

United States
Holocaust Memorial Museum

*Financial Statements for the Year Ended
September 30, 2003 (with Comparative Totals
for 2002), Supplemental Information for the
Year Ended September 30, 2003, and
Independent Auditors' Report*

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This report, Management's Discussion and Analysis (un-audited), 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, 2003 (FY 2003). Prepared by Management, it is required supplemental information to the financial statements and the footnotes that follow this section.

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, a national memorial, 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. Private 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. Members serve five-year terms or, in the normal case for Members of Congress, until the end of the Congressional term.

Performance Goals and Results

The Museum achieved extraordinary success in its first ten years and has established a strategic plan that provides a vision and framework for the next decade. The Museum had 87 established objectives for FY 2003, related to education, remembrance, research, and infrastructure support. Of the 87 objectives, the Museum met or exceeded 69 objectives, partially met 16 objectives, and could not fully evaluate two objectives due to unavailable data. Full details on these goals and the related results are presented in the Museum's FY 2003 Performance and Accountability Report.

Financial Statements Summary

The Museum's financial position remained strong at September 30, 2003, with total assets of \$273 million and total liabilities of \$6 million. Net assets, which represent the residual interest in the Museum's assets after liabilities are deducted, are \$267 million. This is a 3.5 percent increase over last fiscal year's net assets of \$258 million. The increase in net assets is primarily attributable to endowment gift activity and recovery realized from sluggish investment markets.

BALANCE SHEET

Current Assets—Current assets, which consist primarily of cash, operating investments, contributions receivable due within the year, and accounts receivable, totaled \$29.7 million. Total current assets cover current liabilities five times, an indicator of good liquidity.

Contributions Receivables—The Museum has contributions receivables, net of allowance for bad debts, of \$17.2 million. Of these receivables, \$6.6 million are current and \$10.6 million are due after one year.

Long-Term Investments—Long-term investments are the largest of the non-current assets and represent donated securities and the investment of endowment funds.

Endowment—As outlined in the footnotes, the whole endowment, consisting of the quasi and real endowments, is pooled for investment purposes. As of September 30, 2003, the quasi endowment balance was \$18.2 million, and the real endowments balances totaled \$90.2 million.

Performance—The annual return for the pooled endowment fund this year was 15 percent. Included in the calculation of this performance figure are realized and unrealized gains and losses, along with investment income.

Current Liabilities—Current liabilities consist primarily of accounts payable and accrued compensation. Total current liabilities are \$6.0 million. The Museum has no long-term liabilities.

Net Assets/Federal Equity—The Museum has total equity of \$267.8 million, of which \$94.4 million is permanently restricted, and \$13.7 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.

Revenue is obtained from donor contributions, membership revenue, auxiliary activity revenue, private grants, authorized endowment payouts, and the Federal appropriation.

In the past year, the Museum operations produced an overall net gain of \$8.8 million in equity. However, the Museum did realize an overall loss of \$1.2 million before recognizing the appreciation of Museum investments. In evaluating this loss, the following factors should be considered.

First, while the Museum is currently depreciating the cost of the construction of the Museum building (\$3.4 million), efforts are not being made to fully retain the building's equity. Thus, in a given year, the Museum may not fully offset the building's annual depreciation expenses (non-cash) with unrestricted donated fund revenues.

The Museum's decision not to fully maintain the building's equity takes into consideration that an annual Federal appropriation in excess of \$3 million is provided to repair, renovate, and maintain the Museum's landmark building. This decision allows the Museum to maximize use of annual donated monies on program activities.

Second, on the expense side, the Museum did incur some significant bad debt (non-cash) expense as the Museum made efforts to adjust the pledge receivables balances to expected collection levels. The adjustment also accounts for the significant increase in fundraising expenses for the year.

MANAGEMENT INTEGRITY: CONTROLS AND COMPLIANCE

The Museum maintains a comprehensive management control program through the use of internal reviews, a full-time internal audit function, and the oversight of an independent audit committee.

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 received accreditation from the Association of American Museums during FY 2003. During this 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, is presented in the Museum's FY 2003 Performance and Accountability Report.

FUTURE CONCERNS AND ISSUES

The Museum's first ten years were marked by extraordinary success and a level of demand for national programming that has consistently and significantly exceeded expectations. To be able to respond to this demand and prepare responsibly for the institution's future, the Museum's Strategic Plan for the Second Decade envisions the creation of an endowment to ensure the capacity to continue to fulfill its national mission with decreasing dependence on significant annual giving. Accordingly the Museum has embarked on a major campaign to increase the endowment from about \$100 million to \$300 million.

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, 2003, and the related statement of activities, and cash flows for the year then ended. We have also audited the Federal statements of financing, budgetary resources, net cost, and consolidated changes in net position for the year ended September 30, 2003. 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 2002 financial statements and in our report dated December 13, 2002, 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. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 of the United States Holocaust Memorial Museum and the changes in its net assets/Federal equity and its cash flows for the year ended September 30, 2003 and the Federal statements of financing, budgetary resources, net cost, and consolidated statement of changes in net position for the year ended September 30, 2003 in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Museum taken as a whole. The accompanying supplementary schedules of functional expenses and cash flows are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These supplementary schedules are the responsibility of the Museum's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic 2003 financial statements taken as a whole.

