United States Holocaust Memorial Museum

Financial Statements for the Year Ended September 30, 2005 (with Comparative Totals for 2004), Supplemental Information for the Year Ended September 30, 2005, and Independent Auditors' Report and Compliance Report

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

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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, 2005 (FY 2005). Prepared by Management, it is required supplemental information to the financial statements and the footnotes that follow this section. 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

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 60 established objectives for FY 2005 related to education, remembrance, research, and infrastructure support. The Museum met or exceeded 48 objectives, partially met 10 objectives, and extended the targeted completion dates on two

objectives. Full details on these goals and the related results are presented in the Museum's FY 2005 *Performance and Accountability Report.*

Financial Statements Summary

The Museum's financial position remained strong at September 30, 2005, with total assets of approximately $300 million and total liabilities of approximately $7 million. Net assets, which represent the residual interest in the Museum's assets after liabilities are deducted, are $293 million. This is a 7.3 percent increase over last fiscal year's net assets of $273 million. The increase in net assets is primarily attributable to investment appreciation.

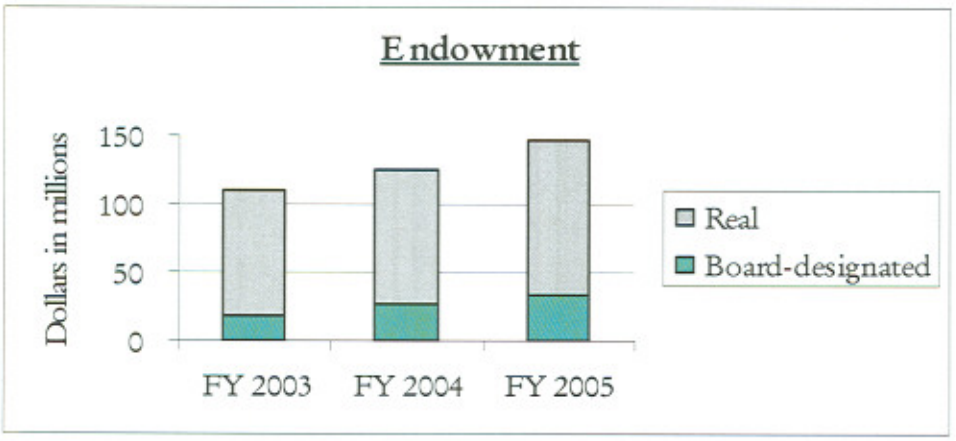
STATEMENT OF FINANCIAL POSITION

Current assets. Current assets, which consist primarily of cash, operating investments, contributions receivable due within the year, inventory, and accounts receivable, totaled $24 million. Total current assets cover current liabilities 3.5 times.

Contributions Receivable. The Museum has contributions receivable, net of allowance for doubtful accounts and discounts to present value of $17.2 million. Of these receivables, $5.7 million are current and $11.5 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 percent in equities, 30 percent in fixed investments, and ten percent in alternatives for endowment investments.

Endowment. The endowment has grown from $109.5 million to $146.1 million in the past three 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, 2005 the board-designated endowment balance was approximately $33.4 million, and the real endowments balances totaled approximately $112.7 million.



Performance. The annual return for the pooled endowment fund this year was 11.6 percent. Included in the calculation of this performance figure are realized and unrealized gains and losses along with investment income.

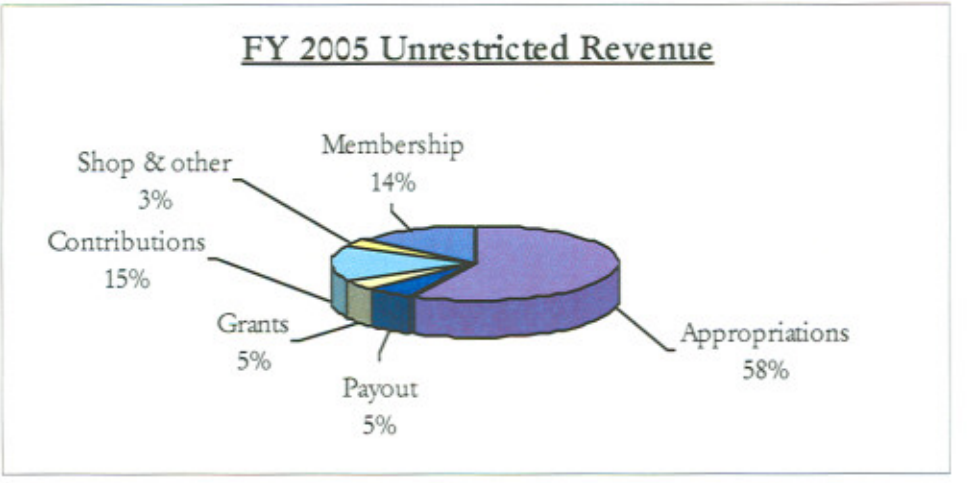
Liabilities. Liabilities consist primarily of accounts payable and accrued compensation. Total liabilities are $7 million.

