secondary level</p> <p>Improve the distribution of resources and support to underserved communities</p> <p>Increase the Museum's capacity to serve as a catalyst for professions that lead and protect society</p> <p>Use Wexner Learning Center as a locus of activity to enhance visitor engagement and provoke questions and involvement including greater appreciation for connections between Holocaust history and contemporary issues</p>	<p>Extend programs for military and government audiences, and continuing national pilot of Law Enforcement and Society programs</p> <p>Assess efforts to increase capacity to deliver teacher training and resources.</p> <p>Develop interpretive resource products to support exhibition materials</p> <p>Use Wexner Learning Center to test new programming models including expanding the use of appropriate technologies and distance learning</p>	<p>Met:</p> <ul style="list-style-type: none"> • 2,133 from 95 countries participated in military and government programs. • Military Day program in November served over 700. • Government and law enforcement program participants included the Departments of Defense, Homeland Security, National Oceanographic and Atmospheric Administration (NOAA), and Council for Excellence in Government and Arizona prosecutor's office • US Naval Academy freshmen program expanded to add small group sessions during the school year. • Began partnership with Marine Corps military police. • Initiated new command level FBI training • Train the Trainers in Nassau County, NY, St. Louis, and Houston <p>Partial: Conducting assessment of teacher training, Web design and resources in preparation for revisions in FY 2008.</p> <p>Met:</p> <ul style="list-style-type: none"> • Completed revision and reprint of question card for groups and companion web page. • Teacher resource DVD completed and distributed for Deadly Medicine traveling exhibition in Pittsburgh and Atlanta <p>Met:</p> <ul style="list-style-type: none"> • New program featuring Holocaust survivors ran May through September. • New interactive display on contemporary genocide issues scheduled for FY 08.

GOAL: ENHANCE THE NATION'S MORAL DISCOURSE

Objective	FY 2007 activity planned, target or comparison baseline	Results / Status
<p>Extend the impact of the Permanent Exhibition and provide core programming in the Museum</p>	<p>Complete the P.E. retrofit project by the end of FY 2008 (5 of 44 subprojects shifted in 2006 from retrofit to implementation of PE evaluation recommendations; 4 dropped from program)</p>	<p>Partial: 38 sub-projects: <ul style="list-style-type: none"> • 27 (71%) finished • 5 (13%) in other stages of effort </p>
	<p>Implement recommendations for changes derived from the 2004 evaluation of the P.E. As of FY 2006, 14 projects are identified for implementation. (In FY 2006, 5 projects were added to 14 previously identified for implementation. In FY 2007, the projects will be prioritized to schedule implementation.)</p>	<p>Partial: Of 19 projects: <ul style="list-style-type: none"> • 4 have a design concept • 1 is in detail design • 1 is projected for completion by Spring 2008 </p>
	<p>Develop a core story traveling exhibition</p>	<p>Deferred pending reassessment of the value of this effort</p>
	<p>Develop and present public programs on the legacy and impact of the Holocaust</p>	<p>This objective has been superseded by specific activities related elsewhere in the report.</p>
	<p>Provide interpretive programs designed for families as complements to Daniel's Story</p>	<p>Met: Redesign and testing of the Family Guide was completed and a new version created based on feedback provided by focus groups and an outside consultant.</p>
	<p>Develop and present special exhibitions as outlined in the long-term exhibition plan</p>	<p>Met: Status report on next page in separate table</p>

Status report for special exhibitions:

<u>Exhibition Title/Topic</u>	<u>Target Presentation Dates</u>	<u>Phase as of 9/30/2007</u>
<i>Documenting the Path of American Liberators</i> (Wexner Learning Center)	May 16, 2004–spring 2008	On view
<i>GENOCIDE EMERGENCY—Darfur, Sudan: Who Will Survive Today?</i> (Wexner Learning Center)	March 11, 2005 - Indefinitely	On view
<i>Abandoned at Srebrenica: Ten Years Later</i> (Meyerhoff Theater)	July 11, 2005 - Indefinitely	On view
<i>The Nuremberg Trials: What Is Justice?</i> (Wexner Learning Center)	December 20, 2005 - Indefinitely	On view
<i>A Dangerous Lie: The Protocols of the Elders of Zion</i> (Gonda Education Center)	April 21, 2006 - Indefinitely	On view; added access to podcast "Voices on Anti-Semitism" within the exhibition (April 2007)
<i>"Give Me Your Children": Voices from the Lodz Ghetto</i> (Kimmel-Rowan Gallery)	November 17, 2006–October 8, 2007	On view
<i>Deadly Medicine: Creating the Master Race</i> - German language version (German Hygiene Museum, Dresden)	October 12, 2006–June 24, 2007	Closed
<i>Deadly Medicine: Creating the Master Race</i> (traveling exhibition)	December 16, 2006–2012 (12 venues)	Toured to 3 venues in FY 2007; currently on view at the Maltz Museum in Beachwood, Ohio
<i>Stepping Up to Genocide Today</i> (Wexner Learning Center)	Spring 2008–2013	Design-fabrication contract to be awarded 1 st quarter FY 2008
Propaganda (Kimmel-Rowan Gallery)	November 20, 2008 – Fall 2010	Concept design completed in August 2007;
Collaboration/Complicity (Kimmel-Rowan Gallery)	Spring 2011–Fall 2013	Research / thesis development

GOAL: SECURE THE FUTURE OF THE MEMORIAL MUSEUM

Objective	FY 2007 activity planned, target or comparison baseline	Results / Status
<p>Undertake fundraising efforts to fulfill the Strategic plan</p>	<p>FY 2007 target: Raise \$26.9 million in annual funds and \$10 million in endowment</p>	<p>Exceeded: \$30.4 million in annual fund and \$6 million in endowment.</p>
	<p>Undertake targeted membership acquisition efforts to increase the number of new members by approx. 23,000.</p>	<p>Exceeded:</p> <ul style="list-style-type: none"> • 29,000 new or reactivated members generated YTD, the most since FY 01.
	<p>Develop regional activities through traveling exhibitions, annual events, and Museum speakers</p>	<p>Met:</p> <ul style="list-style-type: none"> • Annual Chicago luncheon with 3,000 guests featured Oprah Winfrey and resulted in \$3 million raised • COC fundraising events featured Mia Farrow in New York and Washington DC. • Fundraising events conducted in Ohio, Georgia, and Pennsylvania around the <i>Deadly Medicine</i> exhibition in those communities.
<p>Launch endowment initiatives and other major fundraising efforts around the major programmatic themes and objectives</p>		<p>Met:</p> <ul style="list-style-type: none"> • Completed Ross Challenge matching campaign with 315 gifts totaling \$1.1 million and launched a second \$1 million challenge for FY2008. • Membership launched "R³" Service & Education Initiative on the USHMM Web site • Received grants from the David Berg Foundation, MacArthur Foundation, Humanity United and the Starr Foundation.

