

# PERFORMANCE AND ACCOUNTABILITY REPORT

FISCAL YEAR **2011**

October 1, 2010 – September 30, 2011

Submitted November 15, 2011

UNITED STATES  
**HOLOCAUST**  
MEMORIAL  
**MUSEUM**

# PERFORMANCE AND ACCOUNTABILITY REPORT

Fiscal Year 2011

## Table of Contents

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<u>Tab</u>		<u>Page</u>
<b>1</b>	Message from the Director.....	1
	Statement of Assurance .....	2
	Management’s Discussion and Analysis .....	3
	Program Performance Report (GPRA).....	8
	Museum Organization Chart .....	33
<b>2</b>	Message from the Chief Financial Officer.....	34
	Independent Auditors’ Report.....	35
	Financial Statements.....	37
	Supplementary Information.....	60
	Independent Auditors’ Reports on Control and Compliance .....	65

## Message from the Director

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When the Museum opened in 1993, its founders knew that its message was timeless, but they could not have imagined that in the 21<sup>st</sup> century it would become even more timely. As a *living* memorial to the victims of the Holocaust, the Museum teaches the history and lessons of the Holocaust and encourages leaders and citizens to confront hatred, prevent genocide, promote human dignity and strengthen democratic values.

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

Through its onsite programs, outreach activities, and Web site, the Museum is reaching millions of Americans as well as a growing international audience each year with these stark lessons: evil is not eradicable; indifference has consequences; freedom requires responsibility. Inspired by the survivors, challenged by our times, and gratified by the continued high demand for our programs, the Museum will continue in Fiscal Year 2012 to bring these lessons to millions more.



Sara J. Bloomfield  
Director

## Statement of Assurance

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

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



Sara J. Bloomfield  
Director

# UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## Management's Discussion and Analysis

September 30, 2011

(Unaudited)

### Introduction

This report, *Management's Discussion and Analysis*, provides an overview of the financial position and results of activities of the United States Holocaust Memorial Museum (the Museum) for the fiscal years ended September 30, 2011 and 2010 (FY 2011 and 2010). This information should assist readers of these statements in better understanding the Museum's financial position and operating activities.

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

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

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

### Performance Goals and Results

Having achieved extraordinary success in its first ten years, the Museum established a strategic plan that provides a vision and framework for its activities through its second decade. The Museum had 73 established objectives for FY 2011 related to education, remembrance, research, and infrastructure support. The Museum met or exceeded 51 objectives, partially met nine objectives, and deferred the targeted completion dates on ten objectives. Three of the performance report items are statistical measures of activity for which the Museum did not set targets.

### Financial Statements Summary

The Museum's financial position remained strong at September 30, 2011, with total assets of approximately \$326.0 million and total liabilities of approximately \$25.2 million. Net assets, which represent the residual interest in the Museum's assets after liabilities are deducted, are \$300.8 million, a 2% increase from the prior fiscal year. The increase in net assets is primarily attributable to the receipt of one individually significant contribution.

# UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## Management's Discussion and Analysis

September 30, 2011

(Unaudited)

### Statement of Financial Position

#### *Contributions Receivable*

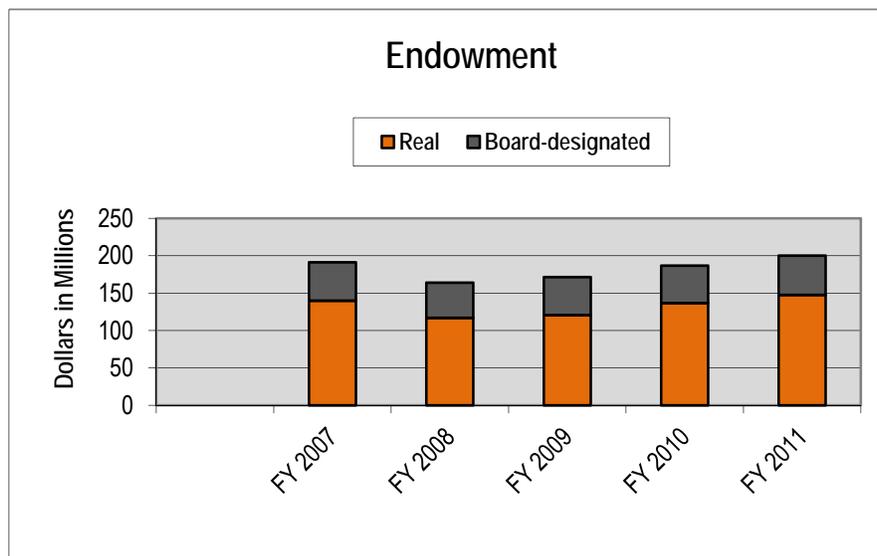
The Museum has gross contributions receivable of \$21.2 million. Of these receivables, \$3.5 million are current and \$17.7 million are due after one year. The receivable amount, net of allowance for doubtful accounts when discounted to present value, is \$18.9 million.

#### *Long-Term Investments*

Long-term investments are the largest of the noncurrent assets and consist mainly of donated securities and the investment of endowment funds. The current Museum investment policies call for an asset allocation of 60 (-20 / +10) percent in equities, 30 (-15 / +15) percent in fixed income, and ten (0 / +10) percent in alternatives for endowment investments. Included in the Museum's interpretation of equity and fixed income strategies are investments in limited partnerships, limited liability companies, and trusts that seek a diverse range of equity and fixed income positions.