The accompanying required supplementary information included in the sections entitled "Management's Discussion & Analysis," is not required as part of the basic financial statements but is supplementary information required by OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements* and the

Federal Accounting Standards Advisory Board. 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.

December 19, 2003

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

**STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2003 (WITH COMPARATIVE TOTALS FOR 2002)**

	2003			2002
	Non-appropriated Funds	Appropriated Funds	Total	Total
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 6,562,561	\$ 14,288,513	\$ 20,851,074	\$ 19,389,901
Short-term investments	969,488		969,488	1,330,446
Contributions receivable—net of allowance for doubtful accounts of \$548,368	6,595,562		6,595,562	9,047,897
Other assets	<u>1,190,688</u>	<u>68,187</u>	<u>1,258,875</u>	<u>1,438,913</u>
Total current assets	<u>15,318,299</u>	<u>14,356,700</u>	<u>29,674,999</u>	<u>31,207,157</u>
LONG-TERM INVESTMENTS	<u>113,124,336</u>	<u>-</u>	<u>113,124,336</u>	<u>96,952,686</u>
CONTRIBUTIONS RECEIVABLE DUE AFTER ONE YEAR— Net of allowance for doubtful accounts of \$1,180,055 and discount to present value of \$1,359,625	<u>10,645,491</u>	<u>-</u>	<u>10,645,491</u>	<u>10,612,690</u>
FURNITURE AND EQUIPMENT—At cost, less accumulated depreciation of \$6,767,668 for nonappropriated and \$12,055,121 for appropriated funds	<u>381,546</u>	<u>121,610</u>	<u>503,156</u>	<u>1,688,757</u>
MUSEUM FACILITY—At cost, less accumulated depreciation of \$28,313,251 for nonappropriated and \$3,085,230 for appropriated funds	<u>80,583,198</u>	<u>3,737,222</u>	<u>84,320,420</u>	<u>87,726,722</u>
PERMANENT EXHIBITION, OTHER PROGRAM DEVELOPMENT COSTS, AND COLLECTIONS—At cost, less accumulated amortization of \$1,347,162 for nonappropriated and \$3,951,536 for appropriated funds	<u>30,246,257</u>	<u>5,299,565</u>	<u>35,545,822</u>	<u>35,754,708</u>
TOTAL ASSETS	<u>\$250,299,127</u>	<u>\$23,515,097</u>	<u>\$273,814,224</u>	<u>\$263,942,720</u>
LIABILITIES AND NET ASSETS/FEDERAL EQUITY				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	\$ 2,010,438	\$ 4,012,655	\$ 6,023,093	\$ 4,987,950
COMMITMENTS (Note 8)				
NET ASSETS/FEDERAL EQUITY:				
Unexpended appropriations		11,352,920	11,352,920	11,733,217
Expended Federal equity		<u>8,149,522</u>	<u>8,149,522</u>	<u>9,180,201</u>
Total Federal equity unrestricted	<u>-</u>	<u>19,502,442</u>	<u>19,502,442</u>	<u>20,913,418</u>
UNRESTRICTED NET ASSETS:				
Designated by Council members for:				
Program and supporting activities	11,102,060		11,102,060	3,268,312
Funds functioning as endowment	<u>18,285,957</u>	<u>-</u>	<u>18,285,957</u>	<u>15,898,079</u>
Total designated by Council members	29,388,017	-	29,388,017	19,166,391
Investment in facility	80,583,198		80,583,198	83,307,254
Investment in exhibitions	<u>30,246,257</u>	<u>-</u>	<u>30,246,257</u>	<u>30,246,257</u>
Total unrestricted net assets, excluding Federal equity	<u>140,217,472</u>	<u>-</u>	<u>140,217,472</u>	<u>132,719,902</u>
TOTAL UNRESTRICTED NET ASSETS	<u>140,217,472</u>	<u>19,502,442</u>	<u>159,719,914</u>	<u>153,633,320</u>
TEMPORARILY RESTRICTED:				
Total temporarily restricted	<u>13,702,319</u>	<u>-</u>	<u>13,702,319</u>	<u>35,327,508</u>
PERMANENTLY RESTRICTED				
Total net assets/Federal equity	<u>248,288,689</u>	<u>19,502,442</u>	<u>267,791,131</u>	<u>258,954,770</u>
TOTAL LIABILITIES AND NET ASSETS/FEDERAL EQUITY	<u>\$250,299,127</u>	<u>\$23,515,097</u>	<u>\$273,814,224</u>	<u>\$263,942,720</u>

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2003 (WITH COMPARATIVE TOTALS FOR 2002)