GOAL: SECURE THE FUTURE OF THE MEMORIAL MUSEUM

Objective	FY 2007 activity planned, target or comparison baseline	Results / Status
<p>Enhance perception of the Museum as institution that teaches the lessons of the Holocaust and encourages leaders and citizens to confront hate, prevent genocide, promote human dignity and strengthen democracy</p>	<p>Refine the Museum's visual identity and ensure messages are cohesive, consistent, appropriate, and future-focused</p>	<p>Met:</p> <ul style="list-style-type: none"> • Managed communications for 50 fundraising events including the annual DOR commemoration; Chicago luncheon with Oprah Winfrey; and the first International Leadership trip. • Re-launched biannual member newsletter • Re-designed Web homepage • Produced a 3-day workshop for Program, Development and External Affairs staff designed to strengthen integration, foster a better understanding of the breadth and depth of Museum programming and enhance "messaging" efforts across the institution.
	<p>Undertake audience research in support of marketing efforts</p>	<p>Met:</p> <ul style="list-style-type: none"> • Began Propaganda exhibition title research with visitors and internal focus groups • Conducted Membership and Planned Giving focus groups.
<p>Position the Museum to anticipate and benefit from opportunities that support the mission and enhance the Museum's image</p>	<p>Generate positive press coverage around key Museum initiatives</p>	<p>Met:</p> <ul style="list-style-type: none"> • Google Earth launch generated 500 English language articles • President's speech at the Museum resulted in widespread coverage of Darfur crisis • Darfur programs w/Mia Farrow and "Our Walls Bear Witness" event generated national and local coverage • Press strategy around the International Tracing Service resulted in extensive global media coverage

Objective	FY 2007 activity planned, target or comparison baseline	Results / Status
<p>Position the Museum to anticipate and benefit from opportunities that support the mission and enhance the Museum's image</p>	<p>Generate positive press coverage around key Museum initiatives</p> <p>Use innovative communications methods to build partnerships, connect with influencers, and steward constituencies.</p>	<p>Met:</p> <ul style="list-style-type: none"> • Issued press statement in response to Tehran Holocaust conference and highlighted visit of Muslim leaders to Museum. • Press coverage includes Lodz opening, Deadly Medicine and other traveling exhibitions; McDonald diary, St. Louis and Exodus projects; Vienna archives and other international activities; leadership programs; DOR. <p>Met:</p> <ul style="list-style-type: none"> • E-newsletter subscriber list doubled to 30,000 • Used Weblogs, listservs, and e-community developments • Google Earth partnership doubled visitation to Web site in the month following launch. • Press coverage surrounding USHMM acquisition of SS photo album led to three-fold increase in Web site visitation • Web-based outreach and on-site "open house" days for special audiences/events resulted in higher awareness and visitation

GOAL: IMPROVE MANAGEMENT AND ADMINISTRATION

Objective	FY 2007 activity planned, target or comparison baseline	Results / Status
<p>Pursue continuous improvement and excellence in financial management, human resources management, information technology support, and administration of the Museum and address relevant elements of the President's Management Agenda.</p>	<p>General measure: change in costs for financial management relative to prior year.</p>	<p>Partial: Total costs rose 4% but FTE use decreased by 1 FTE.</p>
	<p>Undertake systematic financial analyses on individual Museum units</p>	<p>Met: This goal has been institutionalized into routine financial analysis and reporting tools available online to managers</p>
	<p>Implement e-Travel</p>	<p>Met: Successfully implemented.</p>
	<p>Implement payroll provider consolidation</p>	<p>Deferred: The scope of this project has been expanded to include preliminary research of current personnel/payroll (instead of solely payroll) system requirements, user needs, and provider functionality. Initial findings indicate that further in depth analysis should precede attempts to consolidate payroll providers. HR and Finance will create a project team to complete research and present recommendations to senior management by the end of the FY08 second quarter.</p>
	<p>Foster the proactive use of Human Resources as a management resource for Museum supervisors in accomplishing organizational goals and objectives: FY 2007 specific targets: - Assess training needs by July 2007 - Revise training policy and develop training plan by October 2007</p>	<p>Partial: The Employee Development program was reviewed as part of an OPM audit and preliminary assessment of supervisory training needs was conducted (training sessions for supervisors are scheduled for the first quarter of FY08). Development of a training policy and plan will be completed by the end of the FY08 second quarter.</p>
	<p>Implement an improved retirement plan for non-appropriated employees.</p>	<p>Met: Successfully implemented effective first pay period in January 2007.</p>
<p>Increase non-appropriated revenue from business activities</p>	<p>Met: Shop revenue increased from \$1.8 million in FY06 to \$2.2 million in FY07.</p>	

GOAL: IMPROVE MANAGEMENT AND ADMINISTRATION

Objective	FY 2007 activity planned, target or comparison baseline	Results / Status
<p>Provide oversight for major Museum technology systems</p>	<p>Continue the process of implementing a collections management system. FY07 goals include:</p> <ul style="list-style-type: none"> • User training on the part of the system that includes data migrated in FY06 (art & artifacts) • Install application in production mode for collections managers and registrars • With Collections staff, write new cataloging manual • Define requirements and migrate data from other systems • Set up Help Desk function for each minor implementation <p>Implement an email delivery system, survey system, online giving Web site, and Museum Shop (e-commerce) using a application service provider called Kintera</p>	<p>Met:</p> <ul style="list-style-type: none"> • Training for Collections staff is complete on targeted component of system • Installation completed for collections managers and registrars • New collections manual is being written. • New inventory and location tracking procedures and controlled vocabulary implemented. • Requirements definition and data migration will continue into FY08. • Help desk functions are in place. <p>Met:</p> <ul style="list-style-type: none"> • E-mail system implementation completed and is attracting participants to events and registrations on Web pages. • E-mail messages being sent to specific constituent groups in addition to periodic messages relating to events or single-subject issues. Each constituent list is experiencing growth in numbers. • Varying subject matter and engagement approaches have been explored. • Museum Shop e-commerce has increased the number of product offerings and experienced higher sales.
	<p>Implement with Security, the Homeland Security requirements for new identification cards for staff.</p>	<p>Deferred: Due to the FY07 rescission, this project is on hold. The plan is to implement HSPD-12 in FY08.</p>

Message from the Chief Financial Officer

I am pleased to present the United States Holocaust Memorial Museum's Fiscal Year 2007 *Performance and Accountability Report* which presents both financial and performance information on the Museum's operations in a combined report for the fiscal year ending September 30, 2007. This report satisfies the reporting requirements for the following:

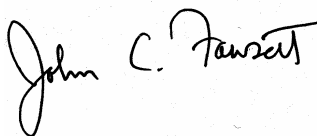
- *Accountability of Tax Dollars Act of 2002*
- *Reports Consolidation Act of 2000*
- *Government Management Reform Act of 1994*
- *Government Performance and Results Act of 1993*
- *Chief Financial Officers Act of 1990*
- *Federal Managers' Financial Act of 1982*
- *Section 2308 of the Museum's authorizing legislation*

The Museum received an unqualified opinion on its consolidated financial statements for Fiscal Year 2007. These statements fully account for both the Federal and non-appropriated funds.

In the past year, we continued efforts to refine and improve the Museum's consolidated financial system with the goal of providing Museum managers, Council members, Federal oversight officials, and the general public with timely, accurate, and useful financial information. Significant financial management achievements of the past year include:

- The reduction of financial management costs.
- The continued development of operational performance metrics to ensure the operation of efficient and effective financial and procurement systems.
- The increase of net revenues from business activities.
- A focus on internal controls further ensuring solid oversight and control over Museum resources.
- Continued progress on eGov initiatives for e-travel.

We remain committed to providing the Museum with the highest levels of financial management services and ensuring the efficiency, economy, and effectiveness of the Museum programs and activities.