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

The endowment market value, \$197.2 million, has increased by 6% from last fiscal year. 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, 2011 and 2010 the board-designated endowment balance was approximately \$51.9 million and \$50.0 million, and the real endowment balances totaled approximately \$145.3 million and \$136.8 million, respectively.



# UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## Management's Discussion and Analysis

September 30, 2011

(Unaudited)

### *Performance*

The annual return for the pooled endowment fund this year was (.01%). Included in the calculation of this performance figure are realized and unrealized gains/losses along with investment income.

### *Property and Equipment*

Property and equipment is \$84.7 million and consists of buildings and improvement (\$128.3 million), the permanent exhibition and other exhibitions (\$40.3 million), furniture and equipment (\$17.5 million), leasehold improvements (\$1.6 million), less accumulated depreciation of \$103 million.

### *Liabilities*

Liabilities consist primarily of accounts payable, accrued expenses and unexpended appropriations. Total liabilities are \$25.2 million.

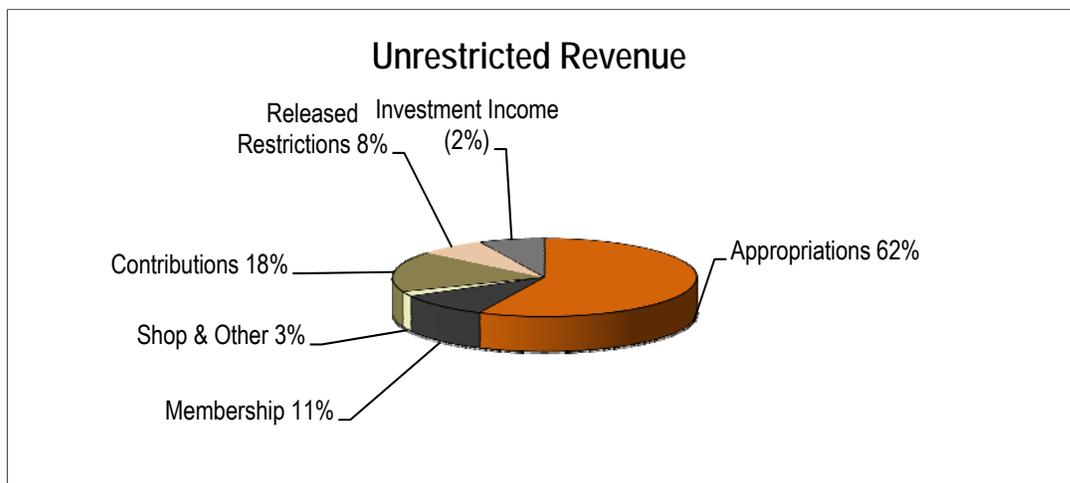
### *Net Assets/Federal Equity*

The Museum has total equity of \$300.8 million of which approximately \$137.4 million is permanently restricted, and approximately \$36.7 million is temporarily restricted by donors. The Museum's equity includes investments in the Museum buildings 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.

Nonappropriated sources in FY 2011 and FY 2010 provided 38% and 54% of unrestricted revenues. Museum expenditures increased \$3.5 million (4%) from FY 2010. Program services comprise 68% of these expenditures. The charts that follow provide details.

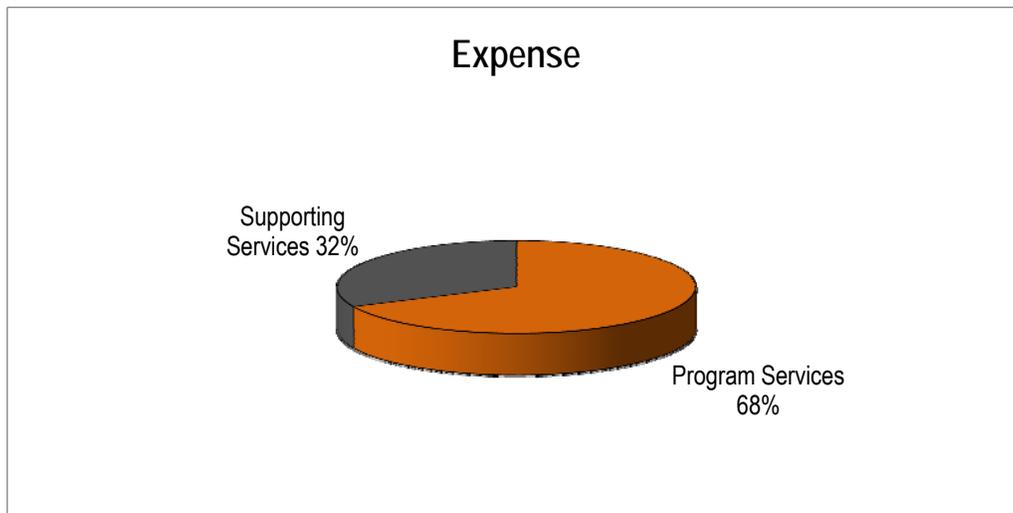


# UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## Management's Discussion and Analysis

September 30, 2011

(Unaudited)



### **Management Integrity: Controls and Compliance**

The Museum maintains a comprehensive management control program through the activities of its internal auditor and the Council's Audit Committee, the review and monitoring efforts of its legal staff, and ongoing proactive improvement efforts made by its 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.

# UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## Management's Discussion and Analysis

September 30, 2011

(Unaudited)

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

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

### **Investment in Fundraising**

The Museum continues to make significant investments in fundraising operations in support of the Museum's programs and endowment. These activities include membership, planned giving, and major gift officer operations. Annually, Museum management reviews and evaluates each specific fundraising activity to ensure that the levels of expenditures are fully justified and are resulting in the desired return on investment. Museum officials are available to discuss this work upon request.

### **Limitations of the Federal Financial Statements**

The 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). The statements have been prepared from the books and records of the Museum in accordance with U.S. generally accepted accounting principles. The Federal schedules included in the supplementary information are in addition to the financial reports used to monitor and control budgetary resources and were prepared from the same books and records. The statements should be read with the realization that they are for a component of the United States Government, a sovereign entity.

### **Future Concerns and Issues**

As the lessons of the Holocaust become increasingly relevant to our own times, the demand for the Museum's programs has been growing nationally and internationally. While the current level of funding covers the basic operating costs of the Museum facility, the Museum depends on private support for educational programming and outreach. As demand for these programs increases and the Holocaust recedes in time, it is increasingly critical to secure the financial future of the institution hence the Museum continues to make a significant commitment to building the institution's endowment.

# UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## GOVERNMENT PERFORMANCE AND RESULTS ACT ANNUAL PERFORMANCE PLAN - FY 2011

### Mission Statement

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

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

### Mission Goals from the Strategic Plan

- Protect and Strengthen the Core and Impact of the Living Memorial
  - Rescue the Evidence
  - Expand, diversify, and more effectively engage audiences
- Secure the future of the Memorial Museum

### Relationship of Performance Plan to Mission Goals

The Annual performance plan identifies the strategies that will be employed toward each mission goal and outlines key representative activities that are planned for the coming year. Performance goals are set annually through an iterative process involving evaluation of past-year results and incorporates feedback, where received, from Museum staff, Council members, the general public, OMB and the Congress. The Museum's GPRA documents are organized by major goal and are linked to the budget by grouping budget activities in the annual budget justification according to the major goals.

### Relationship of plan to FY 2011 Budget Request

Budget data is not integrated into the performance plan, but the financial and human resources available for each mission goal can be read directly from the budget tables in the Museum's budget justification document, which also provides details of the means available to carry out the FY 2011 performance plan through narrative descriptions of each budget activity. The public-private partnership adds non-appropriated sources of funding that are applied to the goals in addition to federal funds. The non-appropriated budget, however, is not determined until the year immediately preceding the budget year so it is not included in the presentation.

## SUMMARY ANNUAL PERFORMANCE REPORT

### Consolidated status of all objectives

#### Budget authority applied:

	FY 2011	FY 2010
Federal	\$48,400,000	\$48,000,000
Non-appropriated**	\$36,500,000	\$33,600,000
<b>Total</b>	<b>\$84,900,000</b>	<b>\$81,600,000</b>

\*\* Non-appropriated amounts exclude unpaid orders.

#### Status of objectives:

	FY 2011 Results		FY 2010
No specific targets	3	4%	7%
Met or exceeded targets	51	68%	52%
Partially met targets	10	14%	26%
Deferred	10	14%	14%
Not met	0	0%	2%

#### Major Accomplishment Highlights:

- Continued to extend the victims' names list project by capturing name data from lists and sharing the information with Yad Vashem. The International Tracing Service archive is accessible to researchers using specialized software and within the Museum through a Web browser.
- Distributed 6500 *Days of Remembrance* DVD Planning Guides, an increase of 1500 and 30 percent than in FY 2010, created to provide easy-to-use, historically accurate, engaging resources to support observances throughout the nation. The Guide was sent to 67 U.S. military installations abroad, including several in Iraq, Afghanistan, Germany, and South Korea, and provided information and materials on how to plan an observance, historical background material, poster sets, "how-to" videos, selected readings, personal histories, and Holocaust victim name list.
- Served more than 3,000 members of the judiciary in nine states. Members of the court received Continuing Legal Education credits in Ethics for completing the Museum's course, and interest in the program continues to grow. In addition, 2,000 law enforcement officials from local, state, and federal agencies completed trainings. This included 150 Chiefs and top leaders from around the country.
- Implemented Propaganda initiative targeted to journalists and public diplomacy officials via special programs such as:
  - *State of Deception: the Power of Nazi Propaganda*, a special exhibition visited by 440,902 visitors and its companion Web site had more than 1,187,000 visitors in FY 2011.
  - A self-directed online course for journalists on propaganda in developed in partnership with The Poynter Institute's News University
  - DVD for educators incorporating content on propaganda distributed nationally to educators
  - *Words and Actions: The Context and Consequences of Propaganda*, a Fred Friendly program distributed by Films in the Humanities and Sciences, the leading distributor of college, university, and secondary school resources in the U.S.

**GOAL: Protect and strengthen the core and impact of the living memorial**

Budget authority applied to this goal:

	FY 2011	FY2010
Federal	\$40,300,000	\$40,300,000
Non-appropriated**	\$16,200,000	\$15,000,000
Total	\$56,500,000	\$55,300,000

\*\* Non-appropriated amounts exclude unpaid orders.