Net Assets/Federal Equity. The Museum has total equity of $293 million, of which approximately $116 million is permanently restricted, and approximately $16 million is temporarily restricted by donors. The Museum's equity includes investments in the Museum building and exhibitions.

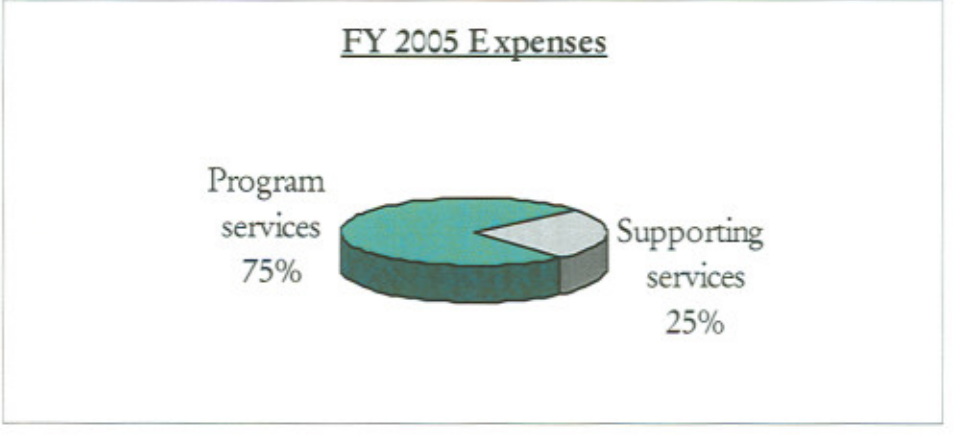
STATEMENT OF ACTIVITIES

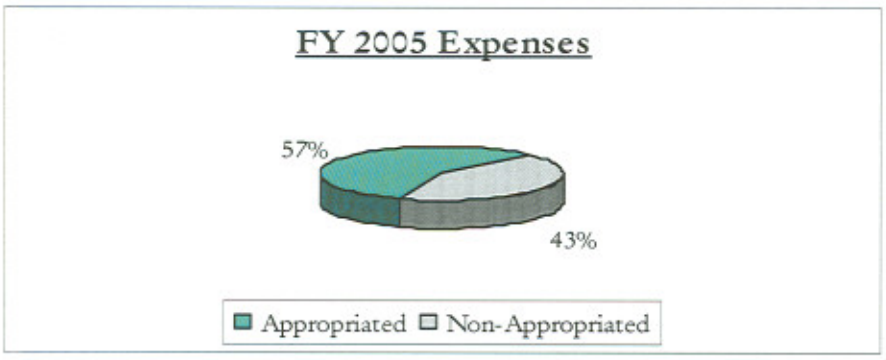
The *Statement of Activities* presents the Museum's results of financial activity for the fiscal year and matches revenues to related expenses. The statement summarizes the annual gain/loss in equity.

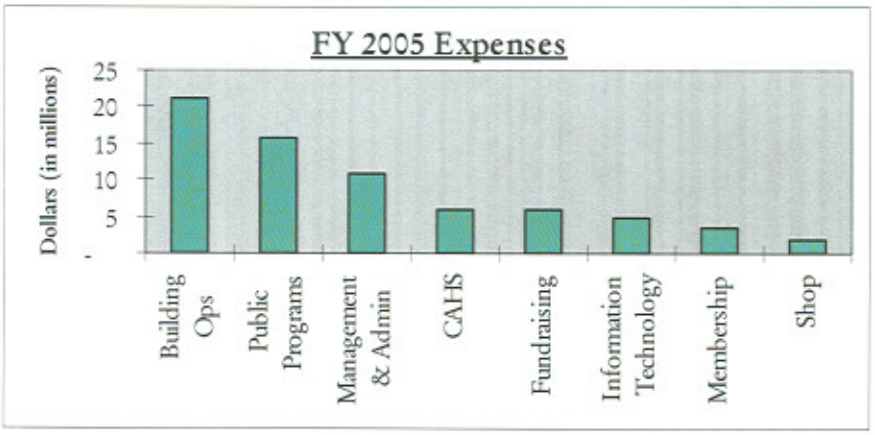
The following chart shows the Museum's sources of unrestricted revenues:



In the past year, the Museum expenditures decreased $1.7 million (3 percent) from FY 2004. The decrease is attributed to lower management and fundraising expenses in the past year. The following charts show the percentages of expenses by program and supporting services, the overall mixture of Appropriated and Non-appropriated funds, and the dollars spent for each activity.







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*, is presented in the Museum's FY 2005 *Performance and Accountability Report*.

FUTURE CONCERNS AND ISSUES

As the Holocaust recedes in time, the Museum's largest challenge continues to be ensuring its programmatic and financial vitality over time. As a result, the Museum is making a significant commitment to building a $300 million endowment to secure its future.