John C. Fawsett
Chief Financial Officer
United States Holocaust Memorial Museum

***United States
Holocaust Memorial Museum***

*Financial Statements for the Year Ended
September 30, 2007 (with Comparative Totals
for 2006), Supplemental Information for the
Year Ended September 30, 2007, and
Independent Auditors' Report and Report on Internal
Control Over Financial Reporting and on Compliance
and Other Matters*

INDEPENDENT AUDITORS' REPORT

Council Members

United States Holocaust Memorial Museum:

We have audited the accompanying statement of financial position of the United States Holocaust Memorial Museum (the "Museum"), an organization created by an act of the U.S. Congress, as of September 30, 2007, and the related statements of activities and cash flows for the year then ended. We have also audited the Federal statements of budgetary resources, net cost, and changes in net position for the year ended September 30, 2007. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Museum's 2006 financial statements and in our report dated November 14, 2006, and we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position, activities, cash flows, Federal budgetary resources, net cost, and changes in net position of the United States Holocaust Memorial Museum as of and for the year ended September 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of claims conference payments is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of the Museum's management. Such schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

The accompanying required supplementary information included in the section titled "Management's Discussion & Analysis," is not required as part of the basic financial statements but is supplementary information required by OMB Circular No. A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2007, on our consideration of the Museum's internal control over financial reporting and on compliance and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and other matters and the results of that testing, and not to provide an opinion on the internal control over financial reporting and on compliance and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

November 26, 2007

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2007 (WITH COMPARATIVE TOTALS FOR 2006)

	2007			2006
	Non-Appropriated Funds	Appropriated Funds	Total	Total
ASSETS				
CURRENT ASSETS:				
Cash	\$ 3,616,734	\$12,326,043	\$ 15,942,777	\$ 17,415,084
Short-term investments	4,974,767		4,974,767	3,219,863
Contributions receivable, net of allowance for doubtful accounts of \$355,964 and \$588,246 as of September 30, 2007 and 2006, respectively	6,678,249		6,678,249	6,100,973
Other assets	676,150	222,319	898,469	934,812
Total current assets	15,945,900	12,548,362	28,494,262	27,670,732
LONG-TERM INVESTMENTS	196,580,426		196,580,426	166,688,101
CONTRIBUTIONS RECEIVABLE DUE AFTER ONE YEAR, Net of allowance for doubtful accounts of \$787,863 and \$1,428,526 and discount to present value of \$1,187,040 and \$1,411,990 as of September 30, 2007 and 2006, respectively	12,802,602		12,802,602	12,842,418
FURNITURE AND EQUIPMENT, At cost, less accumulated depreciation of \$5,984,217 and \$7,149,214 for non-appropriated funds and \$12,562,683 and \$12,386,599 for appropriated funds as of September 30, 2007 and 2006, respectively	135,019	363,202	498,221	504,285
MUSEUM FACILITY, At cost, less accumulated depreciation of \$39,209,475 and \$36,485,420 for non-appropriated funds and \$7,290,440 and \$6,065,049 for appropriated funds as of September 30, 2007 and 2006, respectively	69,686,974	6,167,163	75,854,137	77,514,355
PERMANENT EXHIBITION, OTHER PROGRAM DEVELOPMENT COSTS, AND COLLECTIONS, At cost, less accumulated amortization of \$1,431,271 and \$1,347,162 for non-appropriated funds and \$2,375,460 and \$1,992,167 for appropriated funds as of September 30, 2007 and 2006, respectively (Notes 2 and 7)	30,582,694	6,155,141	36,737,835	36,038,802
TOTAL ASSETS	\$ 325,733,615	\$25,233,868	\$ 350,967,483	\$ 321,258,693
LIABILITIES AND NET ASSETS/FEDERAL EQUITY				
CURRENT LIABILITIES - Account payable and accrued liabilities	\$ 5,357,407	\$ 4,024,338	\$ 9,381,745	\$ 7,908,054
FEDERAL EQUITY:				
Unexpended appropriations		9,702,438	9,702,438	10,721,021
Expended Federal equity		11,507,092	11,507,092	10,215,304
Total Federal equity		21,209,530	21,209,530	20,936,325
UNRESTRICTED NET ASSETS:				
Designated by Council members for:				
Program and supporting activities	2,354,000		2,354,000	2,051,330
Funds functioning as endowment	51,176,765		51,176,765	40,714,142
Total designated by Council members	53,530,765		53,530,765	42,765,472
Investment in facility	69,686,974		69,686,974	72,411,030
Investment in exhibitions	30,582,694		30,582,694	30,246,257
Total unrestricted net assets, excluding Federal equity	153,800,433		153,800,433	145,422,759
TOTAL UNRESTRICTED NET ASSETS/FEDERAL EQUITY	153,800,433	21,209,530	175,009,963	166,359,084
TEMPORARILY RESTRICTED NET ASSETS	20,820,434		20,820,434	18,646,113
PERMANENTLY RESTRICTED NET ASSETS	145,755,341		145,755,341	128,345,442
Total net assets/Federal equity	320,376,208	21,209,530	341,585,738	313,350,639
TOTAL LIABILITIES AND NET ASSETS/FEDERAL EQUITY	\$ 325,733,615	\$25,233,868	\$ 350,967,483	\$ 321,258,693

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2007 (WITH COMPARATIVE TOTALS FOR 2006)

	2007				2006				
	Non-Appropriated Funds	Appropriated Funds	Total Unrestricted	Non-appropriated Funds Temporarily Restricted	Permanently Restricted	Total	Total Non-Appropriated Funds	Appropriated Funds	Total
SUPPORT AND REVENUES:									
Federal appropriation revenue	\$ -	\$ 42,585,022	\$ 42,585,022	\$ -	\$ -	\$ 42,585,022	\$ -	\$ 40,216,409	\$ 40,216,409
Contributions	14,677,395		14,677,395	6,440,981	6,131,005	27,249,381	26,877,970	26,877,970	26,877,970
Membership revenue	10,679,193		10,679,193			10,679,193	10,293,611	10,293,611	10,293,611
Museum shop	2,211,881		2,211,881			2,211,881	1,892,245	1,892,245	1,892,245
Endowment payout	4,935,863		4,935,863	1,975,601	(5,392,547)	1,518,917	1,167,996	1,167,996	1,167,996
Contributed services	14,305		14,305			14,305	25,922	25,922	25,922
Imputed financing source		1,263,318	1,263,318			1,263,318		1,232,182	1,232,182
Other	24,767		24,767	16,780	227	41,774	147,413		147,413
Net assets released from restrictions:									
Expiration of time restrictions	1,272,423		1,272,423	(1,272,423)		-			-
Satisfaction of program restrictions	5,086,045		5,086,045	(5,086,045)		-			-
Total support and revenues	38,901,872	43,848,340	82,750,212	2,074,894	738,685	85,563,791	40,405,157	41,448,591	81,853,748
Program services:									
Building operations	2,999,133	18,912,406	21,911,539			21,911,539	3,065,288	17,549,261	20,614,549
Center for Advanced Holocaust Studies	3,915,831	2,227,071	6,142,902			6,142,902	4,049,028	2,070,660	6,119,688
Membership	5,019,535		5,019,535			5,019,535	4,548,490		4,548,490
Museum and public programs	7,916,561	10,357,912	18,274,473			18,274,473	6,257,025	10,308,759	16,565,784
Information technology	1,650,689	3,775,049	5,425,738			5,425,738	1,811,049	4,959,198	6,770,247
Museum shop	1,855,809		1,855,809			1,855,809	1,541,334		1,541,334
Total program services	23,357,558	35,272,438	58,629,996	-	-	58,629,996	21,272,214	34,887,878	56,160,092
Supporting services:									
Management and general Fund-raising	5,542,268	7,284,114	12,826,382			12,826,382	5,914,786	6,689,049	12,603,835
	6,523,008		6,523,008			6,523,008	5,314,437		5,314,437
Total supporting services	12,065,276	7,284,114	19,349,390	-	-	19,349,390	11,229,223	6,689,049	17,918,272
Total expenses	35,422,834	42,556,552	77,979,386	-	-	77,979,386	32,501,437	41,576,927	74,078,364
SUPPORT AND REVENUES OVER (UNDER) EXPENSES	3,479,038	1,291,788	4,770,826	2,074,894	738,685	7,584,405	7,903,720	(128,336)	7,775,384
INVESTMENT CHANGE, APPRECIATION ADJUSTED FOR ENDOWMENT PAYMENT	4,997,986		4,997,986	77	16,671,214	21,669,277	11,716,830		11,716,830
TRANSFER BETWEEN FUNDS	(99,350)		(99,350)	99,350					-
CHANGE IN UNEXPENDED FEDERAL APPROPRIATION		(1,018,583)	(1,018,583)			(1,018,583)		863,017	863,017
INCREASE IN NET ASSETS/FEDERAL EQUITY	8,377,674	273,205	8,650,879	2,174,321	17,409,899	28,235,099	19,620,550	734,681	20,355,231
NET ASSETS/FEDERAL EQUITY — Beginning of year	145,422,759	20,936,325	166,359,084	18,646,113	128,345,442	313,350,639	272,793,764	20,201,644	292,995,408
NET ASSETS/FEDERAL EQUITY — End of year	\$ 153,800,433	\$ 21,209,530	\$ 175,009,963	\$ 20,820,434	\$ 145,755,341	\$ 341,585,738	\$ 292,414,314	\$ 20,936,325	\$ 313,350,639