Status of objectives:

	FY 2011 Results		FY 2010
No specific targets	3	7%	11%
Met or exceeded targets	32	72%	64%
Partially met targets	3	7%	19%
Deferred	6	14%	6%
Not met	0	0%	0%

Major objectives:

- Lead the nation in annual Days of Remembrance (DOR) commemoration
- Extend the impact of the Permanent Exhibition through special exhibitions, the Web, traveling exhibitions, and other educational outreach programs for a variety of audiences
- Establish a comprehensive collection of Holocaust evidence that is preserved and accessible
- Increase global accessibility to information on the Holocaust and genocide and awareness of the dangers of unchecked hate
- Foster increased excellence and vitality in the field of Holocaust studies
- Expand and diversify audiences for Museum programs and outreach

Highlights:

- Added more than 250 events to the Museum’s Web-based map of *Days of Remembrance* observances in communities across the country and around the world—246 events in 49 of 50 states as well as South Korea and Argentina that took place in state capitols, on college campuses and even a movie theater in North Carolina.
- Traveled four exhibitions to 18 cities in 15 states during FY 2011 viewed by more than 150,000 people during the course of the year.
- Added more than 500 collections to the Museum’s holdings, including 206 new archival collections in multiple formats totaling almost 6,000,000 pages, and implemented a Collections digital assets tracking system. 16 million scanned images are now linked with collections management system records through the “Blacklight” research interface for access.
- Convened in Paris, with the French Shoah Memorial and the American Bar Association Center for Human Rights, a symposium and smaller working group meeting of experts and government officials to identify steps to enhance international cooperation around genocide prevention which was attended by 120 guests including senior officials from more than 20 governments.
- Developed an elective pilot course for the U.S. Army Command and General Staff College at Fort Belvoir working with its staff. The course is designed to prepare participating officers for counter-genocide staff planning and command responsibilities by examining warning signs of genocide and mass atrocities, methods used by perpetrators, and case studies and emerging practice illuminating countermeasures. It introduces students to the “means and methods” of genocide and mass atrocities in order to help deter and stop these crimes.

## **GOAL: Secure the future of the Memorial Museum**

### Budget authority applied to this goal:

	FY 2011	FY 2010
Federal	\$8,100,000	\$7,700,000
Non-appropriated**	\$20,300,000	\$18,600,000
Total	\$28,400,000	\$26,300,000

\*\* Non-appropriated amounts exclude unpaid orders.

### Status of objectives:

	FY 2011 Results		FY 2010
No specific targets	0	0%	0%
Met or exceeded targets	19	64%	32%
Partially met targets	7	23%	36%
Deferred	4	13%	27%
Not met	0	0%	5%

### Major objectives:

- Undertake fundraising efforts to fulfill the strategic plan and integrate fundraising plans with programmatic priorities
- Enhance perception of the Museum as an institution that teaches the lessons of the Holocaust and encourages leaders and citizens to confront hate, prevent genocide, promote human dignity and strengthen democracy
- Position the Museum to anticipate and benefit from opportunities that support the mission
- Pursue continuous improvement and excellence in financial and human capital management, information technology support, and Museum management and governance

### Highlights:

- Raised \$30.7 million for annual fund and \$20.6 million for the endowment. (Restricted gifts may be spent only as the donors stipulate. Only endowment income may be spent, not its principal.)
- Continued a major effort to update the Museum's strategic plan and develop an implementation plan for the Museum's 20<sup>th</sup> anniversary.
- Completed executive coaching for members of the senior leadership team, and conducted a year-long management / leadership training program facilitated by the Partnership for Public Service and quarterly supplemental workshops tailored to each supervisory level
- Completed upgrades to network connectivity to all of USHMM's regional offices to provide enhanced bandwidth; internal network hardware to meet the demands of increasing network traffic; and wireless network to handle additional bandwidth; and built a new mobile phone infrastructure to boost cell signals in the Museum and Ross Administrative Center to support the Museum's mobile Web content delivery operations

**GOAL: PROTECT AND STRENGTHEN THE CORE AND IMPACT OF THE LIVING MEMORIAL**

Strategy to achieve objective	FY 2011 activity planned, target or comparison baseline	Results / Status
General Museum operating statistics & objectives		
General museum statistics (for general information; no specific targets are set)	FY 2010: <ul style="list-style-type: none"> <li>• 1,649,396 visitors               <ul style="list-style-type: none"> <li>• 237,732 in groups (14%)</li> <li>• 434,082 <i>Remember the Children</i> (26%)</li> <li>• 395,105 in Kimmel-Rowan gallery (24%)</li> <li>• 582,477 in Wexner Learning Center (36%)</li> </ul> </li> <li>• 33,360 volunteer hours worked</li> </ul> 39,831,969 Web site visits	FY 2011: <ul style="list-style-type: none"> <li>• 1,731,888 visitors               <ul style="list-style-type: none"> <li>• 198,393 in groups (11%)</li> <li>• 570,984 to <i>Remember the Children</i> (34%)</li> <li>• 440,470 to Kimmel-Rowan gallery (25%)</li> <li>• 522,041 to Wexner Learning Center (30%)</li> </ul> </li> <li>• 29,981 volunteer hours worked</li> <li>• Web site visits: 10.2 million as of September 8, 2011 <i>Note: The Museum now uses Google Analytics, which provides a lower but more accurate count.</i> Web site visit statistics for the period of Oct. 1, 2010 - Sept. 30 2011 were not available due to transitioning to a Web analytics system not yet fully operational at report submission date.</li> </ul>
Provide placement and enrichment opportunities for volunteers and interns (to be compared to previous years; no specific targets are set)	FY 2010 <ul style="list-style-type: none"> <li>• 215 newly placed volunteers</li> <li>• 133 newly placed interns</li> <li>• 25 enrichment programs offered</li> <li>• 12 newsletter editions produced</li> </ul>	FY 2011: <ul style="list-style-type: none"> <li>• 96 newly placed volunteers</li> <li>• 107 newly placed interns</li> <li>• 17 enrichment programs offered</li> <li>• Newsletter editions produced:               <ul style="list-style-type: none"> <li>▪ 12 Volunteer</li> <li>▪ 7 Intern</li> </ul> </li> </ul>
Diversify and improve group visitation (for general comparison to previous years; no specific targets are set)	Group visits to special exhibitions: FY 2010: 147 groups FY 2009: 123 groups (Kimmel Rowan Gallery [KRG] was closed 10/1/08 – 1/29/09) FY 2008: 64 (KRG was closed 10/8/07 – 4/24/08 and 8/5/08 – 9/30/08) [Note: revised figures and changed baseline to 2008 due to more accurate counting method as of 2008]	Group visits to special exhibitions: FY 2011: 16 groups (984 visitors – <i>Note, As of January 2011, KRG was dropped from the reservation system. Groups no longer need timed entry to visit this gallery.</i> ) FY 2010: 147 groups (7,567 visitors) FY 2009: 123 groups (243,800 visitors) FY 2008: 64 groups (247,749 visitors) FY 2007: 591 groups (baseline) (127,197 visitors)