	2003					2002			
	Unrestricted		Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total Non-appropriated Funds	Appropriated Funds	Total
Non-appropriated Funds	Appropriated Funds								
SUPPORT AND REVENUES:									
Federal appropriation revenue	\$ -	\$ 37,716,785	\$ 37,716,785	\$ -	\$ -	\$ 37,716,785	\$ -	\$ 34,823,452	\$ 34,823,452
Contributions	3,177,372		3,177,372	7,637,968	5,250,766	16,066,106	9,326,979		9,326,979
Membership revenue	10,301,080		10,301,080			10,301,080	9,838,471		9,838,471
Museum shop	1,498,984		1,498,984			1,498,984			
Auxiliary activities	116,819		116,819	13,770		130,589	1,831,241		1,831,241
Endowment payout	2,635,278		2,635,278	755,865	(2,530,903)	860,240	2,990,000		2,990,000
Contributed services	49,084		49,084			49,084	145,434		145,434
Imputed financing source		1,041,529	1,041,529			1,041,529			
Other	12,989		12,989		294	13,283			
Net assets released from restrictions:									
Expiration of time restrictions	955,204		955,204	(955,204)					
Satisfaction of program restrictions	8,003,537		8,003,537	(8,003,537)					
Total support and revenues	26,750,347	38,758,314	65,508,661	(551,138)	2,720,157	67,677,680	24,132,125	34,823,452	58,955,577
EXPENSES:									
Administration and operations	3,552,360	17,495,537	21,047,897			21,047,897	3,670,147	18,772,864	22,443,011
Center for advanced holocaust studies	3,164,307	1,739,169	4,903,476			4,903,476	2,788,030	1,597,586	4,385,616
Fundraising	6,953,210		6,953,210			6,953,210	3,237,241		3,237,241
Membership	4,262,185		4,262,185			4,262,185	3,614,946		3,614,946
Museum management	3,194,488	2,754,846	5,949,334			5,949,334	2,779,418	2,336,429	5,115,847
Museum programs	5,007,357	10,935,125	15,942,482			15,942,482	4,329,862	8,733,230	13,063,092
Financial management	2,895,207	3,827,512	6,722,719			6,722,719	3,822,968	2,244,247	6,067,215
Museum shop	1,506,494		1,506,494			1,506,494	1,829,714		1,829,714
Information and technology	1,081,918	3,036,804	4,118,722			4,118,722	1,390,516	2,336,857	3,727,373
Total expenses	31,617,526	39,788,993	71,406,519	-	-	71,406,519	27,462,842	36,021,213	63,484,055
SUPPORT AND REVENUES OVER (UNDER) EXPENSES	(4,867,179)	(1,030,679)	(5,897,858)	(551,138)	2,720,157	(3,728,839)	(3,330,717)	(1,197,761)	(4,528,478)
INVESTMENT CHANGE, APPRECIATION (DEPRECIATION) ADJUSTED FOR ENDOWMENT PAYMENT	1,672,485		1,672,485	(169,024)	11,442,036	12,945,497	(6,745,602)		(6,745,602)
TRANSFER BETWEEN FUNDS	10,692,264		10,692,264	(20,905,027)	10,212,763				
CHANGE IN UNEXPENDED FEDERAL APPROPRIATION		(380,297)	(380,297)			(380,297)		227,959	227,959
(DECREASE) INCREASE IN NET ASSETS/FEDERAL EQUITY	7,497,570	(1,410,976)	6,086,594	(21,625,189)	24,374,956	8,836,361	(10,076,319)	(969,802)	(11,046,121)
NET ASSETS/FEDERAL EQUITY—Beginning of year	132,719,902	20,913,418	153,633,320	35,327,508	69,993,942	258,954,770	248,117,671	21,883,220	270,000,891
NET ASSETS/FEDERAL EQUITY—End of year	\$ 140,217,472	\$ 19,502,442	\$ 159,719,914	\$ 13,702,319	\$ 94,368,898	\$ 267,791,131	\$ 238,041,352	\$ 20,913,418	\$ 258,954,770

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2003 (WITH COMPARATIVE TOTALS FOR 2002)

	2003			2002		
	Total Non-Appropriated Funds	Appropriated Funds	Total	Total Non-Appropriated Funds	Appropriated Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Increase (decrease) in net assets/Federal equity	\$ 10,247,337	\$ (1,410,976)	\$ 8,836,361	\$(10,076,319)	\$ (969,802)	\$(11,046,121)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:						
Museum depreciation	2,724,056	682,247	3,406,303	2,724,054	682,245	3,406,299
Equipment depreciation	1,125,922	171,170	1,297,092	1,598,242	425,011	2,023,253
Amortization of program development costs		208,886	208,886			
Realized/unrealized (gain) loss on investments	(10,226,963)		(10,226,963)	7,584,665		7,584,665
Contributions of permanently restricted net assets	(5,175,818)		(5,175,818)	(1,790,257)		(1,790,257)
Changes in assets and liabilities:						
Decrease in contributions receivable, net	2,419,534		2,419,534	4,640,689		4,640,689
Decrease in other assets	146,186	33,852	180,038	1,049,686	144,050	1,193,736
Increase (decrease) in accounts payable and accrued liabilities	<u>490,926</u>	<u>544,217</u>	<u>1,035,143</u>	<u>(1,018,516)</u>	<u>(1,798,663)</u>	<u>(2,817,179)</u>
Net cash provided by (used in) operating activities	1,751,180	229,396	1,980,576	4,712,244	(1,517,159)	3,195,085
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital expenditures:						
Museum facility and equipment		(111,491)	(111,491)			
Purchase of investments	(29,223,549)		(29,223,549)	(22,039,795)		(22,039,795)
Sale of investments	<u>23,639,819</u>		<u>23,639,819</u>	<u>18,018,605</u>		<u>18,018,605</u>
Net cash used in investing activities	<u>(5,583,730)</u>	<u>(111,491)</u>	<u>(5,695,221)</u>	<u>(4,021,190)</u>	<u>-</u>	<u>(4,021,190)</u>
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:						
Contributions of permanently restricted net assets	<u>5,175,818</u>	<u>-</u>	<u>5,175,818</u>	<u>1,790,257</u>	<u>-</u>	<u>1,790,257</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,343,268	117,905	1,461,173	2,481,311	(1,517,159)	964,152
CASH AND CASH EQUIVALENTS—Beginning of year	<u>5,219,293</u>	<u>14,170,608</u>	<u>19,389,901</u>	<u>2,737,982</u>	<u>15,687,767</u>	<u>18,425,749</u>
CASH AND CASH EQUIVALENTS—End of year	\$ <u>6,562,561</u>	\$ <u>14,288,513</u>	\$ <u>20,851,074</u>	\$ <u>5,219,293</u>	\$ <u>14,170,608</u>	\$ <u>19,389,901</u>

