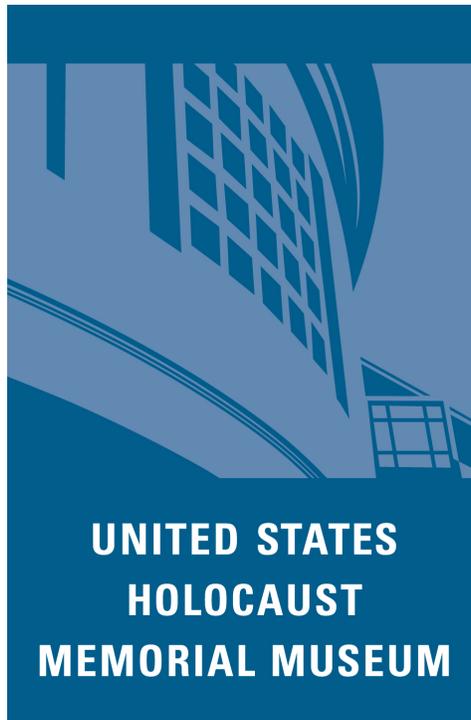


PERFORMANCE & ACCOUNTABILITY

REPORT

FISCAL YEAR 2006

October 1, 2005 — September 30, 2006



November 15, 2006

PERFORMANCE AND ACCOUNTABILITY REPORT

Fiscal Year 2006

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Message from the Director

When the Museum opened in 1993, its founders understood that it presented important truths about human nature. They knew that its message was timeless, but they could not have imagined that a decade later that message would also be so timely. As a living memorial to the Holocaust, the Museum stimulates leaders and citizens to confront hatred, prevent genocide, promote human dignity, and strengthen democracy.

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

Through its on-site visitors, outreach activities, and Web site, the Museum is reaching millions of Americans as well as a growing international audience each year with these stark lessons: evil is not eradicable; indifference has consequences; freedom requires responsibility. Inspired by the survivors, challenged by our times, and gratified by the continued high demand for our programs, the Museum will continue in Fiscal Year 2007 to bring these lessons to millions more.



Sara J. Bloomfield
Director

Statement of Assurance

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

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



Sara J. Bloomfield
Director

Message from the Chief Financial Officer

I am pleased to present the United States Holocaust Memorial Museum's Fiscal Year 2006 *Performance and Accountability Report* which presents both financial and performance information on the Museum's operations in a combined report for the fiscal year ending September 30, 2006. This report satisfies the reporting requirements for the following:

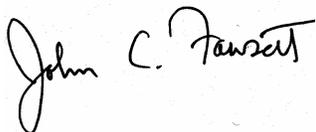
- *Accountability of Tax Dollars Act of 2002*
- *Reports Consolidation Act of 2000*
- *Government Management Reform Act of 1994*
- *Government Performance and Results Act of 1993*
- *Chief Financial Officers Act of 1990*
- *Federal Managers' Financial Act of 1982*
- *Section 2308 of the Museum's authorizing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

The Museum received an unqualified opinion on its consolidated financial statements for Fiscal Year 2006. These statements fully account for both the Federal and non-appropriated funds.

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

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

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



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

PROGRAM PERFORMANCE REPORT

Mission Statement

The United States Holocaust Memorial Museum's primary mission is to advance and disseminate knowledge about the unprecedented tragedy of the Holocaust; to preserve the memory of those who suffered; and to encourage its visitors to reflect upon the moral and spiritual questions raised by the events of the Holocaust as well as their own responsibilities as citizens of a democracy.

As the Museum enters its second decade of existence, its message has never been more urgent. The world is facing threats to democratic values, increasing ethnic violence, rising anti-Semitism, and continuing genocide. No other educational institution is better poised to respond meaningfully to these pressing issues. Its international stature, the size and diversity of its audiences, and its identity as *America's* Holocaust institution make the Museum a unique platform and moral voice for educating the world. As the late Daniel Boorstin, historian and Librarian of Congress, said, "Trying to plan for the future without knowing the past is like trying to plant cut flowers." In an age when the lessons of history could not be more pertinent to the future and the teaching of history is on the wane, the Museum is prepared to address these challenges and seize this important opportunity.

The Holocaust was the state-sponsored, systematic persecution and annihilation of European Jewry by Nazi Germany and its collaborators between 1933 and 1945. Jews were the primary victims – six million were murdered; Gypsies, the handicapped, and Poles were also targeted for destruction or decimation for racial, ethnic, or national reasons. Millions more, including homosexuals, Jehovah's Witnesses, Soviet prisoners of war, and political dissidents, also suffered oppression and death under Nazi tyranny.

Chartered by a unanimous Act of Congress in 1980 and located adjacent to the National Mall in Washington, D.C., the Museum strives to broaden public understanding of the history of the Holocaust through multifaceted programs: exhibitions; research and publication; collecting and preserving material evidence, art, and artifacts related to the Holocaust; annual Holocaust commemorations known as *Days of Remembrance*; distribution of educational materials and teacher resources; and a variety of public programming designed to enhance understanding of the Holocaust and related issues, including those of contemporary significance.

Mission Goals

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

Use of Non-Federal Parties

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

Impact of FY 2006 Results on Future Performance Plans

The partially met objectives from FY 2006 are carried forward in the FY 2007 and later performance plans, as necessary and where consistent with the current plans and funding levels.

Format of the Performance Report

The performance report for the FY 2006 plan mirrors the format used for presentation of the annual plan. The elements contained in the report are as specified in guidance issued by the Office of Management and Budget in circular A-11. Required elements of the report are identified below:

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

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

Description of plans to meet unmet objectives in the future – The FY 2007 and future performance plans address any plans to extend unmet objectives into the future.

Evaluation of FY 2007 performance plan – This information is contained under “Impact of FY 2006 Results on Future Performance Plans.”

Availability of Additional Information

Additional information about the FY 2006 accomplishments and about the programs and public resources of the United States Holocaust Memorial Museum is available through the following means:

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

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

SUMMARY ANNUAL PERFORMANCE REPORT

Consolidated status of objectives

Met or exceeded targets	22	65%
Partially met targets	9	26%
Extended or deferred	3	9%

GOAL: Protect and strengthen the core of the living memorial

Major objectives:

- Provide basic visitor services in the Museum
- Rescue the evidence of the Holocaust
- Extend the impact of the permanent exhibition
- Provide core family programming in the Museum
- Engage new audiences in *Days of Remembrance*
- Effectively use the Committee on Conscience to respond to contemporary genocide
- Shape the emerging field of Holocaust studies to promote its excellence and vitality

Status of objectives:

Met or exceeded targets	15	68%
Partially met targets	4	18%
Extended or deferred	3	14%

GOAL: Enhance the nation's moral discourse

Major objectives:

- Implement the National Institute for Holocaust Education
- Implement educational outreach opportunities in the new Wexner Learning Center

Status of objectives:

Met or exceeded targets	2	50%
Partially met targets	2	50%
Extended or deferred		

GOAL: Secure the future of the Memorial Museum

Major objectives:

- Create a nationwide information campaign to educate the public about the meaning of the Holocaust for our lives today
- Continue the endowment campaign
- Develop and implement electronic communications mechanisms to build and sustain relationships with key audiences and constituencies

Status of objectives:

Met or exceeded targets	2	100%
Partially met targets		
Extended or deferred		

GOAL: Improve management and administration

Major objectives:

- Develop a Management Implementation Plan for the Strategic Plan
- Further tighten management and budget practices
- Address the President's Management Agenda objectives for eGov

Status of objectives:

Met or exceeded targets	3	50%
Partially met targets	3	50%
Extended or deferred		

DETAILED ANNUAL PERFORMANCE REPORT

PROTECT AND STRENGTHEN THE CORE OF THE LIVING MEMORIAL

Strategies to Achieve Goal

- Provide basic visitor services in the Museum
- Rescue the evidence of the Holocaust
- Extend the impact of the permanent exhibition
- Provide core family programming in the Museum
- Engage new audiences in *Days of Remembrance*
- Effectively use the Committee on Conscience to respond to contemporary genocide
- Shape the emerging field of Holocaust studies to promote its excellence and vitality

Activities & measures to implement strategies

Provide basic visitor services in the Museum

- Operate the Museum facility 363 days per year for public access to the permanent exhibitions, special exhibitions, library, theaters, other museum spaces, and to all public programs.
 - General Measure: visitation statistics; operating status daily and cumulatively of the Museum building
 - Results: Met: The Museum was open to the public the anticipated 363 days in FY 2006, including additional evening hours for extended hours in the spring and public programs.

