

United States Holocaust Memorial Museum

*Financial Statements for the Year Ended
September 30, 2004 (with Comparative Totals
for 2003), Supplemental Information for the
Year Ended September 30, 2004, 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, 2004 (FY 2004). 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 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 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. Presentially 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 36 established objectives for FY 2004, related to education, remembrance, research, and infrastructure support. The Museum met or exceeded 21 objectives (58 percent), partially met nine objectives (25 percent), extended the targeted completion dates on three objectives, and could not fully evaluate three objectives due to changes in the types of measures employed. Full details on these goals and the related results are presented in the Museum's FY 2004 *Performance and Accountability Report*.

Financial Statements Summary

The Museum's financial position remained strong at September 30, 2004, with total assets of approximately \$278.3 million and total liabilities of approximately \$5.8 million. Net assets, which represent the residual interest in the Museum's assets after liabilities are deducted, are \$272.5 million. This is a 1.8 percent increase over last fiscal year's net assets of \$267.8 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, and accounts receivable, totaled \$27.4 million. Total current assets cover current liabilities almost five times.

Contributions Receivable. The Museum has contributions receivable, net of allowance for doubtful accounts and discounts to present value of \$14.2 million. Of these receivables, \$7.5 million are current and \$6.7 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 10 percent in alternatives for endowment investments.

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, 2004 the quasi endowment balance was approximately \$26.9 million, and the real endowments balances totaled approximately \$94.1 million.

Performance. The annual return for the pooled endowment fund this year was 11 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 \$5.8 million. The Museum has no long-term liabilities.

Net Assets/Federal Equity. The Museum has total equity of \$272.5 million, of which approximately \$102.0 million is permanently restricted, and approximately \$14.4 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 realized a net gain of \$4.7 million in equity. However, the Museum did realize a loss of \$3.3 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 (\$3.5 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 \$3.0 million is provided annually 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. This adjustment also accounts for the significant increase in fundraising expenses for the year as the Museum continued to make improvements in the infrastructure of the fundraising activities.

MANAGEMENT INTEGRITY: CONTROLS AND COMPLIANCE

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

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 2004 *Government Performance and Results Act Report*.

FUTURE CONCERNS AND ISSUES

As the Holocaust recedes in time, the Museum's largest challenge is to ensure 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.

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, 2004, 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, 2004. 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 2003 financial statements and in our report dated December 19, 2003, 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, 2004 and the Federal statements of financing, budgetary resources, net cost, and changes in net position for the year ended September 30, 2004 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 2004 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 2004 financial statements, and in our opinion, is fairly stated in all material respects when considered in relation to the basic 2004 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.

Deloitte & Touche LLP

October 29, 2004

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF FINANCIAL POSITION SEPTEMBER 30, 2004 (WITH COMPARATIVE TOTALS FOR 2003)