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2007 (WITH COMPARATIVE TOTALS FOR 2006)

	2007			2006		
	Total Non-Appropriated Funds	Appropriated Funds	Total	Total Non-Appropriated Funds	Appropriated Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Federal appropriation	\$ -	\$ 42,349,326	\$ 42,349,326	\$ -	\$ 42,780,000	\$ 42,780,000
Payments for Federal rescissions					(629,397)	(629,397)
Canceled appropriation returned to U.S. Treasury		(782,887)	(782,887)		(1,071,177)	(1,071,177)
Receipts from contributions	27,781,203		27,781,203	23,270,781		23,270,781
Receipts from membership activities	10,679,193		10,679,193	10,293,611		10,293,611
Receipts from investments	5,525,553		5,525,553	4,746,038		4,746,038
Receipts from Museum Shop, royalties, and miscellaneous	2,422,605		2,422,605	2,171,992		2,171,992
Payments for wages and benefits	(15,497,298)	(21,625,316)	(37,122,614)	(14,977,698)	(21,598,546)	(36,576,244)
Payments for consultants, advisors, and other costs	(15,106,127)	(17,791,886)	(32,898,013)	(13,626,208)	(16,703,144)	(30,329,352)
Payments for stipends, honoraria, and grants	(1,043,071)		(1,043,071)	(1,091,818)		(1,091,818)
Payments for collections	(14,425)		(14,425)	(13,580)		(13,580)
Net cash provided by operating activities	<u>14,747,633</u>	<u>2,149,237</u>	<u>16,896,870</u>	<u>10,773,118</u>	<u>2,777,736</u>	<u>13,550,854</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital expenditures	(564,600)		(3,634,718)		(1,410,032)	(1,410,032)
Purchase of investments	(21,792,656)		(21,792,656)	(21,778,191)		(21,778,191)
Sale of investments	8,179,752		8,179,752	10,291,639		10,291,639
Net cash used in investing activities	<u>(14,177,504)</u>	<u>(3,070,118)</u>	<u>(17,247,622)</u>	<u>(11,486,552)</u>	<u>(1,410,032)</u>	<u>(12,896,584)</u>
CASH FLOWS FROM FINANCING ACTIVITIES — Permanently restricted contributions	<u>(1,121,555)</u>		<u>(1,121,555)</u>	<u>1,445,161</u>		<u>1,445,161</u>
NET (DECREASE) INCREASE IN CASH	<u>(551,426)</u>	<u>(920,881)</u>	<u>(1,472,307)</u>	<u>731,727</u>	<u>1,367,704</u>	<u>2,099,431</u>
CASH — Beginning of year	<u>4,168,160</u>	<u>13,246,924</u>	<u>17,415,084</u>	<u>3,436,433</u>	<u>11,879,220</u>	<u>15,315,653</u>
CASH — End of year	<u>\$ 3,616,734</u>	<u>\$ 12,326,043</u>	<u>\$ 15,942,777</u>	<u>\$ 4,168,160</u>	<u>\$ 13,246,924</u>	<u>\$ 17,415,084</u>

(Continued)

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2007 (WITH COMPARATIVE TOTALS FOR 2006)

	2007		2006			
	Total Non-Appropriated Funds	Total	Total Non-Appropriated Funds	Appropriated Funds	Total	
RECONCILIATION OF CHANGE IN NET ASSETS/FEDERAL EQUITY TO NET CASH PROVIDED BY OPERATING ACTIVITIES — Increase in net assets/federal equity	\$ 27,961,894	\$ 273,205	\$ 28,235,099	\$ 19,620,550	\$ 734,681	\$ 20,355,231
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Museum depreciation	2,724,056	1,225,391	3,949,447	2,724,056	1,068,101	3,792,157
Equipment depreciation	9,036	176,083	185,119	5,350	165,052	170,402
Exhibition amortization	84,109	383,294	467,403		332,186	332,186
Realized/unrealized gain on investments	(18,034,326)		(18,034,326)	(8,624,727)		(8,624,727)
Contributions of permanently restricted net assets	1,121,555		1,121,555	(1,445,161)		(1,445,161)
CHANGE IN ASSETS AND LIABILITIES:						
Increase in contributions receivable — net	(537,460)		(537,460)	(1,749,153)		(1,749,153)
(Increase) decrease in other assets	(27,136)	63,478	36,342	(209,239)	(40,526)	(249,765)
Increase in accounts payable and accrued liabilities	1,445,905	27,786	1,473,691	451,442	518,242	969,684
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 14,747,633</u>	<u>\$ 2,149,237</u>	<u>\$ 16,896,870</u>	<u>\$ 10,773,118</u>	<u>\$ 2,777,736</u>	<u>\$ 13,550,854</u>

See notes to financial statements.

(Concluded)

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

FEDERAL STATEMENT OF BUDGETARY RESOURCES YEAR ENDED SEPTEMBER 30, 2007 (WITH COMPARATIVE TOTALS FOR 2006)

	<u>Appropriated Funds</u>	
	2007	2006
BUDGETARY RESOURCES AVAILABLE TO THE MUSEUM:		
Unobligated balance: beginning of period	\$ 4,080,633	\$ 5,656,832
Recoveries of prior-year obligations	604,877	4,257
Budgetary authority: appropriations received	42,349,326	42,780,000
Spending authority from offsetting collections — collected	6,791	72,148
Rescission — permanently not available		(629,397)
Return to Treasury — permanently not available	<u>(782,887)</u>	<u>(1,071,177)</u>
 Total budgetary resources	 <u>\$46,258,740</u>	 <u>\$ 46,812,663</u>
STATUS OF BUDGETARY RESOURCES:		
Obligations incurred	\$42,419,714	\$ 42,732,030
Unobligated balance — available		
Apportioned	2,549,161	2,207,473
Unobligated balance — not available	<u>1,289,865</u>	<u>1,873,160</u>
 Total status of budgetary resources	 <u>\$46,258,740</u>	 <u>\$ 46,812,663</u>
CHANGE IN OBLIGATED BALANCE:		
Obligated balances, net		
Unpaid obligations, brought forward, October 1	\$ 9,166,291	\$ 6,222,388
Obligations incurred net	42,419,714	42,732,030
Less: Gross outlays	(42,494,110)	(39,783,870)
Less: Recoveries of prior-year obligations, actual	<u>(604,877)</u>	<u>(4,257)</u>
 Obligated balances, net, end of period	 <u>\$ 8,487,018</u>	 <u>\$ 9,166,291</u>
NET OUTLAYS:		
Gross Outlays	\$42,494,110	\$ 39,783,870
Less: Offsetting collections	<u>(6,791)</u>	<u>(72,148)</u>
 Net Outlays	 <u>\$42,487,319</u>	 <u>\$ 39,711,722</u>

Note: Accounts receivable and advances are not included in the unobligated balances in this schedule since receivables and advances are not considered budgetary resources until collected. For Note 8, receivables and advances are included in the unobligated balance in order to reconcile to unexpended appropriations.