Visitation statistics

Fiscal Year	Museum Visitors	Web site Visitors
2006	1,559,357	11.9 million
2005	1,591,826	8.2 million
2004	1,528,105	4.6 million
2003	1,336,779	3.8 million

- Key patterns identified include:
 - 37% of visitors saw *Remember the Children* exhibition (36% in FY2005)
 - 25% percent of visitors saw *Deadly Medicine* special exhibition (21% in FY2005)
 - 12% of visitors used the new Wexner Learning Center (12% in FY2005)
 - 16% of visitors came in groups (14% in FY2005)

Rescue the evidence of the Holocaust

Due to the limited window of time in which the Museum must meet its responsibility to acquire and preserve the evidence, acquisitions is the single overarching collections-related priority for the next five to ten years. To ensure that the history of the Holocaust can be fully and authentically transmitted to future generations, the Museum will undertake a targeted acquisitions initiative for artifacts, oral histories, personal papers of survivors, and archival documents to fill gaps in the current collection, ensure an adequate range of items for future rotations in the permanent exhibition, and serve as a primary archival resource for scholars. As steward of the collection, the Museum must also address long-term collections management issues such as storage, conservation, and public access to collections.

- Seek additional private funding of \$5 million over ten years to supplement baseline \$5 million over the same period
 - Measure: funds raised per year and cumulatively since 2004
 - Result: Exceeded: \$5.2 million raised since 2004.
- Acquire 250 items for rotation in the permanent exhibition by FY 2006
 - Measure: cumulative number of items acquired
 - Result: Exceeded as of the end of FY 2005:
- Acquire one million pages of archival material per year for ten years
 - Measure: number of pages acquired per year and cumulatively since 2004
 - Result: Exceeded: 3.9 million pages in FY 2006 (2.3million in FY 2005)
- Additional major accomplishment:
Efforts of the USHMM and others resulted in landmark agreement by the International Tracing Service to open its archives of over 30 million holocaust documents to survivors and researchers.

Effectively use the Committee on Conscience (COC) to respond to contemporary genocide

- Integrate the work of the Committee on Conscience into Museum programs
 - Measure: Degree of involvement of COC staff in other program division projects
 - Result: Met: COC staff routinely participate in planning teams for education, exhibitions, scholarly programs, Web site, and special events

Extend the impact of the permanent exhibition -and- Provide core family programming in the Museum

- Complete by FY 2008 the five-year retrofit project
 - Measure: percentage of project completed per year
 - Result: Partially met: 53 complete as of the end of FY 2006
- Complete conservation of exhibition objects on priority list prepared in FY 2006
 - Measure: percentage of objects conserved per year and cumulatively
 - Result: Partially met: 31% completed
- Review recommendations from the professional evaluation of the exhibition conducted in 2005, disseminate results, and draft an implementation schedule for any needed changes.
 - Measure: Progress toward implementation
 - Result: Met: 14 projects identified; 4 in development, 1 in design; results distributed to 5 organizations
- Develop a core story traveling exhibition
 - Results: Deferred: Pending reassessment of the value of this effort
- Develop a web site for the core story of the permanent exhibition
 - Results: Deferred: Pending reassessment of the value of this effort

- Develop and present special exhibitions as outlined in the long-term exhibition plan
 - Measure: there are numerous milestones and deliverables in the project plans for each exhibition
 - Results: Met: See chart below for detailed status of exhibitions currently in the plan. Explanation of milestones follows the chart

The following special exhibitions were in various stages of development during FY 2006 for presentation in the Kimmel-Rowan Special Exhibition Gallery (KR), the Gonda Education Center (GEC), the Wexner Learning Center (WLC), and the Meyerhoff Theater entry well (MT):

Exhibition Title/Topic	Phase in FY 2006	Comments
<i>Deadly Medicine: Creating the Master Race</i> (KR)	Open through May 29, 2006	Total visitation 770,000
<i>Genocide Emergency—Darfur, Sudan: Who Will Survive Today?</i> (WLC)	Opened to visitors on schedule	Continues indefinitely
<i>A Dangerous Lie: Protocols of the Elders of Zion</i> (GEC)	Opened to visitors on schedule	Continues indefinitely
<i>Abandoned at Srebrenica: Ten Years Later</i> (MT)	Opened to visitors on schedule	Continues indefinitely
War Crimes/Nuremberg Trials (WLC)	Opened to visitors on schedule	Scheduled to close December 2006
Raphael Lemkin and Genocide (WLC)	Planning stages 1-4 and fundraising in progress	Scheduled to open late 2007
Children of the Łódź Ghetto (KR)	Began fabrication in FY 2006 for projected 12/13/06 completion	Opening scheduled for 12/15/06
Propaganda (KR)	Research in progress	Scheduled to open 2008
Collaboration/Complicity (KR)	Thesis development	Scheduled to open 2012

- (1) Thesis – identify the central theme(s) and storyline(s)
- (2) Research – identify primary and secondary historical sources and exhibit materials
- (3) Schematic – establish exhibition outline, object checklist, script, and spatial design
- (4) Concept – finalize script and checklist; create two- and three-dimensional appearance
- (5) Fabrication – construct and install exhibitry and objects; open exhibition to the public

- Provide educational programming in conjunction with Museum exhibitions
 - Measure: number of programs and attendance
 - Result: Met: 3,910 attendees at programs with attendance counts; 7 additional programs conducted without attendance figures available
- Provide interpretive programs and materials targeted to families
 - Measure: number of programs and attendance
 - Result: Met: 4 special programs conducted but attendance data not collected
- Present traveling exhibitions at locations nationwide
 - Measure: Presentation in up to 20 venues during FY 2006
 - Result: Exceeded: six exhibitions at 27 venues in 20 states; over 200,000 visitors

Engage new audiences in *Days of Remembrance* (DOR)

- Expand *DOR* Web site
 - Measure: there are numerous milestones and deliverables in the detailed project plan for this activity
 - Results: Deferred: This effort has been indefinitely postponed due to other priorities for fundraising and educational outreach.

Shape the emerging field of Holocaust studies to promote its excellence and vitality

- **Conduct 10-15 scholarly lectures, symposia, or workshops annually**
 - Measure: number of seminars and workshops conducted; attendance at seminars and workshops
 - Results: Exceeded: 17 programs conducted comprising 102 scholars from 29 states and 7 foreign countries
- **Develop a coherent campus outreach program to support the delivery of 50-75 presentations at colleges and universities annually [replaces two original objectives that separated presentations from scholarly programs for students]**
 - Measure: number of presentations; attendance at seminars
 - Results: Met: 66 programs conducted in 27 states
- **Host and provide support to 25-30 scholars and students annually**
 - Measure: number of scholars supported and funding provided; number of programs or papers delivered by supported scholars; attendance at programs
 - Results: Exceeded: 37 scholars supported representing 14 states and 10 foreign countries
- **Publish new research**
 - Measure: Number of journal issues, monographs, and papers published and made available electronically
 - Results: Met: 3 journal issues, 5 monographs, and 4 occasional papers published
- **Complete an encyclopedia of Nazi killing centers, camps, ghettos, and other detention sites by FY 2010**
 - Measure: Number of volumes published and status of those in production
 - Results: Partially met: Vol. 1 in final editing; vols. 2 and 4 in writing phase
- **Provide programming under the Jewish Source Study Initiative.**
 - Measure: Number and geographic/disciplinary distribution of applicants; number of students accepted into programs; degree of support provided
 - Results: Met: conducted 3 seminars and 3 lectures
- **Launch an archival publication series to make select collections available for teaching and research.**
 - Measure: Number of volumes published
 - Results: Partially met: scholarly advisory board created and over 150,000 pages of archival material surveyed for eventual inclusion in 5 volume publication

ENHANCE THE NATION'S MORAL DISCOURSE

Strategies to Achieve Goal

- Implement the National Institute for Holocaust Education
- Implement educational outreach opportunities in the new Wexner Learning Center

Activities and measures to implement strategies

Implement the National Institute for Holocaust Education

This is a long-term plan to bring greater focus and integration to the Museum's educational activities in order to increase impact and effectiveness of educational outreach. It is also intended to leverage the Museum's moral impact through special programming for persons in positions of civic influence, such as law enforcement, members of the judiciary, and elected officials.

- Implement the operating principles and functions of the Institute
 - Measure: progress toward implementing the plan for using teaching fellows and partnerships with organizations for educational outreach
 - Result: Exceeded: Museum staff conducted 13 teacher training workshops and trainees conducted programs in conjunction with traveling exhibitions in six states and for teachers in six additional states; new partnership formed with Council for Excellence in Government and with the FBI and Chicago Bar Association

Use the new Wexner Learning Center as a locus of activity for visitors (both on site and off site) to explore contemporary events and issues related to the Holocaust.