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

FEDERAL STATEMENT OF FINANCING YEAR ENDED SEPTEMBER 30, 2003

	Appropriated Funds
Resources used to finance activities:	
Obligations incurred	\$38,192,874
Less: Spending authority from offsetting collections and recoveries	(803,995)
Add: Imputed financing from costs absorbed by other	1,041,529
 Total resources used to finance activities	 38,430,408
 Resources used to finance items not part of the net cost of operations:	
Change in budgetary resources obligated for goods not part of the net cost of operations	294,055
Resources that finance the acquisition of assets	(111,492)
 Total resources used to finance the net cost of operations	 38,612,971
 Components of the net cost of operations that will not require or generate resources in the current period:	
 Components requiring or generating resources in future periods:	
Annual leave liability increase	74,875
Other	38,844
 Total	 <u>113,719</u>
 Components not requiring or generating resources:	
Depreciation and amortization	<u>1,062,303</u>
 Total components of the net cost of operations that will not require or generate resources in the current period	 <u>1,176,022</u>
 Net cost of operations	 <u>\$39,788,993</u>

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

FEDERAL STATEMENT OF BUDGETARY RESOURCES YEAR ENDED SEPTEMBER 30, 2003

	Appropriated Funds
Budgetary resources available to the Museum:	
Budgetary authority: appropriations received	\$ 38,663,000
Unobligated balance: beginning of period	3,702,125
Net transfers—actual	(71,979)
Spending authority from offsetting collections	139,687
Recoveries of prior year obligations	664,308
Rescission and return to Treasury—permanently not available	<u>(1,254,533)</u>
 Total budgetary resources	 <u>\$41,842,608</u>
 Status of budgetary resources:	
Obligations incurred	\$ 38,192,874
Unobligated balance—available	1,622,774
Unobligated balance—not available	<u>2,026,960</u>
 Status of budgetary resources	 <u>\$41,842,608</u>
 Relationship of obligations to outlays:	
Obligations incurred	\$ 38,192,874
Less: Spending authority from offsetting collections	(139,687)
Less: Recoveries of prior year obligations	<u>(664,308)</u>
 Subtotal	 37,388,879
 Obligated balances, net, beginning of period	10,468,484
Less: Obligated balances, net, end of period	<u>(10,638,779)</u>
 Net outlays	 <u>\$37,218,584</u>

NOTE: Accounts receivable are not included in the unobligated balances on this schedule since receivables are not considered budgetary resources until collected. For Note 7, receivables 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, 2003

Program Costs	Appropriated Funds		Total
	Intergovernmental	Public	
Administration and operations	\$4,113,650	\$13,381,887	\$17,495,537
Center for advanced Holocaust studies	282,812	1,456,357	1,739,169
Museum management	472,660	2,282,186	2,754,846
Museum programs	1,886,178	9,048,947	10,935,125
Financial management	787,395	3,040,117	3,827,512
Information and technology	<u>506,568</u>	<u>2,530,236</u>	<u>3,036,804</u>
Net cost of operations	<u>\$8,049,263</u>	<u>\$31,739,730</u>	<u>\$39,788,993</u>

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

FEDERAL CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION YEAR ENDED SEPTEMBER 30, 2003

	Cumulative Results of Operations	Unexpended Appropriations
Beginning balances	\$ 9,180,201	\$ 11,733,217
Budgetary financing sources:		
Appropriations received (current period)		38,663,000
Appropriations transferred out		(71,979)
Rescissions, canceled expired appropriations		(1,254,533)
Appropriations used	37,716,785	(37,716,785)
Other financing sources:		
Imputed financing from costs absorbed by others	1,041,529	
Total financing sources	<u>38,758,314</u>	<u>(380,298)</u>
Total	47,938,515	11,352,919
Net cost of operations	<u>39,788,993</u>	<u> </u>
Ending balances	<u>\$ 8,149,522</u>	<u>\$ 11,352,919</u>

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003 (WITH COMPARATIVE TOTALS FOR 2002)

1. ORGANIZATION AND PURPOSE

Organization and Governance—The United States Holocaust Memorial Museum (the “Museum”) was created as an independent establishment of the United States Government by an Act of the U.S. Congress (36 U.S.C. 2301-2310) on October 7, 1980, and permanently authorized by Public Law 106-292, for the purposes of providing appropriate ways for the nation to commemorate the Days of Remembrance; planning, constructing, and overseeing the operation of a 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.