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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, 2005, 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 changes in net position for the year ended September 30, 2005. 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 2004 financial statements and in our report dated October 29, 2004, 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. 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 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, 2005 and the Federal statements of financing, budgetary resources, net cost, and changes in net position for the year ended September 30, 2005 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 2005 financial statements of the Museum taken as a whole. The accompanying supplementary schedule of functional expenses is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This supplementary schedule is the responsibility of the Museum's management. The schedule has been subjected to the auditing procedures applied in our audit of the basic 2005 financial statements, and in our opinion, is fairly stated in all material respects when considered in relation to the basic 2005 financial statements taken as a whole.

The accompanying required supplementary information included in the sections 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

Member of
Deloitte Touche Tohmatsu

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 9, 2005, on our consideration of the Museum's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and on compliance. 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 9, 2005

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2005 (WITH COMPARATIVE TOTALS FOR 2004)

	2005			2004
ASSETS	Non-appropriated Funds	Appropriated Funds	Total	Total
CURRENT ASSETS:				
Cash	$ 3,436,433	$ 11,879,220	$ 15,315,653	$ 15,439,734
Short-term investments	2,320,882		2,320,882	3,002,503
Contributions receivable—net of allowance for doubtful accounts of $602,680	5,711,588		5,711,588	7,450,047
Other assets	439,774	245,273	685,047	1,485,723
Total current assets	11,908,677	12,124,493	24,033,170	27,378,007
LONG-TERM INVESTMENTS	147,475,804		147,475,804	125,309,017
CONTRIBUTIONS RECEIVABLE DUE AFTER ONE YEAR— Net of allowance for doubtful accounts of $1,458,876 and discount to present value of $1,251,430	11,482,650		11,482,650	6,726,150
FURNITURE AND EQUIPMENT—At cost, less accumulated depreciation of $7,143,864 for nonappropriated and $12,221,548 for appropriated funds	5,350	553,898	559,248	146,606
MUSEUM FACILITY—At cost, less accumulated depreciation of $33,761,363 for nonappropriated and $4,996,948 for appropriated funds	75,135,086	5,238,603	80,373,689	83,186,387
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	30,246,257	5,762,960	36,009,217	35,545,822
TOTAL ASSETS	$ 276,253,824	$ 23,679,954	$ 299,933,778	$ 278,291,989
LIABILITIES AND NET ASSETS/FEDERAL EQUITY				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	$ 3,460,060	$ 3,478,310	$ 6,938,370	$ 5,768,251
NET ASSETS/FEDERAL EQUITY:				
Unexpended appropriations		9,858,004	9,858,004	9,166,957
Expended Federal equity		10,343,640	10,343,640	9,724,500
Total Federal equity unrestricted	-	20,201,644	20,201,644	18,891,457
UNRESTRICTED NET ASSETS:				
Designated by Council members for:				
Program and supporting activities	2,175,851		2,175,851	2,214,081
Funds functioning as endowment	33,421,543		33,421,543	26,954,626
Total designated by Council members	35,597,394	-	35,597,394	29,168,707
Investment in facility	75,135,086	-	75,135,086	77,859,142
Investment in exhibitions	30,246,257		30,246,257	30,246,257
Total unrestricted net assets, excluding Federal equity	140,978,737	-	140,978,737	137,274,106
TOTAL UNRESTRICTED NET ASSETS	140,978,737	20,201,644	161,180,381	156,165,563
TEMPORARILY RESTRICTED				
Total temporarily restricted	15,914,360		15,914,360	14,396,923
PERMANENTLY RESTRICTED	115,900,667	-	115,900,667	101,961,252
Total net assets/Federal equity	272,793,764	20,201,644	292,995,408	272,523,738
TOTAL LIABILITIES AND NET ASSETS/FEDERAL EQUITY	$ 276,253,824	$ 23,679,954	$ 299,933,778	$ 278,291,989

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2005 (WITH COMPARATIVE TOTALS FOR 2004)