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

FEDERAL STATEMENT OF NET COST YEAR ENDED SEPTEMBER 30, 2007 (WITH COMPARATIVE TOTALS FOR 2006)

	<u>Appropriated Funds</u>	
	<u>2007</u>	<u>2006</u>
PROGRAM COSTS:		
Building operations	\$ 18,912,406	\$ 17,549,261
Center for Advanced Holocaust Studies	2,227,071	2,070,660
Museum and public programs	10,357,912	10,308,759
Information technology	3,775,049	4,959,198
Management and general	<u>7,284,114</u>	<u>6,689,049</u>
NET COST OF OPERATIONS	<u>\$42,556,552</u>	<u>\$41,576,927</u>

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

FEDERAL STATEMENT OF CHANGES IN NET POSITION YEAR ENDED SEPTEMBER 30, 2007 (WITH COMPARATIVE TOTALS FOR 2006)

	Appropriated Funds			
	2007		2006	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
BEGINNING BALANCE	\$ 10,215,304	\$ 10,721,021	\$ 10,343,640	\$ 9,858,004
BUDGETARY FINANCING SOURCES:				
Appropriations received (current period)		42,349,326		42,780,000
Rescissions		(782,887)		(629,397)
Canceled expired appropriations		(42,585,022)		(1,071,177)
Appropriations used	42,585,022		40,216,409	(40,216,409)
OTHER FINANCING SOURCES — Imputed financing from costs absorbed by others	1,263,318		1,232,182	
Total financing sources	43,848,340	(1,018,583)	41,448,591	863,017
Total	54,063,644	9,702,438	51,792,231	10,721,021
NET COST OF OPERATIONS	42,556,552		41,576,927	
ENDING BALANCE	\$ 11,507,092	\$ 9,702,438	\$ 10,215,304	\$ 10,721,021

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2007 (WITH COMPARATIVE TOTALS FOR 2006)

1. ORGANIZATION AND PURPOSE

Organization and Governance — The United States Holocaust Memorial Council (the “Council”) was created as an independent Federal establishment by an act of the U. S. Congress by Public Law 96-388 on October 7, 1980, for the purpose of providing appropriate ways for the nation to commemorate the Days of Remembrance; planning, constructing, and overseeing the operation of a permanent memorial museum for the victims of the Holocaust; and developing a plan for carrying out the recommendations made in the Report to the President of the United States by the President’s Commission on the Holocaust, dated September 27, 1979. Congress changed the name from “Council” to “Museum” and permanently authorized the United States Holocaust Memorial Museum (the “Museum”) by Public Law 106-292 (36 U.S. Code 2301, et. seq.) on October 12, 2000, designating the Museum as an independent establishment of the United States Government.

The Museum is governed by 65 voting members and 3 nonvoting *ex officio* members (the “Members”). Fifty-five voting Members are appointed by the President of the United States, five are appointed by the Speaker of the U. S. House of Representatives from among Members of the U. S. House of Representatives, and five are appointed by the President Pro Tempore of the U. S. Senate, upon the recommendation of the majority and minority leaders, from among Members of the U. S. Senate. One non-voting Member is appointed by each of the Secretaries of the Interior, State, and Education departments. Members serve a term of five years or, in the case of Members of Congress, until the end of the term of Congress.

The Museum receives an annual Federal appropriation (see Appropriated Funds — Note 8) and was authorized by statute (36 U.S. Code Section 2307) to raise private funds (the “Non-appropriated Funds”) to aid or facilitate the operation and maintenance of the Museum. These financial statements present the financial position, activities, and cash flows of both the Appropriated Funds and the Non-appropriated Funds of the Museum. Also included are the Federal Statements of Budgetary Resources, Net Cost, and Changes in Net Position.

Tax-Exempt Status — The Museum is exempt from Federal taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”) of 1986 and, further, is a publicly supported entity as defined by the Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Museum’s financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, and Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*. The financial statements include certain prior-year summarized comparative information in total but not by net asset 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 Museum’s financial statements for the year ended September 30, 2006, from which the summarized information was derived.

Significant accounting policies followed are summarized below:

Cash — Cash for Non-appropriated Funds consists of amounts held in demand deposits with financial institutions. Cash for Appropriated Funds consists of funds held by the U.S. Department of Treasury.

Investments — Investments in equity and debt securities are reported at fair value, with gains and losses included in the statement of activities. Short- and long-term investments represent donated securities and the investment of endowment funds.

The Museum considers short-term investments to include money market funds and government securities with maturities of less than one year, consistent with the cash management policy of the Museum. Certain liquid investments are considered non-current assets, as they are restricted or intended to be held for long-term purposes.

The whole endowment, consisting of the board-designated and real endowments, is pooled for investment purposes. The endowment pays out an amount for annual support of operations and an amount allowed to be spent for specific purposes based on the trailing 12-quarter fair market value averages as calculated using data through June 30th of the preceding year. The difference between the total return on the endowment (i.e., dividends, interest, and net gain or loss) and the current payout is reported as non-operating income or loss in the statement of activities as investment change, appreciation (depreciation) adjusted for the endowment payment. Therefore, the endowment payout is a transfer of prior-year earnings between net assets.

Contributions — Unrestricted contributions are recorded as unrestricted support in the period received. Unrestricted contributions with payments due in future periods are initially recorded as temporarily restricted support. Once the contribution becomes due, the temporarily restricted net assets are reclassified to unrestricted net assets and are included in net assets released from time restrictions in the accompanying statement of activities.

Contributions that are restricted for certain programs are initially recorded as temporarily restricted support when received. When donor restrictions are met, the temporarily restricted net assets are reclassified to unrestricted net assets and are included in net assets released from program restrictions in the accompanying statement of activities. Temporarily restricted contributions received during the year for which the restrictions are met during the same year are recorded as both temporarily restricted contributions and net assets released from program restrictions in the accompanying statement of activities.

Permanently restricted contributions are contributions restricted by donors for the Museum's endowment and are recorded as permanently restricted support in the year received in the accompanying statement of activities.

Split-Interest Agreements — Split-interest agreements with donors consist of charitable gift annuities and an irrevocable remainder trust. For charitable gift annuities, the assets are recognized at fair value at the date of the annuity agreements. An annuity liability is recognized for the present value of future cash flows expected to be paid to the donor or the donor's designee and contribution revenues are recognized equal to the difference between the assets and the annuity liability. Liabilities are adjusted during the term of the annuities for payments, accretion of discounts, and changes in life expectancies. The Museum uses the historical Internal Revenue Service discount rates (in the month charitable gift annuities agreements are entered) and tables compiled from the Office of the Actuary of the Social Security Administration for life expectancies. The irrevocable remainder trust is included in contributions receivable at the present value of the estimated future benefits to be received when the trusts' assets are distributed. Contribution revenue is recognized at the date the Museum first knows of the trusts. The receivable is adjusted during the term of the trust for the accretion of discounts,

revaluation of the present value of the estimated future payments to the current beneficiary, and changes in life expectancies, and the change in split interest is recorded as contribution revenue.

Contributions Receivable — Unconditional promises to give that are expected to be collected within one year are reported at their net realizable value. Unconditional promises to give that are expected to be collected in future years are discounted to their present value. Conditional promises to give are not recognized in the accompanying financial statements until the conditions have been met.

An allowance for uncollectible contributions is provided based on management's evaluation of potential uncollectible contributions receivable at year-end. Changes in the allowance for uncollectible contributions are charged to the provision for bad debt expense.

Other Current Assets — Other current assets consist primarily of accounts receivable, prepaid expenses, and inventory from the Museum bookstore (the "Museum Shop"). The Museum Shop sells Holocaust-related educational materials, such as books and videotapes, to the public. The Museum Shop's inventory, net of allowance, was \$200,300 and \$252,360 as of September 30, 2007 and 2006, respectively, and is valued at the lower of cost or market using the first-in, first-out inventory valuation method.

Furniture, Equipment, and Museum Facility — Furniture and equipment are stated at cost. Depreciation is computed using the straight-line method. Estimated useful lives used are three years for computer equipment and five years for furniture and other equipment.