Extend the impact of the permanent exhibition and provide core programming in the Museum	Continue replacement of technology components (monitors, digital players, projectors, other peripheral items) for the permanent exhibition.	<b>Partially met:</b> <ul style="list-style-type: none"> <li>• Replaced permanent exhibition equipment as failures occurred. General upgrade of much of the technology, (e.g., video equipment) deferred for other funding priorities.</li> <li>• Began redesign for “American Responses” (2<sup>nd</sup> floor)</li> </ul>
	Consult with experts in technology, design, and museology to advance the permanent exhibition refresh	Deferred.

**GOAL: PROTECT AND STRENGTHEN THE CORE AND IMPACT OF THE LIVING MEMORIAL**

Strategy to achieve objective	FY 2011 activity planned, target or comparison baseline	Results / Status
<p>Rescue the Evidence:</p> <p>Develop a more comprehensive collection that is better able to serve exhibition and research needs and fill identified gaps (this objective encompasses all areas and types of collections as well as collections management and access)</p>	<p>Develop and implement collecting projects in several US cities, Eastern Europe, and North Africa.</p>	<p>Met and ongoing:</p> <ul style="list-style-type: none"> <li>Completed a Collections Gap study that provides acquisition guidance for gaps in evidence on victims, witnesses, collaborators, and perpetrators.</li> <li>Added more than 500 collections to the Museum’s holdings, including 206 new archival collections in multiple formats totaling almost 6,000,000 pages.</li> </ul>
	<p>Expand and diversify survivor and eyewitness interviews</p>	<p>Met and ongoing:</p> <p>Added more than 96 unique testimonies from eyewitnesses in Hungary, Italy, and Germany</p>
	<p>Complete transfer of post-war/displaced person and remaining sections of the International Tracing Service (ITS) archive</p>	<p>Met:</p> <p>Received approximately 5 million scanned images from ITS and integrated them into the OuSArchiv system for use by researchers.</p>
	<p>Pursue, in collaboration with both Yad Vashem and the ITS, the development of name resources of Jewish and non-Jewish victims of the Holocaust. This includes the many existing archival and testimonial collections at USHMM and Yad Vashem as well as the huge collections being shared by the ITS. The goal is to disseminate this name-based information to interested parties.</p>	<p>Met and ongoing:</p> <ul style="list-style-type: none"> <li>Continued to extend the names list project by capturing name data from lists and sharing the information with Yad Vashem. The ITS archive is accessible to researchers using specialized software and within the Museum through a Web browser.</li> <li>Responded to 2,154 requests for information.</li> </ul>
	<p>Catalog and provide access to the Museum’s music collections.</p>	<p>Met and ongoing:</p> <ul style="list-style-type: none"> <li>Continued to acquire and catalog special materials to build the Library’s Music collection (e.g., FY 2011 purchase of a microfilm collection of 20<sup>th</sup> century Jewish sheet music, originating from the National Library of Russia, St. Petersburg)</li> </ul>
	<p>Transfer and integrate published materials held by Curatorial Affairs to the Library according to the schedule prepared in 2009.</p>	<p>Met and ongoing:</p> <ul style="list-style-type: none"> <li>Continued to transfer additional published items to the Library and catalog them, as they are newly identified in Curatorial Affairs.</li> <li>Began effort to modify the guidelines to further streamline the transfer process.</li> </ul>
	<p>Continue to implement the digital asset management system, collections management system and enterprise digital storage system.</p>	<p>Partially met:</p> <ul style="list-style-type: none"> <li>Developed a long-term digital storage architecture</li> <li>Seeking grant funding to support equipment acquisition which would also support collections</li> </ul>