	2005						2004		
				Non-appropriated Funds					
	Non-appropriated Funds	Appropriated Funds	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total Non-appropriated Funds	Appropriated Funds	Total
SUPPORT AND REVENUES:									
Federal appropriation revenue	$ -	$ 40,038,645	$ 40,038,645	$ -	$ -	$ 40,038,645	$ -	$ 40,192,479	$ 40,192,479
Contributions	9,337,177		9,337,177	5,545,764	7,068,038	21,950,979	14,987,780		14,987,780
Membership revenue	10,262,566		10,262,566			10,262,566	10,612,667		10,612,667
Museum shop	1,827,249		1,827,249			1,827,249	1,617,540		1,617,540
Endowment payout	3,881,150		3,881,150	1,414,985	(4,343,704)	952,431	692,864		692,864
Contributed services	140,951		140,951			140,951	49,360		49,360
Imputed financing source		1,193,196	1,193,196			1,193,196		1,119,675	1,119,675
Other	593,807		593,807	1,822		595,629	258,852		258,852
Net assets released from restrictions:									
Expiration of time restrictions	1,567,191		1,567,191	(1,567,191)					
Satisfaction of program restrictions	3,282,031		3,282,031	(3,282,031)					
Total support and revenues	30,892,122	41,231,841	72,123,963	2,113,349	2,724,334	76,961,646	28,219,063	41,312,154	69,531,217
EXPENSES:									
Program services:									
Building operations	3,303,378	17,854,844	21,158,222			21,158,222	3,175,673	17,292,894	20,468,567
Center for Advanced Holocaust Studies	3,881,159	2,133,267	6,014,426			6,014,426	3,592,957	1,778,446	5,371,403
Membership	3,508,796		3,508,796			3,508,796	4,603,343		4,603,343
Museum and public programs	5,706,624	10,119,314	15,825,938			15,825,938	5,294,928	11,339,116	16,634,044
Information technology	1,287,698	3,707,392	4,995,090			4,995,090	1,108,759	3,379,409	4,488,168
Museum shop	1,993,361		1,993,361			1,993,361	1,566,714		1,566,714
Total program services	19,681,016	33,814,817	53,495,833			53,495,833	19,342,374	33,789,865	53,132,239
Supporting services:									
Management and general	4,548,307	6,797,884	11,346,191			11,346,191	7,002,859	5,947,311	12,950,170
Fundraising	6,339,713		6,339,713			6,339,713	6,774,342		6,774,342
Total supporting services	10,888,020	6,797,884	17,685,904			17,685,904	13,777,201	5,947,311	19,724,512
Total expenses	30,569,036	40,612,701	71,181,737			71,181,737	33,119,575	39,737,176	72,856,751
SUPPORT AND REVENUES OVER (UNDER) EXPENSES	323,086	619,140	942,226	2,113,349	2,724,334	5,779,909	(4,900,512)	1,574,978	(3,325,534)
INVESTMENT CHANGE, APPRECIATION ADJUSTED FOR ENDOWMENT PAYMENT	2,747,545		2,747,545	6,567	11,246,602	14,000,714	10,244,104		10,244,104
TRANSFER BETWEEN FUNDS	634,000		634,000	(602,479)	(31,521)				
CHANGE IN UNEXPENDED FEDERAL APPROPRIATION		691,047	691,047			691,047		(2,185,963)	(2,185,963)
INCREASE (DECREASE) IN NET ASSETS/FEDERAL EQUITY	3,704,631	1,310,187	5,014,818	1,517,437	13,939,415	20,471,670	5,343,592	(610,985)	4,732,607
NET ASSETS/FEDERAL EQUITY—Beginning of year	137,274,106	18,891,457	156,165,563	14,396,923	101,961,252	272,523,738	248,288,689	19,502,442	267,791,131
NET ASSETS/FEDERAL EQUITY—End of year	$ 140,978,737	$ 20,201,644	$ 161,180,381	$ 15,914,360	$ 115,900,667	$ 292,995,408	$ 253,632,281	$ 18,891,457	$ 272,523,738

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2005 (WITH COMPARATIVE TOTALS FOR 2004)

	2005			2004		
	Total Non-Appropriated Funds	Appropriated Funds	Total	Total Non-Appropriated Funds	Appropriated Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Federal appropriation	$ -	$ 41,433,000	$ 41,433,000	$ -	$ 39,997,000	$ 39,997,000
Payments for Federal rescissions		(575,607)	(575,607)		(492,838)	(492,838)
Cancelled appropriation return to U.S. Treasury		(127,701)	(127,701)		(1,497,646)	(1,497,646)
Receipts from contributions	17,338,281		17,338,281	12,830,533		12,287,735
Receipts from membership activities	10,262,566		10,262,566	10,612,667		11,155,465
Receipts from investments	4,108,759		4,108,759	3,127,486		3,127,486
Receipts from museum shop	1,731,591		1,731,591	1,551,824		1,551,824
Receipts from royalties, miscellaneous receipts	401,728		401,728	242,012		242,012
Payments for wages and benefits	(13,052,300)	(20,809,401)	(33,861,701)	(10,698,725)	(20,792,552)	(31,491,277)
Payments for consultants, advisors, and others	(11,281,180)	(17,044,801)	(28,325,981)	(15,437,146)	(18,023,538)	(33,460,684)
Payments for stipends, honoraria and grants	(957,544)		(957,544)	(823,305)		(823,305)
Payments for collections	(94,740)		(94,740)	(50,670)		(50,670)
Net cash provided by (used in) operating activities	8,457,161	2,875,490	11,332,651	1,354,676	(809,574)	545,102
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital expenditures		(1,935,001)	(1,935,001)		(2,540,208)	(2,540,208)
Purchase of investments	(22,906,173)		(22,906,173)	(27,480,448)		(27,480,448)
Sale of investments	12,642,152		12,642,152	21,421,565		21,421,565
Net cash used in investing activities	(10,264,021)	(1,935,001)	(12,199,022)	(6,058,883)	(2,540,208)	(8,599,091)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Permanently restricted contributions	742,290		742,290	2,642,649		2,642,649
Net cash provided by financing activities	742,290		742,290	2,642,649		2,642,649
NET (DECREASE) INCREASE IN CASH	(1,064,570)	940,489	(124,081)	(2,061,558)	(3,349,782)	(5,411,340)
CASH—Beginning of year	4,501,003	10,938,731	15,439,734	6,562,561	14,288,513	20,851,074
CASH—End of year	$ 3,436,433	$ 11,879,220	$ 15,315,653	$ 4,501,003	$ 10,938,731	$ 15,439,734

See notes to financial statements.