- Document visitor responses to the Learning Center programs and activities
 - Measure: documentation acquired and value of the information in shaping future activities
 - Result: Partially met: began conduction evaluation of visitors via observation and interviews and surveys
- Pilot distance education programs and technologies
 - Measure: degree of success attracting participation and carrying out learning events
 - Result: Exceeded: New Podcast program averaged 3,000 users per weekly episode; Over 500,000 downloads of educational materials (previously available only in print form); successful internet/satellite broadcast of panel discussion on Darfur crisis
- Document the use of technology, changing displays, and staff in serving visitors to the Museum
 - Measure: documentation acquired and value of the information in shaping future activities
 - Results: Partially met: began capturing visitation data for special exhibitions and learning center to monitor effects of efforts to encourage visitors to visit museum areas other than the permanent exhibition

SECURE THE FUTURE OF THE MEMORIAL MUSEUM

Strategies to Achieve Goal

- Create a nationwide information campaign to educate the public about the meaning of the Holocaust for our lives today
- Continue the endowment campaign
- Develop and implement electronic communications mechanisms to build and sustain relationships with key audiences and constituencies

Activities and measures to implement strategies

Undertake major fundraising efforts

- Seek funding required to fulfill the Strategic plan over the next decade.
 - Measures common to all activities: funds raised per year and cumulatively
 - Results: Exceeded: Reached 110% of FY 2006 fundraising goals for annual fund and endowment

Develop and implement electronic communications mechanisms to build and sustain relationships with key audiences and constituencies

- Use innovative communications methods to engage and expand audiences
 - Measure: New methods employed and the results of those methods
 - Results: Met: Began to use email and listservs and monthly electronic version of the Museum newsletter resulting in reduced printing and postage costs and improved timeliness of messages

IMPROVE MANAGEMENT AND ADMINISTRATION

Strategies to Achieve Goal

- Develop a Management Implementation Plan for the Strategic Plan
- Further tighten management and budget practices
- Address the President's Management Agenda objectives for eGov

Activities and measures to implement strategies

Develop a Management Implementation Plan for the Strategic Plan

- Define specific projects, budgets, and schedules for executing the strategic plan
 - Measure: completion of detailed plan
 - Result: Exceeded: Completed in FY 2005 ahead of schedule

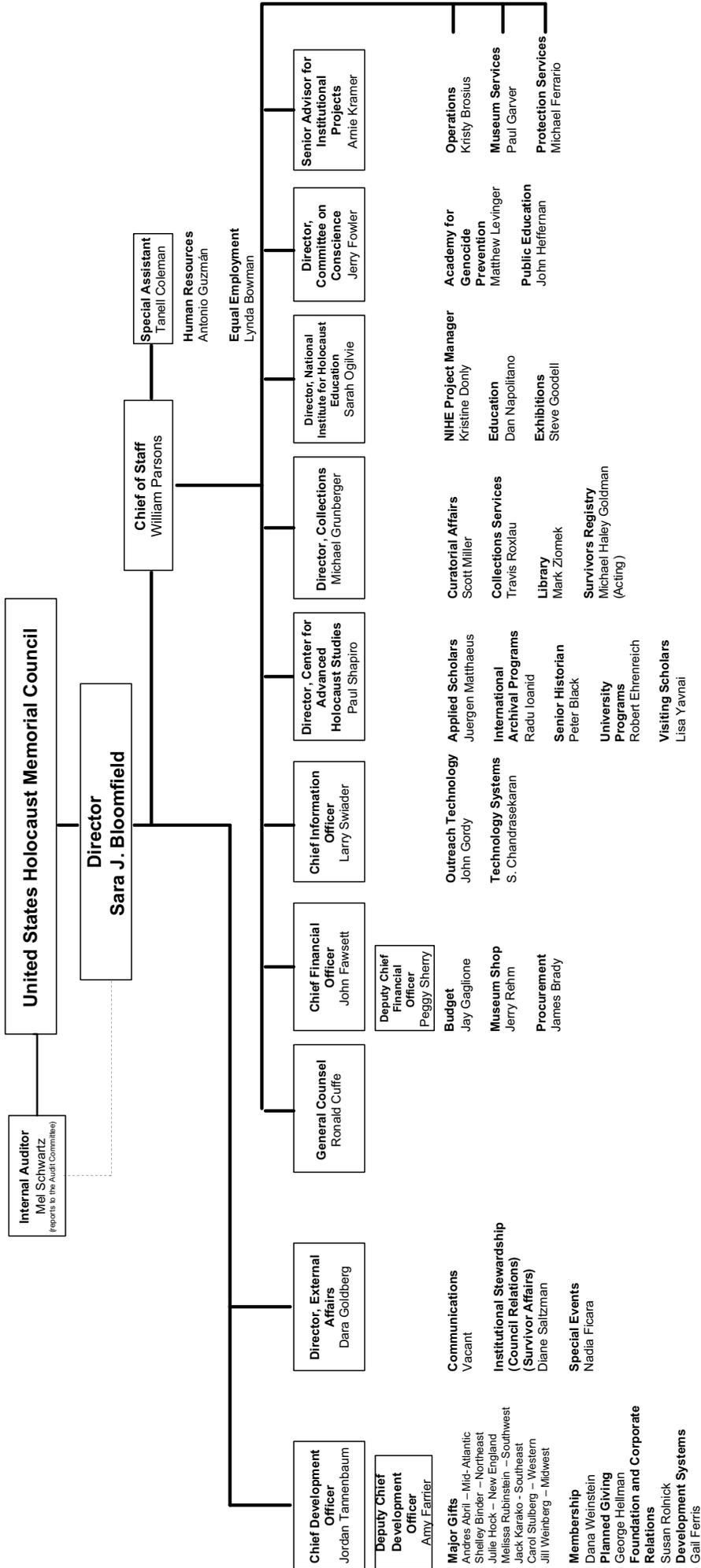
Further tighten management and budget practices

- Continue efforts to streamline administrative operations and reduce related costs
 - Measures: change in costs for financial management relative to current services estimate (FY 2005 baseline)
 - Results: Exceeded: Reduced staffing by 4 FTE compared to Fy 2005 while improving operational metrics in accounting, procurement, and revenue divisions of Financial management organization.
- Prepare the FY 2006 operating plan using performance budgeting principles guided by the revised strategic plan and by OMB's circular A-11.
 - Results: Partially met
- Increase non-appropriated revenue from business activities
 - Results: Exceeded: Museum shop net income in FY2006 exceeded goals and prior-year results; Café profit-sharing results were not subject to specific goals, but increased over prior-year.

Address the President's Management Agenda objectives for eGov

- eTravel system implementation
 - Measure: Implementation status
 - Result: Partially met: requirements and vendor selection completed but implementation delayed due to technical problems with vendor software and support.
- Conversion to common payroll / personnel providers
 - Measure: Implementation status
 - Results: Partially met: requirements and vendor candidates analyzed and meetings conducted with two leading candidate providers. Progress in FY 2007 depends upon implementation cost and funding availability

United States Holocaust Memorial Museum



INSTITUTIONAL GOALS

ENHANCE THE NATION'S MORAL DISCOURSE
NATIONAL INSTITUTE FOR CONSCIENCE ON HOLOCAUST EDUCATION

- Education
- Exhibitions
- Learning Center
- Outreach Technology

PROTECT AND STRENGTHEN THE MEMORIAL CORE
CENTER FOR ADVANCED HOLOCAUST STUDIES

- Applied Research Scholars
- Senior Historian
- University Programs
- Visiting Scholars
- Academic Publications

RESCUE THE EVIDENCE

- Collections
- International Archival Programs
- Library
- Survivors Registry

MUSEUM BUILDING

- Museum Services
- Operations
- Protection Services

EXTERNAL AFFAIRS

- Communications
- Publishing
- Council Relations
- Institutional Outreach
- Survivor Affairs
- Special Events

MANAGEMENT SYSTEMS

- Finance
- Human Resources
- Legal
- Equal Employment
- Databases
- Technical Services

United States
Holocaust Memorial Museum

*Financial Statements for the Year Ended
September 30, 2006 (with Comparative Totals
for 2005), Supplemental Information for the
Year Ended September 30, 2006, and
Independent Auditors' Report, and Compliance Report*

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, 2006 (FY 2006). 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.

A living memorial to the Holocaust, the Museum educates people throughout the world and stimulates leaders and citizens to confront hatred, prevent genocide and promote human dignity, and strengthen democracy.