	2004			2003
	Non-appropriated Funds	Appropriated Funds	Total	Total
ASSETS				
CURRENT ASSETS:				
Cash	\$ 4,501,003	\$ 10,938,731	\$ 15,439,734	\$ 20,851,074
Short-term investments	3,002,503		3,002,503	1,651,100
Contributions receivable—net of allowance for doubtful accounts of \$801,622	7,450,047		7,450,047	6,595,562
Other assets	1,194,505	291,218	1,485,723	1,258,875
Total current assets	<u>16,148,058</u>	<u>11,229,949</u>	<u>27,378,007</u>	<u>30,356,611</u>
LONG-TERM INVESTMENTS	<u>125,309,017</u>		<u>125,309,017</u>	<u>112,442,724</u>
CONTRIBUTIONS RECEIVABLE DUE AFTER ONE YEAR—Net of allowance for doubtful accounts of \$990,584 and discount to present value of \$809,083	<u>6,726,150</u>		<u>6,726,150</u>	<u>10,645,491</u>
FURNITURE AND EQUIPMENT—At cost, less accumulated depreciation of \$7,129,584 for nonappropriated and \$12,109,684 for appropriated funds	<u>19,630</u>	<u>126,976</u>	<u>146,606</u>	<u>503,156</u>
MUSEUM FACILITY—At cost, less accumulated depreciation of \$31,037,307 for nonappropriated and \$3,864,219 for appropriated funds	<u>77,859,142</u>	<u>5,327,245</u>	<u>83,186,387</u>	<u>84,320,420</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>35,545,822</u>
TOTAL ASSETS	<u>\$ 256,308,254</u>	<u>\$ 21,983,735</u>	<u>\$ 278,291,989</u>	<u>\$ 273,814,224</u>
LIABILITIES AND NET ASSETS/FEDERAL EQUITY				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	<u>\$ 2,675,973</u>	<u>\$ 3,092,278</u>	<u>\$ 5,768,251</u>	<u>\$ 6,023,093</u>
NET ASSETS/FEDERAL EQUITY:				
Unexpended appropriations		9,166,957	9,166,957	11,352,920
Expended Federal equity		9,724,500	9,724,500	8,149,522
Total Federal equity unrestricted	<u>-</u>	<u>18,891,457</u>	<u>18,891,457</u>	<u>19,502,442</u>
UNRESTRICTED NET ASSETS:				
Designated by Council members for:				
Program and supporting activities	2,214,081		2,214,081	11,102,060
Funds functioning as endowment	26,954,626		26,954,626	18,285,957
Total designated by Council members	<u>29,168,707</u>	<u>-</u>	<u>29,168,707</u>	<u>29,388,017</u>
Investment in facility	77,859,142		77,859,142	80,583,198
Investment in exhibitions	30,246,257		30,246,257	30,246,257
Total unrestricted net assets, excluding Federal equity	<u>137,274,106</u>	<u>-</u>	<u>137,274,106</u>	<u>140,217,472</u>
TOTAL UNRESTRICTED NET ASSETS	<u>137,274,106</u>	<u>18,891,457</u>	<u>156,165,563</u>	<u>159,719,914</u>
TEMPORARILY RESTRICTED				
Total temporarily restricted	<u>14,396,923</u>		<u>14,396,923</u>	<u>13,702,319</u>
PERMANENTLY RESTRICTED	<u>101,961,252</u>	<u>-</u>	<u>101,961,252</u>	<u>94,368,898</u>
Total net assets/Federal equity	<u>253,632,281</u>	<u>18,891,457</u>	<u>272,523,738</u>	<u>267,791,131</u>
TOTAL LIABILITIES AND NET ASSETS/FEDERAL EQUITY	<u>\$ 256,308,254</u>	<u>\$ 21,983,735</u>	<u>\$ 278,291,989</u>	<u>\$ 273,814,224</u>

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2004 (WITH COMPARATIVE TOTALS FOR 2003)