(Continued)

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2005 (WITH COMPARATIVE TOTALS FOR 2004)

	2005			2004		
	Total Non-Appropriated Funds	Appropriated Funds	Total	Total Non-Appropriated Funds	Appropriated Funds	Total
RECONCILIATION OF CHANGE IN NET ASSETS/ FEDERAL EQUITY TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Increase (decrease) in net assets/ Federal equity	$ 19,161,482	$ 1,310,187	$ 20,471,669	$ 5,343,592	$ (610,985)	$ 4,732,607
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Museum depreciation	2,724,056	1,021,462	3,745,518	2,724,056	890,256	3,614,312
Equipment depreciation	14,280	111,863	126,143	361,916	54,563	416,479
Realized/unrealized gain on investments	(11,221,144)		(11,221,144)	(8,158,813)		(8,158,813)
Contributions of permanently restricted net assets	(742,290)		(742,290)	(2,642,649)		(2,642,649)
Change in assets and liabilites:						
(Increase) decrease in contributions receivable, net	(3,018,041)		(3,018,041)	3,064,856		3,064,856
Decrease (increase) in other assets	754,731	45,946	800,677	(3,817)	(223,031)	(226,848)
Increase (decrease) in accounts payable and accrued liabilities	784,087	386,032	1,170,119	665,535	(920,377)	(254,842)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 8,457,161	$ 2,875,490	$ 11,332,651	$ 1,354,676	$ (809,574)	$ 545,102

(Concluded)

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

FEDERAL STATEMENT OF FINANCING
YEAR ENDED SEPTEMBER 30, 2005 (WITH COMPARATIVE TOTALS FOR 2004)

	Appropriated Funds	
	2005	2004
Resources used to finance activities:		
Obligations incurred	$ 38,600,601	$ 39,098,591
Less: Spending authority from offsetting collections and recoveries	(195,399)	(774,683)
Add: Imputed financing from costs absorbed by others	1,193,196	1,119,675
Total resources used to finance activities	39,598,398	39,443,583
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	1,631,628	1,847,618
Resources that finance the acquisition of assets	(1,935,001)	(2,540,208)
Total resources used to finance the net cost of operations	39,295,025	38,750,993
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	158,466	21,883
Other	25,885	19,481
Total	184,351	41,364
Components not requiring or generating resources:		
Depreciation and amortization	1,133,325	944,819
Total components of the net cost of operations that will not require or generate resources in the current period	1,317,676	986,183
Net cost of operations	$ 40,612,701	$ 39,737,176

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

FEDERAL STATEMENT OF BUDGETARY RESOURCES
YEAR ENDED SEPTEMBER 30, 2005 (WITH COMPARATIVE TOTALS FOR 2004)

	Appropriated Funds	
	2005	2004
Budgetary resources available to the Museum:		
Budgetary authority: appropriations received	$ 41,433,000	$ 39,997,000
Unobligated balance: beginning of period	3,332,342	3,649,734
Spending authority from offsetting collections	139,917	51,558
Recoveries of prior year obligations	55,482	723,125
Rescission to Treasury—permanently not available	(575,607)	(492,838)
Return to Treasury—permanently not available	(127,701)	(1,497,646)
Total budgetary resources	44,257,433	42,430,933
Status of budgetary resources:		
Obligations incurred	38,600,601	39,098,591
Unobligated balance—available	3,160,762	1,393,866
Unobligated balance—not available	2,496,070	1,938,476
Status of budgetary resources	44,257,433	42,430,933
Relationship of obligations to outlays:		
Obligations incurred	38,600,601	39,098,591
Less: Spending authority from offsetting collections	(139,917)	(51,558)
Less: Recoveries of prior year obligations	(55,482)	(723,125)
Subtotal	38,405,202	38,323,908
Obligated balances, net, beginning of period	7,606,390	10,638,779
Less: Obligated balances, net, end of period	(6,277,870)	(7,606,390)
Net outlays	$ 39,733,722	$ 41,356,297

NOTE: Accounts receivable and advances are not included in the unobligated balances on 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, 2005 (WITH COMPARATIVE TOTALS FOR 2004)

	Appropriated Funds			
	2005			2004
Program Costs	**Intergovernmental**	**Public**	**Total**	**Total**
Building operations	$ 3,695,037	$ 14,159,807	$ 17,854,844	$ 17,292,894
Center for Advanced Holocaust Studies	348,496	1,784,771	2,133,267	1,778,446
Museum and public programs	2,221,102	7,898,212	10,119,314	11,339,116
Information technology	609,120	3,098,272	3,707,392	3,379,409
Management and general	1,352,645	5,445,239	6,797,884	5,947,311
Net cost of operations	$ 8,226,400	$ 32,386,301	$ 40,612,701	$ 39,737,176