		management
	Improve accessibility of collections (increased functionality of collections mgt. system, creation of trusted digital repository, cataloging/creating metadata, IDAM, digitization)	<b>Met and ongoing:</b> <ul style="list-style-type: none"> <li>Continued research and planning to implement a trustworthy digital repository and finding aids metadata</li> <li>Initiated a cataloging project that has cataloged and made accessible more than 1,000 objects from the Museum's artifact collection</li> <li>Implemented a Collections digital assets tracking system. 16 million scanned images are now linked with collections management system records through the "Blacklight" research interface for access</li> </ul>
	Develop easier access to information about survivors and victims of the Holocaust	<b>Met:</b> <ul style="list-style-type: none"> <li>Implemented new Holocaust Survivors and Victims database which is now in use</li> <li>Initiated an innovative crowd-sourcing project that has resulted in the indexing of more than 200,000 victim names</li> </ul>
	Evaluate collections digitization goals and strategies by IT and Collections staff to develop specific plans/targets.	<b>Met and exceeded:</b> In consultation with IT, developed a working document of Collection digitization goals, a number of which were accomplished in 2011 and have planned strategies for 2012
	Begin accreditation review process for American Association of Museums 10-year reaccreditation requirement.	<b>Deferred:</b> Postponed reaccreditation to FY 2016 due to AAM changes to the process and schedule.
	Complete feasibility studies for new offsite collections storage facility.	<b>Met:</b> <ul style="list-style-type: none"> <li>Completed studies reviewed by Council</li> <li>Responding to requests for additional information</li> </ul>

**GOAL: PROTECT AND STRENGTHEN THE CORE AND IMPACT OF THE LIVING MEMORIAL**

Strategy to achieve objective	FY 2011 activity planned, target or comparison baseline	Results / Status
<p>Lead the nation in annual Days of Remembrance (DOR) commemoration</p>	<p>Improve outreach to key audiences: military, law enforcement, educators, and college students.</p> <p>Provide printed and on-line content and resources to citizens and organizations across the nation engaged in DOR commemoration.</p>	<p>Met:</p> <ul style="list-style-type: none"> <li>• Distributed 6500 DOR DVD Planning Guides, an increase of 1500 and 30% than in FY 2010, created to provide easy-to-use, historically accurate, engaging resources to support observances throughout the nation. The Guide was sent to 67 U.S. military installations abroad, including several in Iraq, Afghanistan, Germany, and South Korea, and provided information and materials on how to plan an observance, historical background material, poster sets, “how-to” videos, selected readings, personal histories, and Holocaust victim name list</li> <li>• Received, in response to outreach efforts, 68 DOR proclamations issued by governors and mayors representing 28 states and a Cabinet secretary as well as other activities and resources all posted on the Museum's DOR Web site.</li> <li>• Added more than 250 events to the Museum’s Web-based map of DOR observances in communities across the country and around the world—246 events in 49 of 50 states as well as South Korea and Argentina that took place in state capitols, on college campuses and even a movie theater in North Carolina. This represents only a fraction of the commemorations that go on across the country.</li> </ul>
<p>Center for Advanced Holocaust Studies:</p> <p>Shape the emerging field of Holocaust studies to promote its excellence and vitality</p>	<p>Further develop partnership with Yahad-in-Unum</p>	<p>Met:</p> <ul style="list-style-type: none"> <li>• Transferred more than 600 testimonies to Museum's oral history archives</li> <li>• Conducted conferences in Paris and Bucharest on protection of mass graves</li> <li>• Made joint announcement that results of project to be accessible on line</li> <li>• Conducted joint outreach programs for colleges, Catholic schools, and general public in communities in New York state and New England.</li> </ul>

	Engage 30-50 new university-based scholars in CAHS network of research/teaching activities.	<p><b>Met and exceeded:</b></p> <ul style="list-style-type: none"> <li>• 22 new research fellows</li> <li>• 10 new speakers at international conference and symposium</li> <li>• 1 new lecturer in endowed lecture series</li> <li>• 1 new lecturer at symposium in North Carolina</li> <li>• 14 new participants in seminary faculty symposium</li> <li>• 35 new participants in two university faculty symposia</li> <li>• 6 new participants in summer research workshop.</li> </ul> <p>Total = 89 new scholars</p>
	Facilitate university scholars' research and teaching work through faculty seminars (2-3 per year); fellows program (25-30 per year); campus outreach/presence (25-40 presentations per year).	<p><b>Met:</b></p> <ul style="list-style-type: none"> <li>• 3 Faculty Seminars: Hess Seminar, January 3-7 2011; Silberman Seminar, June 6-17, 2011; Church Relations Committee Seminar, June 27-July 1, 2011.</li> <li>• 28 Fellows</li> <li>• 49 Campus Outreach Lecture Programs</li> </ul>
	Build networks of scholars/communities of discourse through 4-6 summer research workshops; symposia; partnered activities offsite.	<p><b>Met:</b></p> <ul style="list-style-type: none"> <li>• 1 symposium at North Carolina Agricultural and Technical State University</li> <li>• 1 symposium in Bucharest, Romania</li> <li>• 1 conference in Berlin, Germany</li> <li>• 1 summer research workshop.</li> </ul> <p>Total=4</p>
	Publication of volume 2 and advance stage of manuscript for volume 3 of an encyclopedia of Nazi killing centers, camps, ghettos, and other detention sites by FY 2011.	<p><b>Deferred:</b></p> <ul style="list-style-type: none"> <li>• Volume 2 will be published in April 2012</li> <li>• Volume 3 is set for manuscript completion by mid-2013</li> </ul>
	Conduct programs on Holocaust in USSR and relating to International Tracing Service.	<p><b>Met:</b></p> <ul style="list-style-type: none"> <li>• Holocaust in USSR: Invited 2 students from Higher School of Economics to the Museum in summer 2011 (one seminar participant and one research assistant); conducted online lecture by senior scholar to undergraduate students at Higher School of Economics; provided research materials to faculty at Higher School of Economics.</li> <li>• International Tracing Service (ITS): conducted archival and historical seminar for undergraduate and early graduate students using ITS materials; began drafting manuscript for scholarly source volume using ITS materials; staff-led lectures at offsite venues on ITS research.</li> </ul>