	2004					2003			
	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	\$ -	\$ 40,192,479	\$ 40,192,479	\$ -	\$ -	\$ 40,192,479	\$ -	\$ 37,716,785	\$ 37,716,785
Contributions	6,100,092		6,100,092	3,973,640	4,371,250	14,444,982	15,509,055		15,509,055
Membership revenue	11,155,465		11,155,465			11,155,465	10,858,131		10,858,131
Museum shop	1,617,540		1,617,540			1,617,540	1,498,984		1,498,984
Endowment payout	2,885,303		2,885,303	1,012,660	(3,205,099)	692,864	860,240		860,240
Contributed services	49,360		49,360			49,360	49,084		49,084
Imputed financing source		1,119,675	1,119,675			1,119,675		1,041,529	1,041,529
Other	511,936		511,936			511,936	143,872		143,872
Net assets released from restrictions:									
Expiration of time restrictions	941,416		941,416	(941,416)					
Satisfaction of program restrictions	4,124,588		4,124,588	(4,124,588)					
Total support and revenues	27,385,700	41,312,154	68,697,854	(79,704)	1,166,151	69,784,301	28,919,366	38,758,314	67,677,680
EXPENSES:									
Administration and operations	3,175,673	17,292,894	20,468,567			20,468,567	3,552,360	17,495,537	21,047,897
Center for advanced holocaust studies	3,592,957	1,778,446	5,371,403			5,371,403	3,164,307	1,739,169	4,903,476
Fundraising	7,027,424		7,027,424			7,027,424	6,953,210		6,953,210
Membership	4,603,343		4,603,343			4,603,343	4,262,185		4,262,185
Museum management	5,437,753	1,966,454	7,404,207			7,404,207	3,194,488	2,754,846	5,949,334
Museum programs	4,951,829	11,339,116	16,290,945			16,290,945	5,007,357	10,935,125	15,942,482
Financial management	1,908,207	3,980,857	5,889,064			5,889,064	2,895,207	3,827,512	6,722,719
Museum shop	1,566,714		1,566,714			1,566,714	1,506,494		1,506,494
Information and technology	1,108,759	3,379,409	4,488,168			4,488,168	1,081,918	3,036,804	4,118,722
Total expenses	33,372,659	39,737,176	73,109,835	-	-	73,109,835	31,617,526	39,788,993	71,406,519
SUPPORT AND REVENUES (UNDER) OVER EXPENSES	(5,986,959)	1,574,978	(4,411,981)	(79,704)	1,166,151	(3,325,534)	(2,698,160)	(1,030,679)	(3,728,839)
INVESTMENT CHANGE, APPRECIATION (DEPRECIATION) ADJUSTED FOR ENDOWMENT PAYMENT									
	3,094,607		3,094,607	(587,980)	7,737,477	10,244,104	12,945,497		12,945,497
TRANSFER BETWEEN FUNDS	(51,014)		(51,014)	1,362,288	(1,311,274)				
CHANGE IN UNEXPENDED FEDERAL APPROPRIATION		(2,185,963)	(2,185,963)			(2,185,963)		(380,297)	(380,297)
(DECREASE) INCREASE IN NET ASSETS/FEDERAL EQUITY	(2,943,366)	(610,985)	(3,554,351)	694,604	7,592,354	4,732,607	10,247,337	(1,410,976)	8,836,361
NET ASSETS/FEDERAL EQUITY—Beginning 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
NET ASSETS/FEDERAL EQUITY—End 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

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2004 (WITH COMPARATIVE TOTALS FOR 2003)

	2004			2003		
	Total Non- Appropriated Funds	Appropriated Funds	Total	Total Non- Appropriated Funds	Appropriated Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Federal appropriation	\$ -	\$ 39,997,000	\$ 39,997,000	\$ -	38,663,000	38,663,000
Payments for Federal recessions		(492,838)	(492,838)		(251,310)	(251,310)
Cancelled appropriation return to U.S. Treasury		(1,497,646)	(1,497,646)		(1,075,201)	(1,075,201)
Receipts from contributions	12,287,735		12,287,735		9,949,308	9,949,308
Receipts from membership activities	11,155,465		11,155,465		10,306,044	10,306,044
Receipts from investments	3,127,486		3,127,486		3,031,831	3,031,831
Receipts from museum shop	1,551,824		1,551,824		1,570,687	1,570,687
Receipts from royalties, misc receipts	242,012		242,012			
Payments for wages and benefits	(10,698,725)	(20,792,552)	(31,491,277)		(9,834,386)	(18,497,998)
Payments for consultants, advisors, and others	(15,437,146)	(18,023,538)	(33,460,684)		(12,129,981)	(18,530,801)
Payments for stipends, honoraria and grants	(823,305)		(823,305)		(955,168)	(955,168)
Payments for collections	(50,670)		(50,670)		(187,155)	(78,294)
Net cash (used in) provided by operating activities	<u>1,354,676</u>	<u>(809,574)</u>	<u>545,102</u>	<u>1,751,180</u>	<u>229,396</u>	<u>1,980,576</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital expenditures		(2,540,208)	(2,540,208)		(111,491)	(111,491)
Purchase of investments	(27,480,448)		(27,480,448)		(29,223,549)	(29,223,549)
Sale of investments	<u>21,421,565</u>		<u>21,421,565</u>		<u>23,639,819</u>	<u>23,639,819</u>
Net cash (used in) investing activities	<u>(6,058,883)</u>	<u>(2,540,208)</u>	<u>(8,599,091)</u>	<u>(5,583,730)</u>	<u>(111,491)</u>	<u>(5,695,221)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
Permanently restricted contributions	2,642,649		2,642,649		5,175,818	5,175,818
Net cash provided by financing activities	<u>2,642,649</u>	<u>-</u>	<u>2,642,649</u>	<u>5,175,818</u>	<u>-</u>	<u>5,175,818</u>
NET (DECREASE) INCREASE IN CASH	(2,061,558)	(3,349,782)	(5,411,340)		1,343,268	117,905
CASH—Beginning 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>
CASH—End of year	<u>\$ 4,501,003</u>	<u>\$ 10,938,731</u>	<u>\$ 15,439,734</u>	<u>\$ 6,562,561</u>	<u>\$ 14,288,513</u>	<u>\$ 20,851,074</u>