The Museum opened to the public on April 26, 1993. All costs associated with the construction of the Museum, including payments to construction contractors, architect's fees, excavation costs, direct materials and labor, Museum construction management, and interest were capitalized. All interest incurred on borrowed funds through April 26, 1993, was capitalized because the funds were specifically borrowed for the construction of the Museum. On April 26, 1993, depreciation of the Museum commenced and is computed on the straight-line basis over 40 years for Non-appropriated Funds and 10 years for Appropriated Funds, based on the useful lives of the items acquired.

The land on which the Museum has been constructed is titled in the name of the U.S. government and is not reflected in the accompanying financial statements. The Museum has use of this land for the Museum rent-free in perpetuity.

Permanent Exhibition, Other Program Development Costs, and Collections — Permanent Exhibition, other program development costs, and collections include costs incurred to acquire and conserve artifacts, to develop the Permanent Exhibition, and to further collecting activities. A portion of these items is considered inexhaustible and is therefore not being amortized. These are either works of art or historical treasures that have cultural, aesthetic, and/or historical value that are worthy of preserving in perpetuity. The remaining items are considered exhaustible, which include temporary exhibitions that are amortized on the straight-line basis over the life of the exhibition.

Accrued Vacation — The Museum records an expense and related liability for vacation earned and unpaid at the end of year for non-Federal and Federal employees. This liability is reflected in accounts payable and accrued liabilities in the accompanying statement of financial position.

Net Assets — The Museum classifies Non-appropriated net assets into three categories: unrestricted, temporarily restricted, or permanently restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by time. Temporarily restricted net assets are contributions with temporary, donor-imposed time, and/or program restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a later period. Temporarily

restricted net assets become unrestricted when the time restrictions expire and/or the funds are used for their restricted purposes and are reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets represent donor-restricted endowments to be held in perpetuity. Generally the donors of these assets require the Museum to reinvest all income earned on investments in the permanently restricted endowment fund, with only the payout, based on the Museum's payout policy, available for expenditure. The Museum transfers the payout amount from permanently restricted net assets to unrestricted or temporarily restricted net assets when the payout becomes available.

Transfer of Net Assets — In fiscal year 2007, the Museum made transfers between funds to reflect donor designations, allowance attributable to permanently restricted pledge receivables, and the manner in which the Museum accounts for endowment payouts.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Appropriated Funds — The Museum receives an annual appropriation from Congress. Appropriations are used to fund certain Museum expenditures, as determined by the Museum and implemented by management, in conformity with the Museum's congressional mandate. Federal appropriation revenues are classified as unrestricted and are recognized as exchange transactions as expenditures are incurred.

Non-appropriated Funds — The Non-appropriated Funds reflect the receipts and expenditures of funds obtained from private sources through various fundraising and membership efforts, investment income, and certain revenue-producing activities related to the operations of the Museum.

Imputed Financing Source — Federal accounting standards require the Museum to recognize the cost of pensions and Federal retirement benefits for its Federal employees during their active years of service, even though these costs will ultimately be paid by the Office of Personnel Management. An imputed financing source is recognized equal to this imputed cost in the statement of activities.

3. INVESTMENTS

Long-term investments, at fair value, at September 30, 2007 and 2006, consist of the following:

	2007	2006
Portfolio cash	\$ 8,720,582	\$ 7,655,077
Mutual funds	41,589,952	66,524,575
Equity securities	86,237,389	69,852,356
Alternative investments	57,859,577	19,160,850
State of Israel bonds	<u>2,172,926</u>	<u>3,495,243</u>
	<u>\$ 196,580,426</u>	<u>\$ 166,688,101</u>

During fiscal year 2007, the Museum redistributed its investment portfolio allocations from fiscal year 2006 to be consistent with fiscal year 2007 allocations.

Investments in mutual funds and equity securities represent approximately 65% and 82% of the Museum's total investments at September 30, 2007 and 2006, respectively, and consist of the Museum's ownership interest in externally managed investment funds that invest in fixed income securities and market-traded equity. Investments in mutual funds and equity securities are reported at fair value based on quoted market prices. State of Israel bonds represent the Museum's ownership in interest-bearing securities issued by the State of Israel.

Alternative investments representing approximately 16.5% and 6% of total assets and approximately 29.4% and 11.5% of total investments as of September 30, 2007 and 2006, respectively, include direct investments in seven limited partnerships and one trust. These investments are reported at fair value as determined by management based upon valuation information provided by the general partner or trust manager. The underlying investments in these partnerships and trust include publicly traded securities as well as investments that are non-publicly traded. Because the Museum's investment in these limited partnerships and trust are not readily marketable, their reported fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be significant. Changes in the fair value of the Museum's alternative investments are recognized in the statement of activities.

Short-term investments, at fair value, at September 30, 2007 and 2006, consist of the following:

	2007	2006
Money market funds	\$4,945,520	\$3,213,700
Donated stock	<u>29,247</u>	<u>6,163</u>
	<u>\$4,974,767</u>	<u>\$3,219,863</u>

The Museum uses the spending rule concept in making distributions from its investments. Under this method, a portion of its investment is distributed at the beginning of the current fiscal year as unrestricted and temporarily restricted operating amounts ("endowment payout"). The endowment payout is calculated based on the trailing 12-quarter fair market value averages as calculated using data through June 30th of the previous year.

Total operating and nonoperating investment activity for fiscal years 2007 and 2006 is summarized below:

	2007	2006
Interest and dividends	\$ 5,623,882	\$ 4,848,085
Net realized gain	20,320,664	5,710,857
Net unrealized (loss) gain	<u>(2,286,338)</u>	<u>2,787,263</u>
Net investment appreciation	<u>\$23,658,208</u>	<u>\$13,346,205</u>

4. SPLIT-INTEREST AGREEMENTS

Included in the mutual funds amount is approximately \$3.6 million and \$3.0 million for charitable gift annuities in 2007 and 2006, respectively. These investments are recognized at fair value. An annuity liability for \$1,614,480 in 2007 and \$1,369,716 in 2006 represents the present value of future cash flows expected to be paid to the donor or the donor's designee. This liability is adjusted during the term of the annuities for payments, accretion of discounts, and changes in life expectancies. The revenue and change

in value of split-interest agreements recognized for charitable gift annuities was \$243,952 and \$(162,578) in 2007 and \$276,080 and \$(126,600) in 2006, respectively.

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable in the accompanying statement of financial position as of September 30, 2007 and 2006, includes unconditional promises to give as follows:

	2007	2006
Amounts due in:		
Less than one year	\$ 7,034,213	\$ 6,689,219
One to five years	13,224,826	14,326,656
More than five years	<u>1,552,679</u>	<u>1,356,278</u>
Subtotal	21,811,718	22,372,153
Less:		
Allowance for doubtful accounts	(1,143,827)	(2,016,772)
Discount to present value (1.0%–4.9%)	<u>(1,187,040)</u>	<u>(1,411,990)</u>
	<u>\$ 19,480,851</u>	<u>\$ 18,943,391</u>

6. FURNITURE AND EQUIPMENT

At September 30, 2007 and 2006, furniture and equipment consist of the following:

	2007			2006		
	Non-Appropriated Funds	Appropriated Funds	Total	Non-Appropriated Funds	Appropriated Funds	Total
Furniture	\$ 906,551	\$ 4,276,520	\$ 5,183,071	\$ 906,550	\$ 4,276,519	\$ 5,183,069
Computer	4,616,105	4,172,827	8,788,932	5,075,834	4,172,827	9,248,661
Other	<u>596,580</u>	<u>4,476,538</u>	<u>5,073,118</u>	<u>1,166,830</u>	<u>4,441,538</u>	<u>5,608,368</u>
Total furniture and equipment	6,119,236	12,925,885	19,045,121	7,149,214	12,890,884	20,040,098
Less accumulated depreciation	<u>(5,984,217)</u>	<u>(12,562,683)</u>	<u>(18,546,900)</u>	<u>(7,149,214)</u>	<u>(12,386,599)</u>	<u>(19,535,813)</u>
Furniture and equipment — net	<u>\$ 135,019</u>	<u>\$ 363,202</u>	<u>\$ 498,221</u>	<u>\$ -</u>	<u>\$ 504,285</u>	<u>\$ 504,285</u>