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 34 established objectives for FY 2006 related to education, remembrance, research, and infrastructure support. The Museum met or exceeded 22 objectives, partially met nine objectives, and extended the targeted completion dates on three objectives. Full details on these goals and the related results are presented in Part 1 of the FY 2006 *Performance and Accountability Report*.

Financial Statements Summary

The Museum's financial position remained strong at September 30, 2006, with total assets of approximately \$321 million and total liabilities of approximately \$7.9 million. Net assets, which represent the residual interest in the Museum's assets after liabilities are deducted, are \$313.2 million. This is a seven percent increase over last fiscal year's net assets of \$293.0 million. The increase in net assets is primarily attributable to investment appreciation.

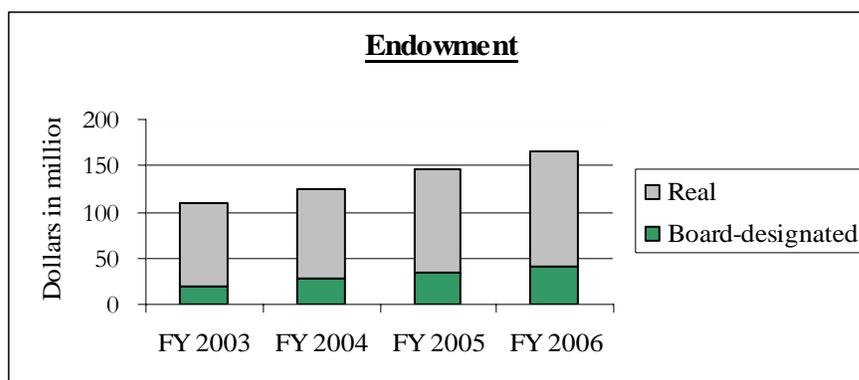
STATEMENT OF FINANCIAL POSITION

Current assets. Current assets, which consist primarily of cash, operating investments, contributions receivable due within the year, inventory, and accounts receivable, totaled \$27.7 million. Total current assets cover current liabilities of \$7.9 million by a factor of 3.5.

Contributions Receivable. The Museum has contributions receivable, net of allowance for doubtful accounts and discounts to present value of \$18.9 million. Of these receivables, \$6.1 million are current and \$12.8 million are due after one year.

Long-Term Investments. Long-term investments are the largest of the non-current assets and consist mainly of donated securities and the investment of endowment funds. The current Museum investment policy calls 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 \$165.4 million in the past four 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, 2006, the board-designated endowment balance was approximately \$40.7 million, and the real endowment balances were approximately \$124.7 million.



Performance. The annual return for the pooled endowment fund this year was 8.6 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 \$7.9 million.

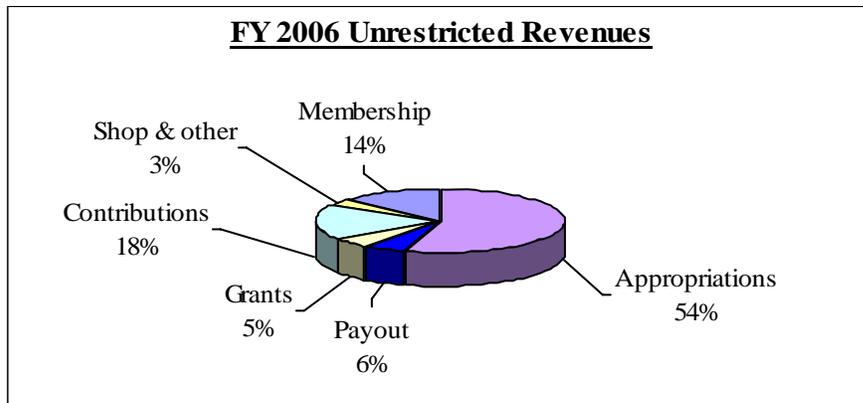
Net Assets/Federal Equity. The Museum has total equity of \$313.4 million, of which approximately 128.3 million is permanently restricted, and approximately \$18.6 million is temporarily restricted by donors. The Museum’s equity includes investments in the Museum building and exhibitions.

STATEMENT OF ACTIVITIES

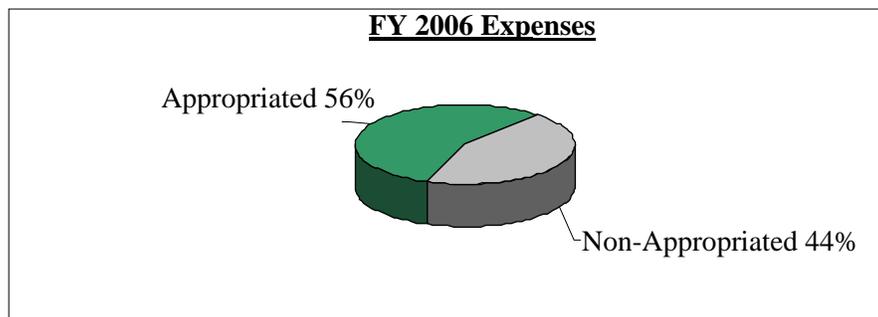
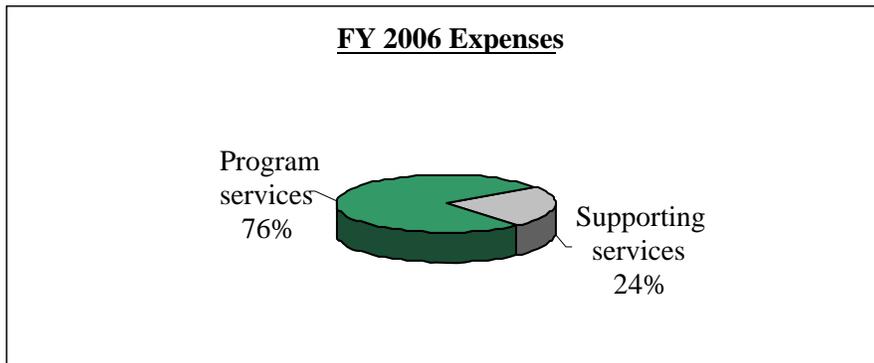
The *Statement of Activities* presents the Museum’s results of financial activity for the fiscal year and matches revenues to related expenses. The statement summarizes the annual gain/loss in equity.

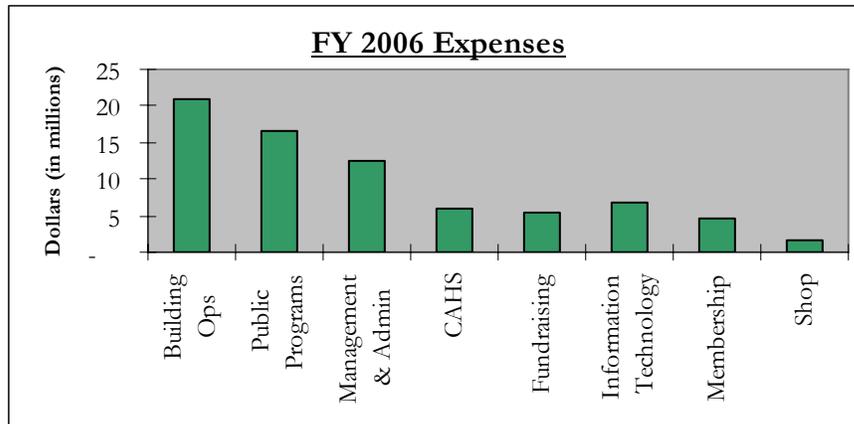
Non-appropriated sources in FY 2006 provided 46 percent of revenues (compared to approximately 42 percent in FY 2005) due mostly to an increase in contributed revenues. Museum expenditures increased \$3 million (four percent) from FY 2005 and the percentage spent on program services increased slightly (from 75 percent of spending in FY 2005 to 76 percent in FY 2006). The charts below and on the following page provide additional details.

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



In the past year, the Museum expenditures increased \$3 million (four percent) from FY 2005. The increase is mostly attributed to payroll and contract increases. 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 2006 Performance and Accountability Report*.

INVESTMENT IN FUNDRAISING

The Museum continues to make significant investments in activities related to raising funds for both annual support and endowment. These activities include membership, planned giving, and major gift programs. Further, the Museum is working to build a major program for corporate and foundation support. Museum management regularly reviews and evaluates the level of these investments, by specific fundraising activity to ensure that funds expended for such purposes are producing results, as measured in both the near- and long-term that justify the level of investment. Museum officials are available to discuss this upon request.