See notes to financial statements.

(Continued)

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2004 (WITH COMPARATIVE TOTALS FOR 2003)

	2004			2003		
	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 OPERATING ACTIVITIES						
Increase (decrease) in net assets/ Federal equity	\$ 5,343,592	\$(610,985)	\$ 4,732,607	\$ 10,247,337	\$ (1,410,976)	\$ 8,836,361
Adjustments to reconcile net income to net cash provided by operating activities:						
Museum depreciation	2,724,056	890,256	3,614,312	2,724,056	682,247	3,406,303
Equipment depreciation	361,916	54,563	416,479	1,125,922	171,170	1,297,092
Amortization of program development costs					208,886	208,886
Realized/unrealized gain on investments	(8,158,813)		(8,158,813)	(10,226,963)		(10,226,963)
Contributions of permanently restricted net assets	(2,642,649)		(2,642,649)	(5,175,818)		(5,175,818)
Change in assets and liabilities:						
Decrease in contributions receivable, net	3,064,856		3,064,856	2,419,534		2,419,534
(Increase) decrease in other assets	(3,817)	(223,031)	(226,848)	146,186	33,852	180,038
Increase (decrease) in accounts payable and accrued liabilities	665,535	(920,377)	(254,842)	490,926	544,217	1,035,143
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 1,354,676</u>	<u>\$(809,574)</u>	<u>\$ 545,102</u>	<u>\$ 1,751,180</u>	<u>\$ 229,396</u>	<u>\$ 1,980,576</u>

(Concluded)

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

FEDERAL STATEMENT OF FINANCING

YEAR ENDED SEPTEMBER 30, 2004 (WITH COMPARATIVE TOTALS FOR 2003)

	Appropriated Funds	
	2004	2003
Resources used to finance activities:		
Obligations incurred	\$ 39,098,591	\$ 38,192,874
Less: Spending authority from offsetting collections and recoveries	(774,683)	(803,995)
Add: Imputed financing from costs absorbed by other	<u>1,119,675</u>	<u>1,041,529</u>
Total resources used to finance activities	<u>39,443,583</u>	<u>38,430,408</u>
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	1,847,618	294,055
Resources that finance the acquisition of assets	<u>(2,540,208)</u>	<u>(111,492)</u>
Total resources used to finance the net cost of operations	<u>38,750,993</u>	<u>38,612,971</u>
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	21,883	74,875
Other	<u>19,481</u>	<u>38,844</u>
Total	<u>41,364</u>	<u>113,719</u>
Components not requiring or generating resources:		
Depreciation and amortization	<u>944,819</u>	<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>986,183</u>	<u>1,176,022</u>
Net cost of operations	<u>\$ 39,737,176</u>	<u>\$ 39,788,993</u>

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

FEDERAL STATEMENT OF BUDGETARY RESOURCES YEAR ENDED SEPTEMBER 30, 2004 (WITH COMPARATIVE TOTALS FOR 2003)