The Museum is governed by 65 voting members and 3 nonvoting members (the “Members”). The voting Members are appointed by the President of the United States, except for 5 who are appointed by the Speaker of the U.S. House of Representatives from among members of the U.S. House of Representatives and 5 who 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. The fourth nonvoting Member is the Museum’s outside legal counsel. 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 7) and was required by statute (36 U.S.C. Section 2307) to raise private funds (the “Non-appropriated Funds”) for construction 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 Financing, Budgetary Resources, Net Cost, and Consolidated 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 No 117 (“SFAS 117”), *Financial Statements of Not-for-Profit Organizations*. 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, 2002, from which the summarized information was derived.

Significant accounting policies followed are summarized below.

Cash and Cash Equivalents—Cash and cash equivalents for Non-appropriated Funds consist of amounts held in demand deposits with financial institutions and short-term, highly liquid investments with an original maturity date of three months or less.

Cash and cash equivalents for Appropriated Funds consist 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 statement of activities' captions. Long-term investments represent donated securities and the investment of endowment funds.

The whole endowment, consisting of the quasi and real endowments, is pooled for investment purposes. The endowment pays out an amount for annual support of operations 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 (i.e., dividends, interest and net gain or loss) and the payout is reported as non-operating income or loss on the statement of activities as investment change, appreciation (depreciation) adjusted for endowment payment. Therefore, the endowment payout is a transfer of prior year earnings.

Endowment investments are considered noncurrent assets, as they are restricted for long-term purposes. Endowment investments may include liquid investments because the nature of and the restrictions related to endowment investments do not allow those liquid investments to be used for any purposes other than to purchase other investments.

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 on 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 purposes 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. 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.

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 Assets—Other assets consist primarily of accounts receivable 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 was \$763,853 and \$763,188 as of September 30, 2003 and 2002, 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—Equipment is stated at cost. Depreciation has been 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.

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 exhibit, and to further museum-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 exhibits that are amortized on the straight-line basis over the life of the exhibit.

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. 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.

Transfer of Net Assets—In fiscal year 2003, the Museum transferred the majority of prior year investment appreciation or depreciation from the temporarily restricted net asset category to either unrestricted or permanently restricted net assets to conform with Museum's actual spending practices. The Museum also transferred about \$880,000 from temporarily restricted to permanently restricted net assets based on donor designations. An additional \$3.9 million was transferred from permanently restricted net assets to unrestricted net assets for prior year allowances attributable to permanently restricted pledge receivables.

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.

Reclassifications—Certain amounts for the prior year have been reclassified to conform to the current year presentation.

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 fund-raising and membership efforts, investment income, and certain revenue-producing activities related to the operations of the Museum.

Imputed Financing Source—Federal accounting standards requires 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

Investments, at fair value, consist of the following:

	2003	2002
Cash and cash equivalents	\$ -	\$ 415,143
Corporate bonds/notes	4,188,091	3,402,069
Mutual funds	51,206,282	44,690,576
Equity securities	51,280,860	39,142,899
U.S. debt securities	999,960	1,001,916
State of Israel bonds	<u>6,418,631</u>	<u>9,630,529</u>
	\$ 114,093,824	\$ 98,283,132

The Museum uses the spending rule concept in making distributions from its investments. Under this method, a portion of its investments is distributed 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 of the previous year.

Total operating and nonoperating investment activity for fiscal years 2003 and 2002 is summarized below:

Interest and dividends	\$ 3,448,694
Net realized loss	(2,637,032)
Net unrealized gain	<u>12,994,075</u>
Net investment appreciation for fiscal year 2003	<u>\$ 13,805,737</u>
Interest and dividends	\$ 3,829,063
Net realized gains	648,362
Net unrealized loss	(8,233,027)
Net investment depreciation for fiscal year 2002	\$ (3,755,602)

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable in the accompanying statement of financial position includes the following unconditional promises to give as of September 30:

	2003	2002
Amounts due in:		
Less than one year	\$ 7,143,930	\$ 12,594,206
One to five years	11,700,071	11,534,781
More than five years	<u>1,485,100</u>	<u>1,588,200</u>
Subtotal	20,329,101	25,717,187
Less:		
Allowance for doubtful accounts	(1,728,423)	(4,202,458)
Discount to present value (1.0% - 6.0%)	<u>(1,359,625)</u>	<u>(1,854,142)</u>
	\$ 17,241,053	\$ 19,660,587

5. FURNITURE AND EQUIPMENT

At September 30, 2003 and 2002, furniture and equipment consists of the following:

	2003			2002		
	Non-appropriated Funds	Appropriated Funds	Total	Non-appropriated Funds	Appropriated Funds	Total
Furniture	\$ 906,550	\$ 4,276,519	\$ 5,183,069	\$ 906,550	\$ 4,276,519	\$ 5,183,069
Computer	5,088,446	4,172,827	9,261,273	5,088,446	4,172,827	9,261,273
Other	<u>1,154,218</u>	<u>3,727,385</u>	<u>4,881,603</u>	<u>1,154,218</u>	<u>3,615,894</u>	<u>4,770,112</u>
Total furniture and equipment	7,149,214	12,176,731	19,325,945	7,149,214	12,065,240	19,214,454
Less: Accumulated depreciation	<u>(6,767,668)</u>	<u>(12,055,121)</u>	<u>(18,822,789)</u>	<u>(5,641,746)</u>	<u>(11,883,951)</u>	<u>(17,525,697)</u>
Furniture and equipment—net	<u>\$ 381,546</u>	<u>\$ 121,610</u>	<u>\$ 503,156</u>	<u>\$ 1,507,468</u>	<u>\$ 181,289</u>	<u>\$ 1,688,757</u>

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

At September 30, 2003 and 2002, permanent exhibition, other program developments costs, and collections consists of the following:

	2003			2002		
	Non-Appropriated Funds	Appropriated Funds	Total	Non-Appropriated Funds	Appropriated Funds	Total
Inexhaustible	\$30,246,257	\$ 4,866,725	\$35,112,982	\$30,246,257	\$ 4,866,725	\$35,112,982
Exhaustible	1,347,162	4,384,376	5,731,538	1,347,162	4,384,376	5,731,538
Accumulated amortization	(1,347,162)	(3,951,536)	(5,298,698)	(1,347,162)	(3,742,650)	(5,089,812)
Exhaustible, net		432,840	432,840		641,726	641,726
Total permanent exhibition	<u>\$30,246,257</u>	<u>\$ 5,299,565</u>	<u>\$35,545,822</u>	<u>\$30,246,257</u>	<u>\$ 5,508,451</u>	<u>\$35,754,708</u>

In conformity with practices followed by many museums, donated collection objects are not recorded in the accompanying financial statements.

7. APPROPRIATED FUNDS

The 2003 and 2002 Federal appropriation of \$38,411,690 and \$36,002,000, respectively, includes appropriations of \$1,255,784 and \$1,264,000 for 2003 and 2002, respectively, for exhibition development and production and \$1,887,650 and \$1,874,000 for 2003 and 2002, respectively, for building repair and rehabilitation, to be used by the Museum over an unlimited period of time.

Below is a reconciliation of the 2003 and 2002 Federal appropriations to Federal appropriations expended:

	2003	2002
Federal appropriation	\$38,411,690	\$36,002,000
Unexpended appropriation	(5,920,552)	(5,817,976)
Amounts obligated in previous years; expended in current year	<u>5,225,647</u>	<u>4,639,428</u>
Federal appropriation revenue	<u>\$37,716,785</u>	<u>\$34,823,452</u>

Below is a reconciliation of the spending of the 2003 and 2002 appropriations:

	2003	2002
Total expenses	\$39,788,993	\$36,021,213
Depreciation and amortization	(1,062,303)	(1,107,256)
Unpaid vacation and other unfunded expenses	(1,121,396)	(90,505)
Unexpended appropriation	5,920,552	5,817,976
Amounts obligated in previous years, expended in current year	(5,225,647)	(4,639,428)
Capital expenditures	<u>111,491</u>	<u> </u>
Federal appropriation	<u>\$38,411,690</u>	<u>\$36,002,000</u>

Unexpended appropriations represent undelivered orders which are goods and services that have been ordered but not yet received by the Museum (\$7,634,999 and \$7,929,054 at September 30, 2003 and 2002, respectively) and unobligated balances which are appropriated funds that have not been obligated (\$3,717,922 and \$3,804,163 at September 30, 2003 and 2002, 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 \$11,352,920 and \$11,733,217 as of September 30, 2003 and 2002, respectively, from the following fiscal years' appropriations:

	2003	2002
2003	\$ 5,920,552	\$ -
2002	2,597,980	5,817,976
2001	1,224,410	3,222,915
2000	117,820	206,436
1999 and previous years	<u>1,492,158</u>	<u>2,485,890</u>
	<u>\$11,352,920</u>	<u>\$11,733,217</u>

The change in unexpended appropriations (\$380,297) and \$227,959 in 2003 and 2002, 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, 2003 and 2002, is as follows:

	2003	2002
Furniture, equipment, and museum facility—net	\$ 3,858,832	\$ 4,600,757
Permanent exhibition—net	5,299,565	5,508,451
Unfunded payables	(1,008,875)	(929,007)
Unexpended appropriations	<u>11,352,920</u>	<u>11,733,217</u>
Total Federal equity	\$ 19,502,442	\$ 20,913,418

8. COMMITMENTS

The Museum has leases for four regional offices, warehouses, and additional office space. These leases are renewed on a year-to-year basis. Rent expense for 2003 and 2002 was \$1,590,101 and \$1,551,536, respectively. This amount is composed of \$1,460,581 and \$1,422,996, respectively, paid out of Appropriated Funds and \$129,520 and \$128,540, respectively, paid out of Non-appropriated Funds.