	Complete 2 volumes of archival studies project on Jewish responses to persecution.	<b>Met:</b> Published volumes I and II of <i>Jewish Responses to Persecution</i> , as well as stand-alone volumes on children and the Holocaust and the Holocaust in Galicia.
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**GOAL: PROTECT AND STRENGTHEN THE CORE AND IMPACT OF THE LIVING MEMORIAL**

Strategy to achieve objective	FY 2011 activity planned, target or comparison baseline	Results / Status
Effectively use the Committee on Conscience to respond to contemporary genocide		
Expand the network of citizens who care about genocide	Post new content on COC <i>Preventing Genocide</i> blog.	<p>Met:</p> <ul style="list-style-type: none"> <li>• Posted content included updates about: <ul style="list-style-type: none"> <li>▪ areas at risk for genocide and mass atrocities</li> <li>▪ the work of the CoC</li> </ul> </li> <li>• Embarked on a year-long effort to re-do online strategy to make content more accessible, engaging, and to create new tools for the new digital age</li> </ul>
	Maintain and update <i>From Memory to Action</i> exhibition and Web site and expand research capacity.	<p>Met:</p> <ul style="list-style-type: none"> <li>• Visitation totaled more than 448,255 visitors, averaging over 30% of total Museum visitation</li> <li>• Pledge wall interactive engaged more than 100,000 written personal statements in response to the question, “What will you do to help meet the challenge of genocide today?”</li> <li>• Trained docents provided approximated 175 guided tours for close to 2,000 visitors.</li> <li>• Launched a new Genocide Prevention Fellowship Program, the first of its kind, to support the development of leaders in the field, incubation of innovative projects, and the enhancement of the research capacity that is critical in developing a range of genocide prevention educational programs and activities. The program took on three fellows, all noted experts in their fields.</li> </ul>
	Conduct seminar on issue related to contemporary genocide.	<p>Met:</p> <p>Convened in Paris, with the French Shoah Memorial and the American Bar Association Center for Human Rights, a symposium and smaller working group meeting of experts and government officials to identify steps to enhance international cooperation around genocide prevention which was attended by 120 guests including senior officials from more than 20 governments</p>

	Create program to reach out to key constituencies to raise genocide awareness	Deferred.
Bolster the will of decision-makers to prevent and respond to mass atrocities	Follow up with Genocide Prevention Task Force (GPTF) recommendation implementation.	<b>Exceeded:</b> Educated policymakers in the U.S. to build awareness about the key recommendations and principles from the GPTF report.
	Hold regular roundtables with expert community on genocide prevention issues and places where genocide is threatened	<b>Met:</b> Organized and conducted regular roundtables with experts on genocide prevention including one in November 2010, on Sudan, featuring author and Sudan expert, Rebecca Hamilton, who had just returned from Sudan and shared thoughts on the upcoming referendum in South Sudan.
	Develop tailored training programs to educate foreign service officers, military and other professionals on genocide prevention	<b>Partially met:</b> <ul style="list-style-type: none"> <li>Supported National Institute for Holocaust Education (NIHE) initiative to develop training programs for military audiences</li> <li>Developed an elective pilot course for the U.S. Army Command and General Staff College at Fort Belvoir working with its staff. The course is designed to prepare participating officers for counter-genocide staff planning and command responsibilities by examining warning signs of genocide and mass atrocities, methods used by perpetrators, and case studies and emerging practice illuminating countermeasures. It introduces students to the “means and methods” of genocide and mass atrocities in order to help deter and stop these crimes.</li> </ul>
	Conduct at least one fact finding trip to a region where genocide or mass atrocities are threatened	<b>Met:</b> <ul style="list-style-type: none"> <li><i>Bearing Witness</i> trip to South Sudan in fall of 2010: documented conversations with more than 100 survivors of atrocities, key political leaders, members of civil society, and the international community to draw attention to the potential for violence around the January 2011 referendum on independence</li> <li>Designed and implemented an extensive outreach plan, using findings from this trip to draw attention to the potential for violence around the referendum <ul style="list-style-type: none"> <li>Outreach activities included public events; individual briefings for policymakers; and wide dissemination of multimedia products on its Web site, the media, e-communications, and social</li> </ul> </li> </ul>