	Appropriated Funds	
	2004	2003
Budgetary resources available to the Museum:		
Budgetary authority: appropriations received	\$ 39,997,000	\$ 38,663,000
Unobligated balance: beginning of period	3,649,734	3,702,125
Net transfers—actual		(71,979)
Spending authority from offsetting collections	51,558	139,687
Recoveries of prior year obligations	723,125	664,308
Rescission to Treasury—permanently not available	(492,838)	(251,310)
Return to Treasury—permanently not available	<u>(1,497,646)</u>	<u>(1,003,223)</u>
 Total budgetary resources	 <u>\$ 42,430,933</u>	 <u>\$ 41,842,608</u>
Status of budgetary resources:		
Obligations incurred	\$ 39,098,591	\$ 38,192,874
Unobligated balance—available	1,393,866	1,622,774
Unobligated balance—not available	<u>1,938,476</u>	<u>2,026,960</u>
 Status of budgetary resources	 <u>\$ 42,430,933</u>	 <u>\$ 41,842,608</u>
Relationship of obligations to outlays:		
Obligations incurred	\$ 39,098,591	\$ 38,192,874
Less: Spending authority from offsetting collections	(51,558)	(139,687)
Less: Recoveries of prior year obligations	<u>(723,125)</u>	<u>(664,308)</u>
 Subtotal	 38,323,908	 37,388,879
Obligated balances, net, beginning of period	10,638,779	10,468,484
Less: Obligated balances, net, end of period	<u>(7,606,390)</u>	<u>(10,638,779)</u>
 Net outlays	 <u>\$ 41,356,297</u>	 <u>\$ 37,218,584</u>

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, 2004 (WITH COMPARATIVE TOTALS FOR 2003)

Program Costs	Appropriated Funds			2003 Total	
	2004				
	Intergovernmental	Public	Total		
Administration and operations	\$3,358,601	\$13,934,293	\$17,292,894	\$17,495,537	
Center for advanced holocaust studies	333,793	1,444,653	1,778,446	1,739,169	
Museum management	384,561	1,581,893	1,966,454	2,754,846	
Museum programs	2,123,661	9,215,455	11,339,116	10,935,125	
Financial management	914,340	3,066,517	3,980,857	3,827,512	
Information and technology	<u>610,161</u>	<u>2,769,248</u>	<u>3,379,409</u>	<u>3,036,804</u>	
Net cost of operations	<u>\$7,725,117</u>	<u>\$32,012,059</u>	<u>\$39,737,176</u>	<u>\$39,788,993</u>	

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

FEDERAL STATEMENT OF CHANGES IN NET POSITION YEAR ENDED SEPTEMBER 30, 2004 (WITH COMPARATIVE TOTALS FOR 2003)

	Appropriated Funds			
	2004		2003	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
Beginning balances	\$ 8,149,522	\$ 11,352,920	\$ 9,180,201	\$ 11,733,217
Budgetary financing sources:				
Appropriations received (current period)		39,997,000		38,663,000
Appropriations transferred out				(71,979)
Rescissions		(492,838)		(251,310)
Cancelled expired appropriations		(1,497,646)		(1,003,223)
Appropriations used	40,192,479	(40,192,479)	37,716,785	(37,716,785)
Other financing sources:				
Imputed financing from costs absorbed by others	1,119,675		1,041,529	
Total financing sources (uses)	41,312,154	(2,185,963)	38,758,314	(380,297)
Total	49,461,676	9,166,957	47,938,515	11,352,920
Net cost of operations	39,737,176		39,788,993	
Ending balances	\$ 9,724,500	\$ 9,166,957	\$ 8,149,522	\$ 11,352,920

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2004 (WITH COMPARATIVE TOTALS FOR 2003)

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 three nonvoting members (the “Members”). The voting Members are appointed by the President of the United States, except for five who 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 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, 2003, 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 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.

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. 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 \$588,890 and \$763,853 as of September 30, 2004 and 2003, 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 2004, the Museum made transfers between funds to reflect donor designations, allowances attributable to permanently restricted pledge receivables, and the manner in which the Museum accounts for endowment payouts and temporarily restricted payments.