LIMITATIONS OF THE FEDERAL FINANCIAL STATEMENTS

The Federal financial statements have been prepared to report the financial position and results of operations of the Museum, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the Museum in accordance with generally accepted accounting principles for Federal entities, the Federal statements are in addition to the financial reports used to monitor and control

budgetary resources that are prepared from the same books and records. The statements should be read with the realization that they are for a component of the United States Government, a sovereign entity.

FUTURE CONCERNS AND ISSUES

In today's world, the lessons of the Holocaust are more timely and urgent than ever. The Museum's impact is far beyond those who visit the Museum in Washington; it has national outreach to all 50 states and a strong international presence through its Web site and other activities. Since these educational outreach programs are supported by private funds and since the Holocaust is receding in time, the Museum is making an aggressive effort to build a substantial endowment to ensure its financial future. A preliminary goal of raising an additional \$200 million for the endowment has been discussed, but this figure will most likely increase substantially.

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, 2006, and the related statements 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, 2006. 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 2005 financial statements and in our report dated November 9, 2005, 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 and the Federal statements of financing, budgetary resources, and net cost of the United States Holocaust Memorial Museum and the changes in its net assets/Federal equity and net position and its cash flows for the year ended September 30, 2006, 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 2006 financial statements of the Museum taken as a whole. The accompanying supplementary schedule of claims conference activity 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 2006 financial statements, and in our opinion, is fairly stated in all material respects when considered in relation to the basic 2006 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 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 14, 2006, 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 14, 2006

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF FINANCIAL POSITION SEPTEMBER 30, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	2006			2005
	Non-appropriated Funds	Appropriated Funds	Total	Total
ASSETS				
CURRENT ASSETS:				
Cash	\$ 4,168,160	\$13,246,924	\$ 17,415,084	\$ 15,315,653
Short-term investments	3,219,863		3,219,863	2,320,882
Contributions receivable, net of allowance for doubtful accounts of \$588,246	6,100,973		6,100,973	5,711,588
Other assets	649,014	285,798	934,812	685,047
Total current assets	14,138,010	13,532,722	27,670,732	24,033,170
LONG-TERM INVESTMENTS	166,688,101		166,688,101	147,475,804
CONTRIBUTIONS RECEIVABLE DUE AFTER ONE YEAR, Net of allowance for doubtful accounts of \$1,428,526 and discount to present value of \$1,411,990	12,842,418		12,842,418	11,482,650
FURNITURE AND EQUIPMENT, At cost, less accumulated depreciation of \$7,149,214 for nonappropriated and \$12,386,599 for appropriated funds		504,285	504,285	559,248
MUSEUM FACILITY, At cost, less accumulated depreciation of \$36,485,420 for nonappropriated and \$6,065,049 for appropriated funds	72,411,030	5,103,325	77,514,355	80,373,689
PERMANENT EXHIBITION, OTHER PROGRAM DEVELOPMENT COSTS, AND COLLECTIONS, At cost, less accumulated amortization of \$1,347,162 for nonappropriated and \$1,992,167 for appropriated funds	30,246,257	5,792,545	36,038,802	36,009,217
TOTAL ASSETS	<u>\$296,325,816</u>	<u>\$24,932,877</u>	<u>\$321,258,693</u>	<u>\$299,933,778</u>
LIABILITIES AND NET ASSETS/FEDERAL EQUITY				
CURRENT LIABILITIES—				
Accounts payable and accrued liabilities	\$ 3,911,502	\$ 3,996,552	\$ 7,908,054	\$ 6,938,370
NET ASSETS/FEDERAL EQUITY:				
Unexpended appropriations		10,721,021	10,721,021	9,858,004
Expended Federal equity		10,215,304	10,215,304	10,343,640
Total Federal equity unrestricted	-	20,936,325	20,936,325	20,201,644
UNRESTRICTED NET ASSETS:				
Designated by Council members for:				
Program and supporting activities	2,051,330		2,051,330	2,175,851
Funds functioning as endowment	40,714,142		40,714,142	33,421,543
Total designated by Council members	42,765,472	-	42,765,472	35,597,394
Investment in facility	72,411,030		72,411,030	75,135,086
Investment in exhibitions	30,246,257		30,246,257	30,246,257
Total unrestricted net assets, excluding Federal equity	145,422,759		145,422,759	140,978,737
TOTAL UNRESTRICTED NET ASSETS	<u>145,422,759</u>	<u>20,936,325</u>	<u>166,359,084</u>	<u>161,180,381</u>
TEMPORARILY RESTRICTED				
Total temporarily restricted	18,646,113		18,646,113	15,914,360
PERMANENTLY RESTRICTED	128,345,442		128,345,442	115,900,667
Total net assets/Federal equity	292,414,314	20,936,325	313,350,639	292,995,408
TOTAL LIABILITIES AND NET ASSETS/FEDERAL EQUITY	<u>\$296,325,816</u>	<u>\$24,932,877</u>	<u>\$321,258,693</u>	<u>\$299,933,778</u>

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	2006						2005		
	Non- appropriated Funds	Appropriated Funds	Total Unrestricted	Non-appropriated Funds		Total	Total Non- appropriated Funds	Appropriated Funds	Total
				Temporarily Restricted	Permanently Restricted				
SUPPORT AND REVENUES:									
Federal appropriation revenue	\$ -	\$40,216,409	\$ 40,216,409	\$ -	\$ -	\$ 40,216,409	\$ -	\$40,038,645	\$ 40,038,645
Contributions	12,742,206		12,742,206	6,029,201	8,106,563	26,877,970	21,950,979		21,950,979
Membership revenue	10,293,611		10,293,611			10,293,611	10,262,566		10,262,566
Museum shop	1,892,245		1,892,245			1,892,245	1,827,249		1,827,249
Endowment payout	4,277,829		4,277,829	1,530,705	(4,640,538)	1,167,996	952,431		952,431
Contributed services	25,922		25,922			25,922	140,951		140,951
Imputed financing source		1,232,182	1,232,182			1,232,182		1,193,196	1,193,196
Other	128,328		128,328	412	18,673	147,413	595,629		595,629
Net assets released from restrictions:									
Expiration of time restrictions	1,361,831		1,361,831	(1,361,831)		-			-
Satisfaction of program restrictions	3,515,168		3,515,168	(3,515,168)		-			-
Total support and revenues	<u>34,237,140</u>	<u>41,448,591</u>	<u>75,685,731</u>	<u>2,683,319</u>	<u>3,484,698</u>	<u>81,853,748</u>	<u>35,729,805</u>	<u>41,231,841</u>	<u>76,961,646</u>
Program services:									
Building operations	3,065,288	17,549,261	20,614,549			20,614,549	3,303,378	17,854,844	21,158,222
Center for Advanced Holocaust Studies	4,049,028	2,070,660	6,119,688			6,119,688	3,881,159	2,133,267	6,014,426
Membership	4,548,490		4,548,490			4,548,490	3,508,796		3,508,796
Museum and public programs	6,257,025	10,308,759	16,565,784			16,565,784	5,706,624	10,119,314	15,825,938
Information technology	1,811,049	4,959,198	6,770,247			6,770,247	1,287,698	3,707,392	4,995,090
Museum shop	1,541,334		1,541,334			1,541,334	1,993,361		1,993,361
Total program services	<u>21,272,214</u>	<u>34,887,878</u>	<u>56,160,092</u>	<u>-</u>	<u>-</u>	<u>56,160,092</u>	<u>19,681,016</u>	<u>33,814,817</u>	<u>53,495,833</u>
Supporting services:									
Management and general	5,914,786	6,689,049	12,603,835			12,603,835	4,548,307	6,797,884	11,346,191
Fund-raising	5,314,437		5,314,437			5,314,437	6,339,713		6,339,713
Total supporting services	<u>11,229,223</u>	<u>6,689,049</u>	<u>17,918,272</u>			<u>17,918,272</u>	<u>10,888,020</u>	<u>6,797,884</u>	<u>17,685,904</u>
Total expenses	<u>32,501,437</u>	<u>41,576,927</u>	<u>74,078,364</u>	<u>-</u>	<u>-</u>	<u>74,078,364</u>	<u>30,569,036</u>	<u>40,612,701</u>	<u>71,181,737</u>
SUPPORT AND REVENUES OVER (UNDER) EXPENSES	1,735,703	(128,336)	1,607,367	2,683,319	3,484,698	7,775,384	5,160,769	619,140	5,779,909
INVESTMENT CHANGE, APPRECIATION ADJUSTED FOR ENDOWMENT PAYMENT	2,441,178		2,441,178	864	9,274,788	11,716,830	14,000,714		14,000,714
TRANSFER BETWEEN FUNDS	267,141		267,141	47,570	(314,711)	-			-
CHANGE IN UNEXPENDED FEDERAL APPROPRIATION		863,017	863,017			863,017		691,047	691,047
INCREASE IN NET ASSETS/FEDERAL EQUITY	4,444,022	734,681	5,178,703	2,731,753	12,444,775	20,355,231	19,161,483	1,310,187	20,471,670
NET ASSETS/FEDERAL EQUITY—Beginning of year	<u>140,978,737</u>	<u>20,201,644</u>	<u>161,180,381</u>	<u>15,914,360</u>	<u>115,900,667</u>	<u>292,995,408</u>	<u>253,632,281</u>	<u>18,891,457</u>	<u>272,523,738</u>
NET ASSETS/FEDERAL EQUITY—End of year	<u>\$ 145,422,759</u>	<u>\$20,936,325</u>	<u>\$ 166,359,084</u>	<u>\$ 18,646,113</u>	<u>\$ 128,345,442</u>	<u>\$ 313,350,639</u>	<u>\$ 272,793,764</u>	<u>\$20,201,644</u>	<u>\$ 292,995,408</u>