7. PERMANENT EXHIBITION, OTHER PROGRAM DEVELOPMENT COSTS, AND COLLECTIONS

At September 30, 2007 and 2006, Permanent Exhibition, other program development costs, and collections consist of the following:

	2007			2006		
	Non-Appropriated Funds	Appropriated Funds	Total	Non-Appropriated Funds	Appropriated Funds	Total
Exhaustible	\$ 1,767,707	\$ 2,485,146	\$ 4,252,853	\$ 1,347,162	\$ 2,485,146	\$ 3,832,308
Accumulated amortization	<u>(1,431,271)</u>	<u>(2,375,460)</u>	<u>(3,806,731)</u>	<u>(1,347,162)</u>	<u>(1,992,167)</u>	<u>(3,339,329)</u>
Exhaustible — net	336,436	109,686	446,122	-	492,979	492,979
Inexhaustible	<u>30,246,258</u>	<u>6,045,455</u>	<u>36,291,713</u>	<u>30,246,257</u>	<u>5,299,566</u>	<u>35,545,823</u>
Total permanent exhibition	<u>\$30,582,694</u>	<u>\$ 6,155,141</u>	<u>\$36,737,835</u>	<u>\$30,246,257</u>	<u>\$ 5,792,545</u>	<u>\$36,038,802</u>

Current program development costs consist of exhibitions that are of a temporary nature. The Museum's policy is generally not to capitalize costs for exhibitions that are short in duration and for which the costs are not significant. In the event the costs are significant or the duration of the exhibition is considered long-term, the Museum would capitalize these costs.

8. APPROPRIATED FUNDS

The 2007 and 2006 Federal appropriations, net of rescissions, of \$42,349,326 and \$42,150,603 include appropriations of \$1,242,742 and \$1,240,069 for 2007 and 2006 for exhibition development and production and \$1,865,080 and \$1,865,080 for 2007 and 2006 for building repair and rehabilitation, respectively, to be used by the Museum over an unlimited period of time.

The reconciliation of the 2007 and 2006 Federal appropriations to Federal appropriations expended is as follows:

	2007	2006
Federal appropriation — net of rescissions	\$42,349,326	\$42,150,603
Unexpended appropriation — current year	(5,967,736)	(6,091,906)
Amounts obligated in previous years — expended in current year	<u>6,203,432</u>	<u>4,157,712</u>
Federal appropriation revenue	<u>\$42,585,022</u>	<u>\$40,216,409</u>

The reconciliation of the spending of the 2007 and 2006 appropriations, is as follows:

	2007	2006
Total expenses	\$42,556,552	\$41,576,927
Depreciation and amortization	(1,784,768)	(1,565,339)
Unpaid vacation and other unfunded expenses	(1,256,880)	(1,205,211)
Unexpended appropriation — current year	5,967,736	6,091,906
Amounts obligated in previous years — expended in current year	(6,203,432)	(4,157,712)
Capital expenditures	<u>3,070,118</u>	<u>1,410,032</u>
Federal appropriation	<u>\$42,349,326</u>	<u>\$42,150,603</u>

Unexpended appropriations represent unpaid undelivered orders, which are goods and services that have been ordered but not yet received by the Museum (\$5,641,092 and \$6,354,589 at September 30, 2007 and 2006, respectively) and unobligated balances including receivables which are appropriated funds that have not been obligated (\$4,061,345 and \$4,366,432 at September 30, 2007 and 2006, respectively). This committed balance is included as a portion of Federal equity and funds held with the U.S. Department of Treasury (cash and cash equivalents) and will either be expended subsequent to year-end or returned to the U.S. Department of Treasury after five years. Federal appropriations for exhibition development and production and building repair and rehabilitation are available for obligation until expended. The accompanying statement of financial position includes unexpended appropriations of \$9,702,438 and \$10,721,021 as of September 30, 2007 and 2006, respectively, from the following fiscal years' appropriations:

	2007	2006
2007	\$ 5,967,736	\$ -
2006	677,953	6,091,906
2005	801,024	999,541
2004	435,540	436,048
2003 and previous years	<u>1,820,185</u>	<u>3,193,526</u>
Unexpended appropriation	<u>\$ 9,702,438</u>	<u>\$10,721,021</u>

The change in unexpended appropriations, \$(1,018,583) and \$863,017 in 2007 and 2006, respectively, results from the difference between current year unexpended appropriations and amounts obligated in previous years expended in the current year, along with unexpended prior-year appropriations returned to the U.S. Department of Treasury.

Federal equity as of September 30, 2007 and 2006, is as follows:

	2007	2006
Furniture, equipment, and museum facility — net	\$ 6,530,365	\$ 5,607,610
Permanent exhibition — net	6,155,141	5,792,544
Unfunded payables	(1,178,414)	(1,184,849)
Unexpended appropriations	<u>9,702,438</u>	<u>10,721,020</u>
 Total Federal equity	 <u>\$21,209,530</u>	 <u>\$20,936,325</u>

Intragovernmental Costs — The Museum, as an independent Federal establishment, is required to disclose and reconcile transactions occurring with other Federal entities. Intragovernmental transactions include only those transactions with Federal entities that are funded with the Museum's Appropriated funds. Federal exchange transactions, which were conducted with Federal agencies during FY 2007, are as follows:

	FY2007			FY2006
	Intragovernmental	Public	Total	Total
Program costs:				
Building operations	\$ 3,633,337	\$ 15,279,069	\$ 18,912,406	\$ 17,549,261
Center for Advanced Holocaust Studies	426,215	1,800,856	2,227,071	2,070,660
Museum and public programs	2,143,291	8,214,621	10,357,912	10,308,759
Information technology	523,141	3,251,908	3,775,049	4,959,198
Management and general	<u>1,614,480</u>	<u>5,669,634</u>	<u>7,284,114</u>	<u>6,689,049</u>
 Total program costs	 <u>\$ 8,340,464</u>	 <u>\$ 34,216,088</u>	 <u>\$ 42,556,552</u>	 <u>\$ 41,576,927</u>

The reconciliation of the net cost of operations to budget as of September 30, 2007 and 2006, is as follows:

	2007	2006
Total resources used to finance activities:		
Obligations, offsetting receipts, imputed financing sources	\$43,153,219	\$43,887,807
Change in budgetary resources obligated for goods and services	676,291	(2,462,230)
Resources that finance the acquisition of capital assets	<u>(3,070,118)</u>	<u>(1,410,032)</u>
Total resources used to finance the net cost of operations	40,759,392	40,015,545
Components requiring or generating resources in future periods:		
Annual leave liability increase	(12,754)	(47,548)
Unfunded FECA, Non-Budgetary Receivables, FECA Actuarial	25,146	43,591
Components not requiring or generating resources — Depreciation and amortization	<u>1,784,768</u>	<u>1,565,339</u>
Total components of the net cost of operations that will not require or generate resources in the current period	<u>1,797,160</u>	<u>1,561,382</u>
Net cost of operations	<u>\$ 42,556,552</u>	<u>\$ 41,576,927</u>

9. COMMITMENTS AND CONTINGENCIES

The Museum has leases for its headquarters office, regional offices, warehouses, and other office space. These leases expire at various dates through 2018. Annual minimum lease payments due under operating leases in effect at September 30, 2007, are summarized as follows:

2008	\$ 1,515,012
2009	1,383,027
2010	1,299,154
2011	1,069,386
2012	1,045,057
Thereafter	<u>5,248,274</u>
Total	<u>\$11,559,910</u>

The Museum may relinquish space under these lease agreements upon four months notice, thus reducing the Museum's financial obligation to four months rent, plus the unamortized balance of any tenant improvements, plus any rent concessions not yet earned.