The Museum leases a van for transportation. Lease expense for 2003 and 2002 was \$5,030 and \$5,061, respectively, paid for with non-appropriated funds.

9. RETIREMENT PLANS AND OTHER BENEFITS

Although the Museum funds a portion of 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. The Museum's expense for these Appropriated plans in 2003 and 2002 was \$2,246,736 and \$1,846,965, respectively.

Federal accounting standards require the Museum to recognize the cost of pensions and other retirement benefits during their employees' active years of service. The Office of Personnel Management (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 2003, the Museum, utilizing OPM's cost factors dated September 15, 2003, recognized \$245,471 of pension expenses, \$793,684 of post retirement health benefits expenses, and \$2,374 of post-retirement life insurance expenses, beyond amounts actually paid. The Museum recognized offsetting revenue of \$1,041,529 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. The Museum contributes 1 percent of annual pay for each eligible employee. In addition, the Museum matches 100 percent of participant contributions up to 3 percent of annual pay and 50 percent of participant contributions up to the next 2 percent of annual pay. The Museum's expense for the 403(b) plan in 2003 and 2002 was \$315,000 and \$316,649, respectively.

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 un-reimbursed 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. For its Appropriated and Non-appropriated fund employees, in fiscal year 2003, the Museum recognized \$4,992 and \$61,590 respectively, of future payments for workers' compensation.

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2003 and 2002 are available for the following programs or periods:

	2003	2002
Contributions to be received in future periods—		
for general use	\$ 3,529,917	\$ 12,019,390
Education	4,217,742	4,062,580
Archives	2,341,540	2,840,579
Academic programs	2,858,481	3,341,710
Exhibitions	754,639	176,564
Other	<u> </u>	<u>12,886,685</u>
Total temporarily restricted net assets	\$ 13,702,319	\$ 35,327,508

11. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted in perpetuity, the income from which is expendable to support the following purposes:

	2003	2002
Funds for general use	\$ 70,554,904	\$ 51,085,168
Academic programs	12,564,464	12,412,779
Education	5,730,904	3,530,904
Other outreach programs	5,018,284	2,464,749
Exhibitions	<u>500,342</u>	<u>500,342</u>
	\$ 94,368,898	\$ 69,993,942

12. CONTRIBUTED SERVICES

In-kind contributions of goods and services totaling \$49,084 were received by the Museum during fiscal year 2003. This amount has been recognized as revenue and expense on the accompanying statement of activities and schedule of functional expenses. In addition to the contributed services recognized in the financial statements, the Museum has more than 300 volunteers, including 67 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.

13. FINANCIAL INSTRUMENTS

The Museum's financial instruments as of September 30, 2003 and 2002 consist of cash and cash equivalents, contributions receivable, investments, accounts payable, and accrued liabilities. The carrying amounts of these financial instruments approximated their fair values as of September 30, 2003 and 2002.

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UNITED STATES HOLOCAUST MEMORIAL MUSEUM