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:

	2004	2003
Portfolio cash	\$ 2,686,982	\$ 2,277,168
Mutual funds	50,406,315	42,495,498
Equity securities	54,282,182	52,316,889
Alternative investments	13,028,491	8,915,422
State of Israel bonds	<u>4,905,047</u>	<u>6,437,747</u>
	<u><u>\$125,309,017</u></u>	<u><u>\$112,442,724</u></u>

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

	2004	2003
Money market funds	\$ 1,998,598	\$ 651,140
Treasury bills	<u>1,003,905</u>	<u>999,960</u>
	<u><u>\$ 3,002,503</u></u>	<u><u>\$ 1,651,100</u></u>

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 2004 and 2003 is summarized below:

Interest and dividends	\$ 3,170,570
Net realized gain	6,219,036
Net unrealized gain	<u>1,939,777</u>
Net investment appreciation for fiscal year 2004	<u>\$11,329,383</u>
Interest and dividends	\$ 3,448,694
Net realized loss	(2,637,032)
Net unrealized gain	<u>12,863,995</u>
Net investment appreciation for fiscal year 2003	<u>\$13,675,657</u>

4. SPLIT-INTEREST AGREEMENTS

Included in the mutual funds amount is approximately \$1.6 and \$1.0 million for charitable gift annuities in 2004 and 2003, respectively. These investments are recognized at fair value. An annuity liability for approximately \$660,000 in 2004 and \$375,000 in 2003 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 \$241,640 and \$(43,084) in 2004 and \$29,841 and \$130,080 in 2003, respectively.

5. CONTRIBUTIONS RECEIVABLE

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

	2004	2003
Amounts due in:		
Less than one year	\$ 8,251,690	\$ 7,143,930
One to five years	7,243,965	11,700,071
More than five years	<u>1,281,831</u>	<u>1,485,100</u>
Subtotal	<u>16,777,486</u>	<u>20,329,101</u>
Less:		
Allowance for doubtful accounts	(1,792,206)	(1,728,423)
Discount to present value (1.0% - 6.0%)	<u>(809,083)</u>	<u>(1,359,625)</u>
	<u>\$ 14,176,197</u>	<u>\$ 17,241,053</u>

6. FURNITURE AND EQUIPMENT

At September 30, 2004 and 2003, furniture and equipment consists of the following:

	2004			2003		
	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	<u>1,166,830</u>	<u>3,787,314</u>	<u>4,954,144</u>	<u>1,166,830</u>	<u>3,727,385</u>	<u>4,894,215</u>
Total furniture and equipment	7,149,214	12,236,660	19,385,874	7,149,214	12,176,731	19,325,945
Less: Accumulated depreciation	(7,129,584)	(12,109,684)	(19,239,268)	(6,767,668)	(12,055,121)	(18,822,789)
Furniture and equipment—net	<u>\$ 19,630</u>	<u>\$ 126,976</u>	<u>\$ 146,606</u>	<u>\$ 381,546</u>	<u>\$ 121,610</u>	<u>\$ 503,156</u>

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

At September 30, 2004 and 2003, Permanent Exhibition, other program developments costs, and collections consist of the following:

	2004			2003		
	Non-Appropriated Funds	Appropriated Funds	Total	Non-Appropriated Funds	Appropriated Funds	Total
Inexhaustible	\$30,246,257	\$ 5,299,565	\$35,545,822	\$30,246,257	\$ 5,299,565	\$35,545,822
Exhaustible Accumulated amortization	1,347,162	3,951,536	5,298,698	1,347,162	3,951,536	5,298,698
Exhaustible, net	<u>(1,347,162)</u>	<u>(3,951,536)</u>	<u>(5,298,698)</u>	<u>(1,347,162)</u>	<u>(3,951,536)</u>	<u>(5,298,698)</u>
Total permanent exhibition	<u>\$30,246,257</u>	<u>\$ 5,299,565</u>	<u>\$35,545,822</u>	<u>\$30,246,257</u>	<u>\$ 5,299,565</u>	<u>\$35,545,822</u>

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

8. APPROPRIATED FUNDS

The 2004 and 2003 Federal appropriations of \$39,504,162 and \$38,411,690, respectively, include appropriations of \$1,248,426 and \$1,255,784 for 2004 and 2003, respectively, for exhibition development and production and \$1,876,588 and \$1,887,650 for 2004 and 2003, respectively, for building repair and rehabilitation, to be used by the Museum over an unlimited period of time.