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	2006			2005		
	Total Non-Appropriated Funds	Appropriated Funds	Total	Total Non-Appropriated Funds	Appropriated Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Federal appropriation	\$ -	\$ 42,780,000	\$ 42,780,000	\$ -	\$ 41,433,000	\$ 41,433,000
Payments for Federal rescissions		(629,397)	(629,397)		(575,607)	(575,607)
Canceled appropriation returned to U.S. Treasury		(1,071,177)	(1,071,177)		(127,701)	(127,701)
Receipts from contributions	23,270,781		23,270,781	17,338,281		17,338,281
Receipts from membership activities	10,293,611		10,293,611	10,262,566		10,262,566
Receipts from investments	4,746,038		4,746,038	4,108,759		4,108,759
Receipts from museum shop, royalties, miscellaneous receipts	2,171,992		2,171,992	2,133,319		2,133,319
Payments for wages and benefits	(14,977,698)	(21,598,546)	(36,576,244)	(13,052,300)	(20,809,401)	(33,861,701)
Payments for consultants, advisors, and other costs	(13,626,208)	(16,703,144)	(30,329,352)	(11,281,180)	(17,044,801)	(28,325,981)
Payments for stipends, honoraria, and grants	(1,091,818)		(1,091,818)	(957,544)		(957,544)
Payments for collections	(13,580)		(13,580)	(94,740)		(94,740)
Net cash provided by operating activities	<u>10,773,118</u>	<u>2,777,736</u>	<u>13,550,854</u>	<u>8,457,161</u>	<u>2,875,490</u>	<u>11,332,651</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Disposals of completed exhibits						
Capital expenditures		(1,410,032)	(1,410,032)		(1,935,001)	(1,935,001)
Purchase of investments	(21,778,191)		(21,778,191)	(22,906,173)		(22,906,173)
Sale of investments	<u>10,291,639</u>		<u>10,291,639</u>	<u>12,642,152</u>		<u>12,642,152</u>
Net cash used in investing activities	<u>(11,486,552)</u>	<u>(1,410,032)</u>	<u>(12,896,584)</u>	<u>(10,264,021)</u>	<u>(1,935,001)</u>	<u>(12,199,022)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
Permanently restricted contributions	<u>1,445,161</u>		<u>1,445,161</u>	<u>742,290</u>		<u>742,290</u>
Net cash provided by financing activities	<u>1,445,161</u>	<u>-</u>	<u>1,445,161</u>	<u>742,290</u>	<u>-</u>	<u>742,290</u>
NET INCREASE (DECREASE) IN CASH	731,727	1,367,704	2,099,431	(1,064,570)	940,489	(124,081)
CASH—Beginning of year	<u>3,436,433</u>	<u>11,879,220</u>	<u>15,315,653</u>	<u>4,501,003</u>	<u>10,938,731</u>	<u>15,439,734</u>
CASH—End of year	<u>\$ 4,168,160</u>	<u>\$ 13,246,924</u>	<u>\$ 17,415,084</u>	<u>\$ 3,436,433</u>	<u>\$ 11,879,220</u>	<u>\$ 15,315,653</u>

(Continued)

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	2006			2005		
	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 in net assets/Federal equity	\$19,620,550	\$ 734,681	\$20,355,231	\$ 19,161,483	\$1,310,187	\$ 20,471,670
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Museum depreciation	2,724,056	1,068,101	3,792,157	2,724,056	1,021,462	3,745,518
Equipment depreciation	5,350	165,052	170,402	14,280	111,863	126,143
Exhibition amortization		332,186	332,186			
Realized/unrealized gain on investments	(8,624,727)		(8,624,727)	(11,221,144)		(11,221,144)
Contributions of permanently restricted net assets	(1,445,161)		(1,445,161)	(742,290)		(742,290)
CHANGE IN ASSETS AND LIABILITIES:						
(Increase) decrease in contributions receivable—net	(1,749,153)		(1,749,153)	(3,018,041)		(3,018,041)
(Increase) decrease in other assets	(209,239)	(40,526)	(249,765)	754,731	45,946	800,677
Increase in accounts payable and accrued liabilities	451,442	518,242	969,684	784,086	386,032	1,170,118
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$10,773,118</u>	<u>\$2,777,736</u>	<u>\$13,550,854</u>	<u>\$ 8,457,161</u>	<u>\$2,875,490</u>	<u>\$ 11,332,651</u>

See notes to financial statements.

(Concluded)

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

FEDERAL STATEMENT OF FINANCING

YEAR ENDED SEPTEMBER 30, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	<u>Appropriated Funds</u>	
	<u>2006</u>	<u>2005</u>
RESOURCES USED TO FINANCE ACTIVITIES:		
Obligations incurred	\$42,732,030	\$38,600,601
Less: Spending authority from offsetting collections and recoveries	(76,405)	(195,399)
Add: Imputed financing from costs absorbed by others	<u>1,232,182</u>	<u>1,193,196</u>
Total resources used to finance activities	<u>43,887,807</u>	<u>39,598,398</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	(2,462,230)	1,631,628
Resources that finance the acquisition of assets	<u>(1,410,032)</u>	<u>(1,935,001)</u>
Total resources used to finance the net cost of operations	<u>40,015,545</u>	<u>39,295,025</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 (decrease) increase	(47,548)	158,466
Other	<u>43,591</u>	<u>25,885</u>
Total	<u>(3,957)</u>	<u>184,351</u>
COMPONENTS NOT REQUIRING OR GENERATING RESOURCES:		
Depreciation and amortization	<u>1,565,339</u>	<u>1,133,325</u>
Total components of the net cost of operations that will not require or generate resources in the current period	<u>1,561,382</u>	<u>1,317,676</u>
NET COST OF OPERATIONS	<u>\$41,576,927</u>	<u>\$40,612,701</u>

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

FEDERAL STATEMENT OF BUDGETARY RESOURCES YEAR ENDED SEPTEMBER 30, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	<u>Appropriated Funds</u>	
	2006	2005
BUDGETARY RESOURCES AVAILABLE TO THE MUSEUM:		
Budgetary authority: appropriations received	\$42,780,000	\$41,433,000
Unobligated balance: beginning of period	5,656,832	3,332,342
Spending authority from offsetting collections	72,148	139,917
Recoveries of prior-year obligations	4,257	55,482
Rescission to Treasury—permanently not available	(629,397)	(575,607)
Return to Treasury—permanently not available	<u>(1,071,177)</u>	<u>(127,701)</u>
 Total budgetary resources	 <u>46,812,663</u>	 <u>44,257,433</u>
STATUS OF BUDGETARY RESOURCES:		
Obligations incurred	42,732,030	38,600,601
Unobligated balance—available	2,207,473	3,160,762
Unobligated balance—not available	<u>1,873,160</u>	<u>2,496,070</u>
 Status of budgetary resources	 46,812,663	 44,257,433
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS:		
Obligations incurred	42,732,030	38,600,601
Less: Spending authority from offsetting collections	(72,148)	(139,917)
Less: Recoveries of prior year obligations	<u>(4,257)</u>	<u>(55,482)</u>
 Subtotal	 42,655,625	 38,405,202
OBLIGATED BALANCES—NET— Beginning of period	6,277,870	7,606,390
LESS: OBLIGATED BALANCES—NET—End of period	<u>(9,166,291)</u>	<u>(6,277,870)</u>
 NET OUTLAYS	 <u>\$ 39,767,204</u>	 <u>\$ 39,733,722</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, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	<u>Appropriated Funds</u>	
	<u>2006</u>	<u>2005</u>
PROGRAM COSTS:		
Building operations	\$ 17,549,261	\$ 17,854,844
Center for Advanced Holocaust Studies	2,070,660	2,133,267
Museum and public programs	10,308,759	10,119,314
Information technology	4,959,198	3,707,392
Management and general	<u>6,689,049</u>	<u>6,797,884</u>
NET COST OF OPERATIONS	<u>\$ 41,576,927</u>	<u>\$ 40,612,701</u>