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

FEDERAL STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2005 (WITH COMPARATIVE TOTALS FOR 2004)

	Appropriated Funds			
	2005		2004	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning balances	$ 9,724,500	$ 9,166,957	$ 8,149,522	$ 11,352,920
Budgetary financing sources:				
Appropriations received (current period)		41,433,000		39,997,000
Rescissions		(575,607)		(492,838)
Cancelled expired appropriations		(127,701)		(1,497,646)
Appropriations used	40,038,645	(40,038,645)	40,192,479	(40,192,479)
Other financing sources:				
Imputed financing from costs absorbed by others	1,193,196		1,119,675	
Total financing sources (uses)	41,231,841	691,047	41,312,154	(2,185,963)
Total	50,956,341	9,858,004	49,461,676	9,166,957
Net cost of operations	40,612,701		39,737,176	
Ending balances	$ 10,343,640	$ 9,858,004	$ 9,724,500	$ 9,166,957

See notes to financial statements.

1. ORGANIZATION AND PURPOSE

Organization and Governance—The United States Holocaust Memorial Council (the "Museum") was created as an independent establishment of the United States Government by an Act of the U. S. Congress by Public Law 96-388 on October 7, 1980, 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 Museum on the Holocaust, dated September 27, 1979. Congress permanently authorized the United States Holocaust Memorial Museum by Public Law 106-292 (36 U. S.C. 2301, *et. seq.*) on October 12, 2000.

The Museum is governed by 65 voting members and three 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 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. 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.C. Section 2307) to raise private funds (the "Non-appropriated Funds") to aid or facilitate the operation and maintenance of the memorial 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 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, 2004, 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.

Effective October 1, 2003, the Museum changed its method of determining 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 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 September 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.

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 the 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 charitable remainder trust is included in contributions receivable at the present value of the estimated future benefits to be received when the trust assets are distributed. Contribution revenue is recognized at the date the Museum first knows of the trust. 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 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 $142,355 and $588,890 as of September 30, 2005 and 2004, 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 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 for non-appropriated funds and 10 years for appropriated funds based on the types of assets being depreciated.

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.

Transfer of Net Assets—In fiscal year 2005, 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.

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 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, consist of the following:

	2005	2004
Portfolio cash	$ 1,801,278	$ 2,686,982
Mutual funds	57,826,200	48,245,574
Equity securities	63,673,822	54,282,182
Alternative investments	19,890,554	15,189,232
State of Israel bonds	4,283,950	4,905,047
	$ 147,475,804	$ 125,309,017

Short-term investments, at fair value, consist of the following:

	2005	2004
Money market funds	$ 2,307,152	$ 1,998,598
Treasury bills		1,003,905
Donated stock	13,730	0
	$ 2,320,882	$ 3,002,503

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 September of the previous year.

Total operating and nonoperating investment activity for fiscal years 2005 and 2004 is summarized below:

Interest and dividends	$ 4,187,418
Net realized gain	6,627,910
Net unrealized gain	4,593,234
Net investment appreciation for fiscal year 2005	$ 15,408,562
Interest and dividends	3,170,570
Net realized gain	6,219,036
Net unrealized gain	1,939,777
Net investment appreciation for fiscal year 2004	$ 11,329,383

4. SPLIT-INTEREST AGREEMENTS

Included in the mutual funds amount is approximately $2.4 million and $1.6 million for charitable gift annuities in 2005 and 2004, respectively. These investments are recognized at fair value. An annuity liability for approximately $1,074,000 in 2005 and $660,000 in 2004 is included in accounts payable and accrued liabilities and 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 $350,930 and $(78,660) in 2005 and $241,640 and $(43,084) in 2004, respectively.

5. CONTRIBUTIONS RECEIVABLE

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

	2005	2004
Amounts due in:		
Less than one year	$ 6,314,268	$ 8,251,690
One to five years	12,139,988	7,243,965
More than five years	2,052,969	1,281,831
Subtotal	20,507,225	16,777,486
Less:		
Allowance for doubtful accounts	(2,061,557)	(1,792,206)
Discount to present value (1.0% - 6.0%)	(1,251,430)	(809,083)
	$ 17,194,238	$ 14,176,197

6. FURNITURE AND EQUIPMENT

At September 30, 2005 and 2004, furniture and equipment consists of the following:

	2005			2004		
	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	5,075,834	4,172,827	9,248,661	5,075,834	4,172,827	9,248,661
Other	1,166,830	4,326,100	5,492,930	1,166,830	3,787,314	4,954,144
Total furniture and equipment	7,149,214	12,775,446	19,924,660	7,149,214	12,236,660	19,385,874
Less: Accumulated depreciation	(7,143,864)	(12,221,548)	(19,365,412)	(7,129,584)	(12,109,684)	(19,239,268)
Furniture and equipment—net	$ 5,350	$ 553,898	$ 559,248	$ 19,630	$ 126,976	$ 146,606

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

At September 30, 2005 and 2004, Permanent Exhibition, other program developments costs, and collections consist of the following:

	2005			2004		
	Non-Appropriated Funds	Appropriated Funds	Total	Non-Appropriated Funds	Appropriated Funds	Total
Exhaustible	1,347,162	4,414,931	5,762,093	1,347,162	3,951,536	5,298,698
Accumulated amortization	(1,347,162)	(3,951,536)	(5,298,698)	(1,347,162)	(3,951,536)	(5,298,698)
Exhaustible, net		463,395	463,395			
Inexhaustible	$ 30,246,257	$ 5,299,565	$ 35,545,822	$ 30,246,257	$ 5,299,565	$ 35,545,822
Total permanent exhibition	$ 30,246,257	$ 5,762,960	$ 36,009,217	$ 30,246,257	$ 5,299,565	$ 35,545,822

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 was considered long-term, the Museum would capitalize these costs.

8. APPROPRIATED FUNDS

The 2005 and 2004 Federal appropriations of $40,857,393 and $39,504,162, respectively, include appropriations of $1,246,440 and $1,248,426 for 2005 and 2004, respectively, for exhibition development and production and $1,873,604 and $1,876,588 for 2005 and 2004, respectively, for building repair and rehabilitation, to be used by the Museum over an unlimited period of time.

Below is a reconciliation of the 2005 and 2004 Federal appropriations to Federal appropriations expended:

	2005	2004
Federal appropriation	$ 40,857,393	$ 39,504,162
Unexpended appropriation—current year	(5,786,301)	(6,012,197)
Amounts obligated in previous years, expended in current year	4,967,553	6,700,514
Federal appropriation revenue	$ 40,038,645	$ 40,192,479

Below is a reconciliation of the spending of the 2005 and 2004 appropriations:

	2005	2004
Total expenses	$ 40,612,701	$ 39,737,176
Depreciation and amortization	(1,133,325)	(944,819)
Unpaid vacation and other unfunded expenses	(1,375,732)	(1,140,086)
Unexpended appropriation—current year	5,786,301	6,012,197
Amounts obligated in previous years, expended in current year	(4,967,553)	(6,700,514)
Capital expenditures	1,935,001	2,540,208
Federal appropriation	$ 40,857,393	$ 39,504,162

Unexpended appropriations represent unpaid undelivered orders which are goods and services that have been ordered but not yet received by the Museum ($3,955,900 and $5,543,396 at September 30, 2005 and 2004, respectively) and unobligated balances including receivables which are appropriated funds that have not been obligated ($5,902,104 and $3,623,561 at September 30, 2005 and 2004, 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 $9,858,004 and $9,166,957 as of September 30, 2005 and 2004, respectively, from the following fiscal years' appropriations:

	2005	2004
2005	$ 5,786,301	$ -
2004	593,345	6,012,197
2003	590,098	1,108,634
2002	780,328	810,348
2001 and previous years	2,107,932	1,235,778
	$ 9,858,004	$ 9,166,957

The change in unexpended appropriations, $691,047 and ($2,185,963) in 2005 and 2004, 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, 2005 and 2004, is as follows:

	2005	2004
Furniture, equipment, and museum facility—net	$ 5,792,501	$ 5,454,221
Permanent exhibition—net	5,762,960	5,299,565
Unfunded payables	(1,211,821)	(1,029,286)
Unexpended appropriations	9,858,004	9,166,957
Total Federal equity	$ 20,201,644	$ 18,891,457

9. COMMITMENTS AND CONTINGENCIES

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 2005 and 2004 was $1,782,330 and $1,644,840, respectively. This amount is composed of $1,642,480 and $1,501,605, respectively, paid out of Appropriated Funds and $139,850 and $143,235, respectively, paid out of Non-appropriated Funds.

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 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 2005 and 2004 was $2,470,288 and $2,430,294, 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 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 2005, the Museum, utilizing OPM's cost factors dated September 8, 2005, recognized $195,213 of pension expenses, $995,309 of post retirement health benefits expenses, and $2,674 of post-retirement life insurance expenses, beyond amounts actually paid. The Museum recognized offsetting revenue of $1,193,196 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 one 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 2005 and 2004 was $392,330 and $358,840, 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. The fiscal year unfunded liability for its Appropriated and Non-appropriated fund employees is $6,496 and $36,909 respectively, of future payments for workers' compensation.

11. FEDERAL EMPLOYEES' COMPENSATION ACT (FECA) ACTUARIAL LIABILITY

FASAB's (the "Federal Accounting Standards Advisory Board") SFFAS ("Statements of Federal Financial Accounting Standard") No. 5, "Accounting for Liabilities of the Federal Government," requires that agencies recognize the actuarial cost of future Federal Employees' Compensation Act 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 Department of Labor provides the Museum with the calculation model and ratios to determine this liability, as of September 30, 2005. 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 2005. The fiscal year 2005 appropriated actuarial liability is $21,094, and the FY 2005 non-appropriated actuarial liability is $190,515.

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.

In past fiscal years, DOL did not provide the Museum with either an estimated actuarial liability or a method to calculate an estimate. As stated above, DOL now provides the Museum with a FECA actuarial liability calculation model.