Below is a reconciliation of the 2004 and 2003 Federal appropriations to Federal appropriations expended:

	2004	2003
Federal appropriation	\$ 39,504,162	\$ 38,411,690
Unexpended appropriation	(6,012,197)	(5,920,552)
Amounts obligated in previous years; expended in current year	<u>6,700,514</u>	<u>5,225,647</u>
 Federal appropriation revenue	 <u>\$40,192,479</u>	 <u>\$37,716,785</u>

Below is a reconciliation of the spending of the 2004 and 2003 appropriations:

	2004	2003
Total expenses	\$ 39,737,176	\$ 39,788,993
Depreciation and amortization	(944,819)	(1,062,303)
Unpaid vacation and other unfunded expenses	(1,140,086)	(1,121,396)
Unexpended appropriation- current year	6,012,197	5,920,552
Amounts obligated in previous years, expended in current year	(6,700,514)	(5,225,647)
Capital expenditures	<u>2,540,208</u>	<u>111,491</u>
 Federal appropriation	 <u>\$39,504,162</u>	 <u>\$38,411,690</u>

Unexpended appropriations represent unpaid undelivered orders which are goods and services that have been ordered but not yet received by the Museum (\$5,543,396 and \$7,634,998 at September 30, 2004 and 2003, respectively) and unobligated balances including receivables which are appropriated funds that have not been obligated (\$3,623,561 and \$3,717,922 at September 30, 2004 and 2003, 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 \$9,166,957 and \$11,352,920 as of September 30, 2004 and 2003, respectively, from the following fiscal years' appropriations:

	2004	2003
2004	\$ 6,012,197	\$
2003	1,108,634	5,920,552
2002	810,348	2,597,980
2001	1,118,010	1,224,410
2000 and previous years	117,768	1,609,978
	<u>\$ 9,166,957</u>	<u>\$ 11,352,920</u>

The change in unexpended appropriations (\$2,185,963) and (\$380,297) in 2004 and 2003, 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, 2004 and 2003, is as follows:

	2004	2003
Furniture, equipment, and museum facility—net	\$ 5,454,221	\$ 3,858,832
Permanent exhibition—net	5,299,565	5,299,565
Unfunded payables	(1,029,286)	(1,008,875)
Unexpended appropriations	9,166,957	11,352,920
Total Federal equity	<u>\$18,891,457</u>	<u>\$19,502,442</u>

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 2004 and 2003 was \$1,644,840 and \$1,590,101, respectively. This amount is composed of \$1,501,605 and \$1,460,581, respectively, paid out of Appropriated Funds and \$143,235 and \$129,520, 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 2004 and 2003 was \$2,430,294 and \$2,246,736, 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 2004, the Museum, utilizing OPM's cost factors

dated August 16, 2004, recognized \$234,373 of pension expenses, \$882,895 of post retirement health benefits expenses, and \$2,407 of post-retirement life insurance expenses, beyond amounts actually paid. The Museum recognized offsetting revenue of \$1,119,675 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 three percent of annual pay and 50 percent of participant contributions up to the next two percent of annual pay. The Museum's expense for the 403(b) plan in 2004 and 2003 was \$358,840 and \$315,000, 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 2004, the Museum recognized \$3,520 and \$40,406 respectively, of future payments for workers' compensation.

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2004 and 2003, are available for the following programs or periods:

	2004	2003
Contributions to be received in future periods—for general use	\$ 6,715,523	\$ 3,529,917
Education	3,280,490	4,217,742
Archives	1,789,212	2,341,540
Academic programs	2,277,218	2,858,481
Exhibitions	<u>334,480</u>	<u>754,639</u>
 Total temporarily restricted net assets	 <u>\$ 14,396,923</u>	 <u>\$ 13,702,319</u>

12. PERMANENTLY RESTRICTED NET ASSETS

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

	2004	2003
Funds for general use	\$ 82,568,578	\$ 75,573,188
Academic programs	12,569,444	12,564,464
Education	5,972,288	5,730,904
Exhibitions	<u>850,942</u>	<u>500,342</u>
 	 <u>\$ 101,961,252</u>	 <u>\$ 94,368,898</u>

13. CONTRIBUTED SERVICES

In-kind contributions of goods and services totaling \$49,360 and \$49,084 were received by the Museum during fiscal year 2004 and 2003, 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 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.