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

FEDERAL STATEMENT OF CHANGES IN NET POSITION YEAR ENDED SEPTEMBER 30, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

	Appropriated Funds			
	2006		2005	
	Cumulative Results of Operations	Unexpended Appropriations	Cumulative Results of Operations	Unexpended Appropriations
BEGINNING BALANCES	\$ 10,343,640	\$ 9,858,004	\$ 9,724,500	\$ 9,166,957
BUDGETARY FINANCING SOURCES:				
Appropriations received (current period)		42,780,000		41,433,000
Rescissions		(629,397)		(575,607)
Canceled expired appropriations		(1,071,177)		(127,701)
Appropriations used	40,216,409	(40,216,409)	40,038,645	(40,038,645)
OTHER FINANCING SOURCES:				
Imputed financing from costs absorbed by others	<u>1,232,182</u>		<u>1,193,196</u>	
Total financing sources	<u>41,448,591</u>	<u>863,017</u>	<u>41,231,841</u>	<u>691,047</u>
Total	51,792,231	10,721,021	50,956,341	9,858,004
NET COST OF OPERATIONS	<u>41,576,927</u>		<u>40,612,701</u>	
ENDING BALANCES	<u>\$ 10,215,304</u>	<u>\$ 10,721,021</u>	<u>\$ 10,343,640</u>	<u>\$ 9,858,004</u>

See notes to financial statements.

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2006 (WITH COMPARATIVE TOTALS FOR 2005)

1. ORGANIZATION AND PURPOSE

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

The Museum is governed by 65 voting members and 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 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 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 (“SFAS”) No. 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, 2005, 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 board-designated and real endowments, is pooled for investment purposes. The endowment pays out an amount for annual support of operations and an amount allowed to be spent for specific purposes based on the trailing 12-quarter fair market value averages as calculated using data through June 30th of the preceding year. The difference between the total return on the endowment (i.e., dividends, interest, and net gain or loss) and the current payout is reported as non-operating income or loss in the statement of activities as investment change, appreciation (depreciation) adjusted for the endowment payment. Therefore, the endowment payout is a transfer of prior year earnings between net assets.

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

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

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

Split-Interest Agreements—Split-interest agreements with donors consist of charitable gift annuities and an irrevocable remainder trust. For charitable gift annuities, the assets are recognized at fair value at the date of the annuity agreements. An annuity liability is recognized for the present value of future cash flows expected to be paid to the donor or the donor’s designee and contribution revenues are recognized equal to the difference between the assets and the annuity liability. Liabilities are adjusted during the term of the annuities for payments, accretion of discounts and changes in life expectancies. The irrevocable remainder trust is included in contributions receivable at the present value of the estimated future benefits to be received when the trusts’ assets are distributed. Contribution revenue is recognized at the date the Museum first knows of the trusts. The receivable is adjusted during the term of the trust for the accretion of discounts, revaluation of the present value of the estimated future payments to the current beneficiary, and changes in life expectancies, and the change in split interest is recorded as contribution revenue.

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

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

Other 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 \$236,904 and \$142,355 as of September 30, 2006 and 2005, respectively, and is valued at the lower of cost or market using the first-in, first-out inventory valuation method.

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

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

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

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

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

Net Assets—The Museum classifies Non-appropriated net assets into three categories: unrestricted, temporarily restricted, or permanently restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by time. Temporarily restricted net assets are contributions with temporary, donor-imposed time and/or program restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a later period. Temporarily restricted net assets become unrestricted when the time restrictions expire and/or the funds are used for their restricted purposes and are reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets represent donor-restricted endowments to be held in perpetuity. Generally the donors of these assets require the Museum to reinvest all income earned on investments in the permanently restricted endowment fund, with only the payout, based on the Museum's payout policy, available for expenditure. The Museum transfers the payout amount from permanently restricted net assets to unrestricted or temporarily restricted net assets when the payout becomes available.

Transfer of Net Assets—In fiscal year 2006, 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 at September 30, 2006 and 2005, consist of the following:

	2006	2005
Portfolio cash	\$ 7,655,077	\$ 1,801,278
Mutual funds	63,834,034	57,826,200
Equity securities	69,953,509	63,673,822
Alternative investments	21,750,238	19,890,554
State of Israel bonds	<u>3,495,243</u>	<u>4,283,950</u>
	<u>\$ 166,688,101</u>	<u>\$ 147,475,804</u>

Investments in mutual funds and equity securities consist of the Museum's ownership interest in externally managed investment funds, which invest in market-traded equity and fixed income securities. Alternative investments represent the Museum's ownership interest in externally managed funds organized as limited whose values have been provided by the General Partners and determined by the Museum partnership and are generally subject to certain withdrawal restrictions. State of Israel bonds represent the Museum's ownership in interest-bearing securities issued by the State of Israel.

Short-term investments, at fair value at September 30, 2006 and 2005, consist of the following:

	2006	2005
Money market funds	\$ 3,213,700	\$ 2,307,152
Donated stock	<u>6,163</u>	<u>13,730</u>
	<u>\$ 3,219,863</u>	<u>\$ 2,320,882</u>

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

Total operating and nonoperating investment activity for fiscal years 2006 and 2005 is summarized below:

Interest and dividends	\$ 4,848,085
Net realized gain	5,710,857
Net unrealized gain	<u>2,787,263</u>
Net investment appreciation for fiscal year 2006	<u>\$ 13,346,205</u>
Interest and dividends	\$ 4,187,418
Net realized gain	6,627,910
Net unrealized gain	<u>4,593,234</u>
Net investment appreciation for fiscal year 2005	<u>\$ 15,408,562</u>

4. SPLIT-INTEREST AGREEMENTS

Included in the mutual funds amount is approximately \$3.0 million and \$2.4 million for charitable gift annuities in 2006 and 2005, respectively. These investments are recognized at fair value. An annuity liability for approximately \$1,370,000 in 2006 and \$1,074,000 in 2005 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 \$276,080 and \$(126,600) in 2006 and \$350,930 and \$(78,660) in 2005, respectively.

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable in the accompanying statement of financial position as of September 30, 2006 and 2005, includes the following unconditional promises to give:

	2006	2005
Amounts due in:		
Less than one year	\$ 6,689,219	\$ 6,314,268
One to five years	14,326,656	12,139,988
More than five years	<u>1,356,278</u>	<u>2,052,969</u>
Subtotal	22,372,153	20,507,225
Less:		
Allowance for doubtful accounts	(2,016,772)	(2,061,557)
Discount to present value (1.0%–6.0%)	<u>(1,411,990)</u>	<u>(1,251,430)</u>
	<u>\$ 18,943,391</u>	<u>\$ 17,194,238</u>

6. FURNITURE AND EQUIPMENT

At September 30, 2006 and 2005, furniture and equipment consist of the following:

	2006			2005		
	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>4,441,538</u>	<u>5,608,368</u>	<u>1,166,830</u>	<u>4,326,100</u>	<u>5,492,930</u>
Total furniture and equipment	7,149,214	12,890,884	20,040,098	7,149,214	12,775,446	19,924,660
Less: Accumulated depreciation	<u>(7,149,214)</u>	<u>(12,386,599)</u>	<u>(19,535,813)</u>	<u>(7,143,864)</u>	<u>(12,221,548)</u>	<u>(19,365,412)</u>
Furniture and equipment—net	<u>\$ -</u>	<u>\$ 504,285</u>	<u>\$ 504,285</u>	<u>\$ 5,350</u>	<u>\$ 553,898</u>	<u>\$ 559,248</u>

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

At September 30, 2006 and 2005, Permanent Exhibition, other program development costs, and collections consist of the following:

	2006			2005		
	Non-Appropriated Funds	Appropriated Funds	Total	Non-Appropriated Funds	Appropriated Funds	Total
Exhaustible	\$ 1,347,162	\$ 2,485,146	\$ 3,832,308	\$ 1,347,162	\$ 4,414,931	\$ 5,762,093
Accumulated amortization	<u>(1,347,162)</u>	<u>(1,992,167)</u>	<u>(3,339,329)</u>	<u>(1,347,162)</u>	<u>(3,951,536)</u>	<u>(5,298,698)</u>
Exhaustible—net	-	492,979	492,979	-	463,395	463,395
Inexhaustible	<u>30,246,257</u>	<u>5,299,566</u>	<u>35,545,823</u>	<u>30,246,257</u>	<u>5,299,565</u>	<u>35,545,822</u>
Total permanent exhibition	<u>\$ 30,246,257</u>	<u>\$ 5,792,545</u>	<u>\$ 36,038,802</u>	<u>\$ 30,246,257</u>	<u>\$ 5,762,960</u>	<u>\$ 36,009,217</u>

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

8. APPROPRIATED FUNDS

The 2006 and 2005 Federal appropriations of \$42,150,603 and \$40,857,393, respectively, include appropriations of \$1,240,069 and \$1,246,440 for 2006 and 2005, respectively, for exhibition development and production and \$1,865,080 and \$1,873,604 for 2006 and 2005, respectively, for building repair and rehabilitation, to be used by the Museum over an unlimited period of time.