Rent expense for 2007 and 2006 was \$2,121,555 and \$1,505,245, respectively. This amount is composed of \$1,943,851 and \$1,369,600, respectively, paid out of Appropriated Funds and \$177,704 and \$135,645, respectively, paid out of Non-appropriated Funds.

The Museum plans to vacate its current office space in February 2008. If a replacement tenant cannot be found, the Museum has committed to pay a maximum of five months rent (approximately \$526,000) after vacating the space. Management's expectation is that a replacement tenant will occupy the space. Accordingly, no accrual has been recorded as of September 30, 2007.

The Museum is a co-beneficiary of the proceeds of a trust agreement involving cash and land assets. The unreceived proceeds from this trust have not been recognized in the accompanying financial statements due to certain contingencies associated with the disposal of the land.

10. RETIREMENT PLANS AND OTHER BENEFITS

Although the Museum funds a portion of the pension benefits for its Appropriated Fund employees under the Civil Service Retirement System and the Federal Employees Retirement System and makes the necessary payroll withholdings from them, the Museum is not required to disclose the systems' assets or the actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of the United States Office of Personnel Management (OPM). The Museum's expense for these Appropriated plans in 2007 and 2006 was \$2,577,674 and \$2,541,214, respectively.

Federal accounting standards require the Museum to recognize the cost of pensions and other retirement benefits during their employees' active years of service. OPM determines pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicates these factors to the Museum for current period expense reporting. OPM also provides cost factors regarding the full cost of health and life insurance benefits. In FY 2007, the Museum, utilizing OPM's cost factors, recognized \$199,064 of pension expenses, \$1,061,466 of postretirement health benefits expenses, and \$2,788 of post-retirement life insurance expenses, beyond amounts actually paid. The Museum recognized offsetting revenue of \$1,263,318 as an imputed financing source to the extent that these intragovernmental expenses will be paid by OPM.

The Museum sponsors a defined contribution salary deferral 403(b) plan for its Non-appropriated Fund employees. Starting January 1, 2007, the Museum contributes 8% of annual pay for each eligible employee. In addition, the Museum matches 100% of the participant contributions up to 4% of annual pay. The Museum's expense for the 403(b) plan in 2007 and 2006 was \$999,692 and \$441,260, respectively.

11. FEDERAL EMPLOYEES' COMPENSATION ACT ACTUARIAL LIABILITY

The Federal Accounting Standards Advisory Board ("FASAB's") Statement of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*, requires that agencies recognize the actuarial cost of future FECA benefits. The estimated FECA actuarial liability represents the expected liability of benefits to be paid for death, disability, medical, and miscellaneous costs for approved compensation cases beyond the current fiscal year. The DOL provides the Museum with the calculation model and ratios to determine this liability, as of September 30, 2007. The estimated future costs are regarded as a liability because neither the costs nor the reimbursements have been recognized by DOL.

The actuarial calculation takes the amount of Museum benefit payments over the last 12 quarters, and calculates the annual average of payments for medical expenses and compensation. This average is then multiplied by the liability-to-benefits-paid ratios for the Government-wide FECA program for 2007. The appropriated actuarial liability and Non-appropriated actuarial liability is \$53,390 and \$356,797, respectively, as of September 30, 2007.

The FECA actuarial liability is recorded for reporting purposes only. This liability constitutes an extended future estimate of cost, which will not be obligated against budgetary resources until the fiscal year in which DOL actually bills the cost to the Museum. The cost associated with this liability cannot be met by the Museum without further appropriation action.

An unfunded liability is recorded for future payments to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (FECA). The liability consists of the unreimbursed cost paid by the Department of Labor (DOL) for compensation paid to recipients under FECA. The costs incurred are reflected as a liability because the Museum will reimburse DOL two years after the payment of expenses by DOL. Future Museum salaries and expense appropriations and Non-appropriated funds will be used to reimburse DOL for appropriate payments. The unfunded liability for its appropriated and Non-appropriated fund employees is \$1,093 and \$200, respectively, as of September 30, 2007, of future payments for workers' compensation.

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2007 and 2006, are available for the following programs or periods:

	2007	2006
Contributions to be received in future periods — for general use	\$ 5,155,928	\$ 5,218,187
Secure the future	1,850,631	2,020,945
National Institute for Holocaust Education	4,446,707	4,275,073
Rescue the evidence	4,476,307	2,944,923
Center for Advanced Holocaust Studies	4,033,267	3,958,422
Committee on Conscience	<u>857,594</u>	<u>228,563</u>
 Total temporarily restricted net assets	 <u>\$20,820,434</u>	 <u>\$ 18,646,113</u>

13. PERMANENTLY RESTRICTED NET ASSETS

At September 30, 2007 and 2006, permanently restricted net assets are restricted in perpetuity, the income from which is expendable to support the following purposes:

	2007	2006
Secure the future	\$ 106,510,615	\$ 89,778,584
National Institute for Holocaust Education	12,018,064	12,252,394
Rescue the evidence	854,353	854,240
Center for Advanced Holocaust Studies	24,192,509	24,372,425
Committee on Conscience	<u>2,179,800</u>	<u>1,087,799</u>
 Total permanently restricted net assets	 <u>\$ 145,755,341</u>	 <u>\$ 128,345,442</u>

14. CONTRIBUTED SERVICES

In-kind contributions of goods and services totaling \$14,305 and \$25,922 were received by the Museum during fiscal years 2007 and 2006, respectively. This amount has been recognized as revenue and expense in the accompanying statement of activities. In addition to the contributed services recognized in the financial statements, the Museum has more than 400 volunteers, including 85 Holocaust survivors, donating more than 60,000 hours annually. The value of these contributions is not susceptible to objective measurement and, accordingly, is not recognized in the financial statements.

15. FINANCIAL INSTRUMENTS

The Museum's financial instruments as of September 30, 2007 and 2006, consist of cash, contributions receivable, investments, accounts payable, and accrued liabilities. The carrying amounts of these financial instruments approximated their fair values as of September 30, 2007 and 2006.

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SUPPLEMENTAL INFORMATION

**UNITED STATES HOLOCAUST MEMORIAL MUSEUM
SCHEDULE OF CLAIMS CONFERENCE PAYMENTS
YEAR ENDED SEPTEMBER 30, 2007**

Grant Award	Payments
112-30448-7	\$ 2,809
132-30448-8	32,587
162-30448-9	9,494
192-30448-11	81,544
SWVLP-30448-15	22,604
222-30448-16	427,903
172-30448-10 & SWVLP 30448-13	58,343
SWVLP 30448-17	238,046
252-30448-18	<u>26,561</u>
Fiscal Year 2007 Payments to the Museum	<u>\$ 899,891</u>

Note: The amounts included in this schedule represent actual expenses incurred for the the claim conference for which cash has been reimbursed to the Museum.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Council Members

United States Holocaust Memorial Museum:

We have audited the financial statements of the United States Holocaust Memorial Museum (the "Museum") as of and for the year ended September 30, 2007, and have issued our report thereon dated November 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States and with Office of Management and Budget ("OMB") Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Museum's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Museum's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Museum's financial statements that is more than inconsequential will not be prevented or detected by the Museum's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Museum's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

With respect to internal control relevant to data that support reported performance measures on page 1 of Management's Discussion and Analysis accompanying the financial statements, we obtained an understanding of the design and significant internal control relating to the existence and completeness assertions, as required by OMB Bulletin No. 07-04. Our procedures were not designed to provide assurance on the internal control over reported performance measures and, accordingly, we do not express an opinion on such control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Museum's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 07-04. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 07-04.

We noted certain matters that we reported to management of the Museum in a separate letter dated November 26, 2007.

This report is intended solely for the information and use of management, Council Members, and others within the Museum, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

November 26, 2007