14. FINANCIAL INSTRUMENTS

The Museum's financial instruments as of September 30, 2004 and 2003 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, 2004 and 2003.

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UNITED STATES HOLOCAUST MEMORIAL MUSEUM

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2004

	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			
Personnel compensation	\$ 295,274	\$ 2,792,879	\$ 812,896	\$ 1,091,912	\$ 1,970,921	\$ -	\$ 276,550	\$ -	\$ 1,731,474	\$ 1,363,669	\$ 1,899,899	\$ 6,215,793	\$ 949,595	\$ 2,377,836	\$ 506,852	\$ -	\$ 711,213	\$ 1,855,891	\$ 9,154,674	\$ 15,697,980		
Benefits	59,881	63,553	135,143	27,266	324,115		63,595		265,243	26,831	346,713	143,885	333,588	35,393	104,864		148,577	43,827	1,781,719	340,755		
Rent, utilities, postage, and insurance		1,411,768	7,609		194,789		1,064,084		61,275	14,881	9,349	18,105	85	554	58			5,460	1,337,249	1,450,768		
Janitorial services		1,085,953										227,797									1,313,750	
Security services	17,472	4,959,503										30,057									47,529	4,959,503
Office supplies and reference materials	10,086	403,952	112,601	2,543	117,052				1,028,881	6,616	217,480	367,724	993	26,478	3,724		113	117,342	1,490,930	924,655		
Printing, public relations, and advertising	27,879	82,399	809,244	179,725	176,254				486,057	19,019	451,895	27,924	6,503	85			1,700	20	1,959,532	309,172		
Travel		14,693	323,015	89,445	156,275				277,670	102,255	300,281	227,233		12,071	3,901		341	33,091	1,061,483	478,788		
Transportation of goods		10,426	11,676						30,319		56,671	7,189			28,377					127,043	17,615	
Equipment Collections	38,064	396,699	4,709	650	4,191				8,885	8,114	35,166	132,714		14,986			75,829	354,195	166,844	907,358		
Depreciation and amortization	2,724,056	929,723	1,944		2,216,101			5,820			8,473		315,951	10,108			29,728	4,988	3,085,972	944,819		
Bad debt expense								1,895	84,292											2,216,101		
Bank fees													5,628		22,681					114,496		
Investment manager fees												96,733									96,733	
Contributed services						5,760					40,000					3,600					49,360	
Temporary help		11,172			36,349				2,500		95,120	46,240									133,969	
Stipends and honoraria			743,437		99		500		12,570		250,213							3,000		1,009,819		
Consultants			105,254							18,187		25			3,500						126,966	
Other service contracts	2,961	1,641,386	437,046	52,776	1,803,661		3,106,577		655,944	20,123	884,190	1,753,393	35,446	447,156	51,472		89,516	316,461	7,066,813	4,231,295		
Professional services		74,246	64,060		3,190				857,446	12,523	237,309	20,173	161,982	99,453				12,500	1,323,987	218,895		
Intergovernmental purchases and contracts		3,358,601			333,793					384,561		2,123,661		914,340				610,161		7,725,117		
Cost of goods sold		55,941	24,323	336	16,772		1,925		19,489	7,862	20,223	27,285	1,678	42,397	51,588		48,742	25,473	184,740	159,294		
	\$3,175,673	\$17,292,894	\$3,592,957	\$1,778,446	\$7,027,424	\$ -	\$ 4,603,343	\$ -	\$ 5,437,753	\$1,966,454	\$4,951,829	\$11,339,116	\$1,908,207	\$ 3,980,857	\$1,566,714	\$ -	\$1,108,759	\$ 3,379,409	\$33,372,659	\$39,737,176		

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