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2003

	Administration and Operations		Center for Advanced Holocaust Studies		Fundraising		Membership		Museum Management		Museum Programs		Financial Management		Museum Shop		Information and Technology		Total	
	Non-appropriated Funds	Appropriated Funds	Non-appropriated Funds	Appropriated Funds	Non-appropriated Funds	Appropriated Funds	Non-appropriated Funds	Appropriated Funds	Non-appropriated Funds	Appropriated Funds	Non-appropriated Funds	Appropriated Funds	Non-appropriated Funds	Appropriated Funds	Non-appropriated Funds	Appropriated Funds	Non-appropriated Funds	Appropriated Funds	Non-appropriated Funds	Appropriated Funds
Personnel compensation	\$ 240,603	\$ 2,625,697	\$ 715,598	\$ 986,159	\$1,316,914	\$ -	\$ 369,841	\$ -	\$ 1,510,513	\$ 1,734,243	\$ 1,839,831	\$ 5,717,196	\$ 1,010,975	\$ 2,265,290	\$ 499,010	\$ -	\$ 784,947	\$ 1,628,564	\$ 8,288,231	\$ 14,957,149
Benefits	119,791	113,484	100,819	43,072	268,811		48,933		235,280	66,827	317,439	232,695	300,508	74,160	101,697		160,713	74,174	1,653,991	604,412
Rent, utilities, postage, and insurance		1,331,230	4,303		183,589		938,231		1,084	116,330	88	17,945		67	286			10,545	1,127,581	1,476,117
Janitorial services		1,062,570										261,361								1,323,931
Security services	260,299	4,822,708																	260,299	4,822,708
Office supplies and reference materials	9,288	518,012	84,303	601	142,094				110,139	7,120	290,896	284,185	1,283	5,139	6,088		130	48,886	644,221	863,943
Printing, public relations, and advertising	15,930	6,009	787,650	195,083	91,718		677,001		424,037	166,377	325,272	24,962	13,437	1,535				1,083	2,335,045	395,049
Travel		5,596	202,332	128,953	116,932				183,076	135,850	177,339	160,264	438	10,858	6,361		1,535	24,434	688,012	465,955
Transportation and shipping of goods		7,105							21,400			43,021			7,032				28,432	50,126
Equipment	76,726	327,538	10,113		8,690				22,442	8,247	136,547	193,626		6,535			13,418	281,505	267,936	817,451
Collections											187,222								187,222	
Depreciation and amortization	2,828,223	853,417	6,744		1,388		10,635		543		17,969	208,886	940,586				43,890		3,849,978	1,062,303
Bad debt expense					3,290,434														3,290,434	
Bank fees			15		409		70,068				10		4,652		20,241				95,395	
Investment manager fees													366,065						366,065	
Contributed services					39,004										10,080				49,084	
Temporary help		1,279			13,171		10,008			1,216	17,588	6,511			11,039				51,806	9,006
Stipends and honoraria	1,500		639,522		501				31,981		266,117				9		11,750		951,380	
Consultants		331	141,317		71,103				990		43,600								257,010	331
Other service contracts		1,491,642	452,889	101,868	1,348,526		2,137,468		208,735	33,025	1,308,564	1,834,883	65,973	341,544	63,605		65,535	368,802	5,651,295	4,171,764
Professional services		207,255	10,341		50,001				438,207	8,984	71,693	25,363	182,490	291,635				70,601	752,732	603,838
Intergovernmental purchases and contracts		4,113,650		282,811						472,660		1,886,178		787,395				506,568		8,049,262
Cost of goods sold															754,474				754,474	
Inventory Shrinkage															23,721				23,721	
Miscellaneous		8,014	8,361	622	9,925				6,061	3,967	7,182	38,049	8,801	43,354	2,852		21,642	43,182	115,648	
	<u>\$ 3,552,360</u>	<u>\$ 17,495,537</u>	<u>\$ 3,164,307</u>	<u>\$ 1,739,169</u>	<u>\$ 6,953,210</u>	<u>\$ -</u>	<u>\$ 4,262,185</u>	<u>\$ -</u>	<u>\$ 3,194,488</u>	<u>\$ 2,754,846</u>	<u>\$ 5,007,357</u>	<u>\$ 10,935,125</u>	<u>\$ 2,895,207</u>	<u>\$ 3,827,512</u>	<u>\$ 1,506,493</u>	<u>\$ -</u>	<u>\$ 1,081,918</u>	<u>\$ 3,036,804</u>	<u>\$ 31,617,526</u>	<u>\$ 39,788,993</u>

Note: Financial Management includes the Office of Finance, Procurement, Budget, and Human Resources.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

SCHEDULE OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2003

	2003		
	Total Non- Appropriated Funds	Appropriated Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Federal appropriation	\$ -	\$38,663,000	\$38,663,000
Payments for Federal rescissions		(251,310)	(251,310)
Cancelled appropriation return to U.S. Treasury		(1,075,201)	(1,075,201)
Receipts from contributions (unrestricted)	9,949,308		9,949,308
Receipts from membership activities	10,306,044		10,306,044
Receipts from shop, royalties, misc receipts Provided by investing activities	1,570,687 3,031,831		1,570,687 3,031,831
Payments for wages and benefits	(9,834,386)	(18,497,998)	(28,332,384)
Payments for travel payments	(672,559)	(482,405)	(1,154,964)
Payments for rent, utility and phone	(183,211)	(3,056,570)	(3,239,781)
Payments for postage	(818,607)	(220,178)	(1,038,785)
Payments for transportation and freight	(49,684)	(51,523)	(101,207)
Payments for printing and reproduction	(2,035,918)	(369,742)	(2,405,660)
Payments for consultants, advisors, and others	(6,303,570)	(7,214,548)	(13,518,118)
Payments for stipends, honoraria and grants	(955,168)		(955,168)
Payments for training, tuition, advertising, and temp svcs	(347,448)	(193,884)	(541,332)
Payments for supplies and materials	(497,809)	(656,450)	(1,154,259)
Payments for books and inventory purchases	(822,318)	(173,722)	(996,040)
Payments for equipment	(238,393)	(697,651)	(936,044)
Payments for collections	(187,155)	(78,294)	(265,449)
Payments for janitorial services		(1,228,256)	(1,228,256)
Payments for security services	(160,464)	(4,183,048)	(4,343,512)
Payments for other		(2,824)	(2,824)
Net cash provided by operating activities	<u>1,751,180</u>	<u>229,396</u>	<u>1,980,576</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Permanently restricted contributions	<u>5,175,818</u>	<u>-</u>	<u>5,175,818</u>
Net cash provided by financing activities	<u>5,175,818</u>	<u>-</u>	<u>5,175,818</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures		(111,491)	(111,491)
Purchase of investments	(29,223,549)		(29,223,549)
Sale of investments	<u>23,639,819</u>		<u>23,639,819</u>
Net cash provided by investing activities	<u>(5,583,730)</u>	<u>(111,491)</u>	<u>(5,695,221)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,343,268	117,905	1,461,173
CASH AND CASH EQUIVALENTS—Beginning of year	<u>5,219,293</u>	<u>14,170,608</u>	<u>19,389,901</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 6,562,561</u>	<u>\$ 14,288,513</u>	<u>\$ 20,851,074</u>