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2005 and 2004, are available for the following programs or periods:

	2005	2004
Contributions to be received in future periods—for general use	$ 8,971,051	$ 6,715,523
Education	2,815,468	3,280,490
Archives	1,961,530	1,789,212
Academic programs	2,005,915	2,277,218
Exhibitions	160,396	334,480
Total temporarily restricted net assets	$ 15,914,360	$ 14,396,923

13. PERMANENTLY RESTRICTED NET ASSETS

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

	2005	2004
Funds for general use	$ 92,944,220	$ 82,568,578
Academic programs	14,258,217	12,569,444
Committee on conscience	900,000	
Education	5,972,288	5,972,288
Exhibitions	1,825,942	850,942
	$ 115,900,667	$ 101,961,252

14. CONTRIBUTED SERVICES

In-kind contributions of goods and services totaling $140,951 and $49,360 were received by the Museum during fiscal year 2005 and 2004, respectively. 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 320 volunteers, including 75 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, 2005 and 2004 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, 2005 and 2004.

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UNITED STATES HOLOCAUST MEMORIAL MUSEUM

SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2005

	Building Operations		Center for Advanced Holocaust Studies		Membership		Museum and Public Programs		Information Technology		Museum Shop		Museum Management and Administration		Financial Management		Fundraising		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	$ 342,687	$ 2,794,228	$ 920,552	$ 1,149,844	$ 325,930	$ -	$ 2,825,174	$ 6,581,810	$ 929,661	$ 1,806,238	$ 527,372	$ -	$ 1,814,524	$ 2,479,106	$ 609,312	$ 1,750,505	$ 3,778,416	$ -	$ 11,073,628	$16,561,731
Benefits	60,379	109,930	193,863	45,579	66,211		510,507	262,581	178,175	77,309	129,133		442,426	87,997	137,388	56,373	521,680		2,239,762	639,769
Rent, utilities, postage, and insurance	3,766	1,544,424			694,441		384	1,765			79		24,908	30,457		552	149,244		872,822	1,577,198
Janitorial services		1,034,828					4,170	240,269											4,170	1,265,097
Security services	26,595	5,209,667																	26,595	5,209,667
Office supplies and reference materials	140,902	525,259	164,928	3,424			553,765	511,149	20,115	278,128	23,929		228,413	55,431	8,854	33,414	273,176		1,414,082	1,406,805
Printing, public relations, and advertising			853,953	470,763			134,793			113			215,222				119,909		1,323,877	470,876
Travel	66	16,396	339,364	47,262			332,325	100,137	49	31,115	4,777		128,869	103,786	4,213	7,966	245,995		1,055,658	305,662
Transportation of goods		18,007					38,475	5,383			31,012		23,715						93,202	23,390
Equipment	3,435	128,004					1,950	31,391	19,515	296,088	1,469								26,369	455,483
Collections							96,500												96,500	
Depreciation and amortization	2,724,056	1,096,018	972		2,612				10,696	27,199						10,108			2,738,336	1,133,325
Bad debt expense																	965,945		965,945	
Bank fees					84,933						24,747				1,602		274		111,556	
Investment manager fees															113,463				113,463	
Contributed services											5,284						135,667		140,951	
Temporary help		19,392	8,100				64,896	1,260			600		44,350	641	3,773	5,798	12,960		134,679	27,091
Stipends and honoraria			861,062				96,780		2,625				17,070						971,537	
Consultants		4,550	219,616				182,768				5,000								407,384	4,550
Other service contracts	1,492	1,609,189	314,094	67,564	2,334,081		703,155	161,512	125,790	582,082	37,831		128,708	35,500	6,937	370,693	1,085,884		4,737,912	2,826,540
Professional services		44,516	2,172				141,357						251,101	10,456	108,110	347,405	768		503,508	402,377
Intergovernmental purchases and contracts		5,695,037		348,496				2,221,102		609,120				756,865		595,780				8,226,400
Cost of goods sold											894,659								894,659	
Auxiliary Income											1,470		10,543						12,013	
Miscellaneous		15,399	2,323	335	588		5	955	1,072		260		3,843	57,684	38	2,367	1,700		9,829	76,740
Entertainment and beverage			220				25,620						30,330		80		48,095		104,345	
FECA Actuarial Liability													190,515						190,515	
Shop Inventory Write Off											305,739								305,739	
	$ 3,303,378	$ 17,854,844	$ 3,881,159	$ 2,133,267	$3,508,796	$	$ 5,706,624	$10,119,314	$ 1,287,698	$ 3,707,392	$ 1,993,361	$	$ 3,554,537	$ 3,616,923	$ 993,770	$ 3,180,961	$ 6,339,713	$	$ 30,569,016	$40,612,701

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT 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, 2005, and have issued our report thereon dated November 9, 2005. 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.

COMPLIANCE

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under Government Auditing Standards.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Museum's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the Museum's internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Deloitte & Touche LLP
November 9, 2005

Member of
Deloitte Touche Tohmatsu