Below is a reconciliation of the 2006 and 2005 Federal appropriations to Federal appropriations expended:

	2006	2005
Federal appropriation	\$42,150,603	\$40,857,393
Unexpended appropriation—current year	(6,091,906)	(5,786,301)
Amounts obligated in previous years, expended in current year	<u>4,157,712</u>	<u>4,967,553</u>
Federal appropriation revenue	<u>\$40,216,409</u>	<u>\$40,038,645</u>

Below is a reconciliation of the spending of the 2006 and 2005 appropriations:

	2006	2005
Total expenses	\$41,576,927	\$40,612,701
Depreciation and amortization	(1,565,339)	(1,133,325)
Unpaid vacation and other unfunded expenses	(1,205,211)	(1,375,732)
Unexpended appropriation—current year	6,091,906	5,786,301
Amounts obligated in previous years, expended in current year	(4,157,712)	(4,967,553)
Capital expenditures	<u>1,410,032</u>	<u>1,935,001</u>
Federal appropriation	<u>\$42,150,603</u>	<u>\$40,857,393</u>

Unexpended appropriations represent unpaid undelivered orders which are goods and services that have been ordered but not yet received by the Museum (\$6,354,589 and \$3,955,900 at September 30, 2006 and 2005, respectively) and unobligated balances including receivables which are appropriated funds that have not been obligated (\$4,366,432 and \$5,902,104 at September 30, 2006 and 2005, 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 \$10,721,021 and \$9,858,004 as of September 30, 2006 and 2005, respectively, from the following fiscal years' appropriations:

	2006	2005
2006	\$ 6,091,906	\$ -
2005	999,541	5,786,301
2004	436,048	593,345
2003	548,862	590,098
2002 and previous years	<u>2,644,664</u>	<u>2,888,260</u>
Unexpended appropriation	<u>\$10,721,021</u>	<u>\$9,858,004</u>

The change in unexpended appropriations, \$863,017 and \$691,047 in 2006 and 2005, 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, 2006 and 2005, is as follows:

	2006	2005
Furniture, equipment, and museum facility—net	\$ 5,607,610	\$ 5,792,501
Permanent exhibition—net	5,792,545	5,762,960
Unfunded payables	(1,184,849)	(1,211,821)
Unexpended appropriations	<u>10,721,021</u>	<u>9,858,004</u>
Total Federal equity	<u>\$20,936,327</u>	<u>\$20,201,644</u>

Intragovernmental Costs—The Museum, as an independent Federal establishment, is required to disclose and reconcile transactions occurring with other Federal entities. Intragovernmental transactions include only those transactions with Federal entities that are funded with the Museum’s Appropriated funds. Federal exchange transactions which were conducted with Federal agencies during FY2006 are as follows:

Fiscal Year 2006

	FY2006			FY2005
	Intergovernmental	Public	Total	Total
Program Costs:				
Building operations	\$ 3,095,434	\$ 14,453,826	\$ 17,549,260	\$ 17,854,844
Center for Advanced Holocaust Studies	386,798	1,683,862	2,070,660	2,133,267
Museum and public programs	2,067,382	8,241,377	10,308,759	10,119,314
Information technology	721,221	4,237,977	4,959,198	3,707,392
Management and general	<u>1,342,526</u>	<u>5,346,523</u>	<u>6,689,049</u>	<u>6,797,884</u>
Total Program Costs	<u>\$ 7,613,361</u>	<u>\$ 33,963,565</u>	<u>\$ 41,576,926</u>	<u>\$ 40,612,701</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 2006 and 2005 was \$1,505,245 and \$1,782,330, respectively. This amount is composed of \$1,369,600 and \$1,642,480, respectively, paid out of Appropriated Funds and \$135,645 and \$139,850, 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 the pension benefits for its Appropriated Fund employees under the Civil Service Retirement System and the Federal Employees Retirement System and makes the necessary payroll withholdings from them, the Museum is not required to disclose the systems’ assets or the actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of the United States Office of Personnel Management (“OPM”). The Museum’s expense for these Appropriated plans in 2006 and 2005 was \$2,541,214 and \$2,470,288, respectively.

Federal accounting standards require the Museum to recognize the cost of pensions and other retirement benefits during their employees’ active years of service. OPM determines pension cost factors by calculating the value of pension benefits expected to be paid in the future, and communicates these factors to the Museum for current period expense reporting. OPM also provides cost factors regarding the full cost of health and life insurance benefits. In FY 2006, the Museum, utilizing OPM’s cost factors, recognized \$186,208 of pension expenses, \$1,043,186 of post-retirement health benefits expenses, and \$2,788 of post-retirement life insurance expenses, beyond amounts actually paid. The Museum recognized offsetting revenue of \$1,232,182 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 2006 and 2005 was \$441,260 and \$392,330, 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 \$8,949 and \$10,077 respectively, of future payments for workers' compensation.

11. FEDERAL EMPLOYEES' COMPENSATION ACT ACTUARIAL LIABILITY

The Federal Accounting Standards Advisory Board ("FASAB's") Statements of Federal Financial Accounting Standard ("SFFAS") No. 5, *Accounting for Liabilities of the Federal Government*, requires that agencies recognize the actuarial cost of future FECA benefits. The estimated FECA actuarial liability represents the expected liability of benefits to be paid for death, disability, medical, and miscellaneous costs for approved compensation cases beyond the current fiscal year. The DOL provides the Museum with the calculation model and ratios to determine this liability, as of September 30, 2006. 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 2006. The fiscal year 2006 Appropriated actuarial liability is \$39,217, and the fiscal year 2006 Non-appropriated actuarial liability is \$316,861.

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.

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2006 and 2005, are available for the following programs or periods:

	2006	2005
Contributions to be received in future periods—for general use	\$ 5,218,187	\$ 5,733,815
Secure the future	2,020,945	2,405,541
National Institute for Holocaust Education	4,275,073	2,190,117
Rescue the evidence	2,944,923	3,405,027
Center for Advanced Holocaust Studies	3,958,422	2,143,902
Committee on Conscience	<u>228,563</u>	<u>35,958</u>
 Total temporarily restricted net assets	 <u>\$ 18,646,113</u>	 <u>\$ 15,914,360</u>

13. PERMANENTLY RESTRICTED NET ASSETS

At September 30, 2006 and 2005, permanently restricted net assets are restricted in perpetuity, the income from which is expendable to support the following purposes:

	2006	2005
Secure the future	\$ 89,778,584	\$ 79,997,573
National Institute for Holocaust Education	12,252,394	9,827,394
Rescue the evidence	854,240	854,296
Center for Advanced Holocaust Studies	24,372,425	24,508,605
Committee on Conscience	<u>1,087,799</u>	<u>712,799</u>
	 <u>\$ 128,345,442</u>	 <u>\$ 115,900,667</u>

14. CONTRIBUTED SERVICES

In-kind contributions of goods and services totaling \$25,922 and \$140,951 were received by the Museum during fiscal years 2006 and 2005, respectively. This amount has been recognized as revenue and expense in 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 86 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, 2006 and 2005, 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, 2006 and 2005.

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UNITED STATES HOLOCAUST MEMORIAL MUSEUM

SCHEDULE OF CLAIMS CONFERENCE PAYMENTS YEAR ENDED SEPTEMBER 30, 2006

Grant Award	Payments
112-30448-7	\$ 26,452
132-30448-8	22,402
162-30448-9	92,290
192-30448-11	831,327
SWVLP-30448-15	29,474
222-30448-16	68,108
172-30448-10 & SWVLP 30448-13	<u>360,528</u>
 Fiscal Year 2006 Payments to USHMM	 <u>\$ 1,430,581</u>

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

INDEPENDENT AUDITORS' REPORT ON 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, 2006, and have issued our report thereon dated November 14, 2006. 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 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 14, 2006