		<p>media networks.</p> <ul style="list-style-type: none"> <li>▪ Trip findings were reported in <i>The New York Times</i>, <i>The Washington Post</i>, <i>Foreign Affairs</i>, <i>The Boston Globe</i>, the Associated Press, National Public Radio, and other outlets.</li> <li>▪ CoC's e-communications alone reached over 159,000 Museum constituents.</li> <li>▪ Began updating the Wexner Learning Center exhibition featuring material from the trip to better educate the public about the ongoing risks in Sudan.</li> </ul>
Carry out the NIHE objectives		
<p>Use special exhibitions, the Web site and related programs / products to stimulate dialogue / discourse</p> <p>Present traveling exhibitions and related programs / products nationwide</p> <p>Use the Wexner Learning Center to enhance visitor engagement with the history and legacy of the Holocaust</p>	<p>Present special exhibitions and associated programs at the Museum and through traveling exhibitions nationwide.</p>	<p>Met: Traveled four exhibitions to 18 cities in 15 states during FY 2011. More than 150,000 people viewed the exhibitions during the course of the year, and an exhibition was hosted for the first time in the state of Delaware.</p>
	<p>Implement <i>Propaganda</i> initiative with special programming for targeted audiences such as journalists and public diplomacy officials.</p>	<p>Met:</p> <ul style="list-style-type: none"> <li>• Special exhibition, <i>State of Deception: the Power of Nazi Propaganda</i> had 440,902 visitors during FY 2011. More than 17,000 visitors received guided exhibition tours.</li> <li>• Companion Web site had more than 1,187,000 visitors in FY 2011.</li> <li>• Development of a self-directed online course for journalists on propaganda in partnership with The Poynter Institute's News University</li> <li>• National distribution of DVD for educators incorporating content on propaganda</li> <li>• Distribution of Fred Friendly program, <i>Words and Actions: The Context and Consequences of Propaganda</i> by Films in the Humanities and Sciences, the leading distributor of college, university, and secondary school resources in the U.S.</li> <li>• Programs conducted for: <ul style="list-style-type: none"> <li>▪ More than 1,400 university-level students and professors in journalism, media, public diplomacy, and public policy</li> <li>▪ More than 860 secondary level educators, including an online workshop on media literacy and</li> </ul> </li> </ul>

		<p>propaganda held in partnership with the English Companion Ning.</p> <ul style="list-style-type: none"> <li>▪ A leadership summit on Propaganda, Hate Speech and Civic Engagement for 60 university students representing 26 states and 46 colleges/universities. Program partners included the Newseum, Temple University’s Media Education Lab, Sustained Dialogue Campus Network, and Politifact.</li> <li>▪ Development of <i>Mind over Media</i>, a mobile texting activity for secondary school students to increase engagement with exhibition content and critical thinking.</li> <li>▪ More than 340 military personnel, including senior officials studying and analyzing strategic communication at the National Defense University and the Army Directed Studies Office and students with the Fort Belvoir Genocide Prevention elective</li> <li>▪ Public Diplomacy Council</li> <li>▪ Journalists and staff from Journalism training institutions including international journalists trained in partnership with the United Nations and the Foreign Press Center</li> </ul>
	<p>Launch Collaboration &amp; Complicity Initiative</p>	<p>Met:</p> <ul style="list-style-type: none"> <li>• Implemented an environmental scan of Holocaust education and the topic of collaboration and complicity</li> <li>• Conducted audience research and evaluation at 8 regional summits for state education officials, professors, and other stakeholders in Holocaust education</li> <li>• Exhibition research and design on schedule for April 2013 opening</li> </ul>
	<p>Prototype learning platform to advance global Holocaust education</p>	<p>Deferred: Lack of IT resources to create platform. Instead developed plan to identify web taxonomies to support platform</p>
	<p>Develop new presentation(s) for Wexner Center and other public spaces</p>	<p>Deferred:</p> <ul style="list-style-type: none"> <li>• Refinements were made in Room 1: <i>From Memory to Action: Meeting the Challenge of Genocide</i> and in Room 2: <i>The Nuremberg Trials: What is Justice?</i> Both are scheduled to remain on view indefinitely.</li> <li>• Room 3: <i>GENOCIDE EMERGENCY—Darfur, Sudan: Who Will Survive Today? Is</i> scheduled to be replaced in</li> </ul>

		FY 2012 Q1 with new content about mass atrocities in Sudan.
	Translate <i>Holocaust Encyclopedia</i> and other Web content into Indonesian and Korean; continue translations into Arabic, Farsi, Urdu, Russian, Portuguese, Turkish, French, Spanish, and Chinese; and produce new content in selected language(s).	<b>Met and exceeded:</b> Launched online <i>Holocaust Encyclopedia</i> in Bahasa Indonesia and Korean; continued translations into Arabic, Farsi, Urdu, Russian, Portuguese, Turkish, French, Spanish, and Chinese; added new content, including podcast transcripts into Spanish and .mobi versions of existing languages customized for viewing on smartphones and other mobile devices

**GOAL: PROTECT AND STRENGTHEN THE CORE AND IMPACT OF THE LIVING MEMORIAL**

Status report for special exhibitions:

<u>Exhibition Title/Topic</u>	<u>Target Presentation Dates</u>	<b>Results / Status</b>
<i>GENOCIDE EMERGENCY—Darfur, Sudan: Who Will Survive Today?</i> (Wexner Learning Center)	March 11, 2005 - Indefinitely	Development of updated content begun in FY 2011 Q4; installation targeted for FY 2012 Q1
<i>Abandoned at Srebrenica: Ten Years Later</i> (Meyerhoff Theater)	July 11, 2005 - Indefinitely	No change
<i>The Nuremberg Trials: What Is Justice?</i> (Wexner Learning Center)	December 20, 2005 - Indefinitely	Two artifact rotations completed in FY 2011
<i>A Dangerous Lie: The Protocols of the Elders of Zion</i> (Gonda Education Center)	April 21, 2006 - Indefinitely	No change
<i>From Memory to Action: Meeting the Challenge of Genocide</i> (Wexner Learning Center)	April 10, 2009–2014	Content changes to interactive table proposed for FY 2012 Q1– Q2
<i>State of Deception: The Power of Nazi Propaganda</i> (Kimmel-Rowan Gallery)	January 30, 2009–Fall 2012 FY 2011: artifact rotations approx. every 3 months	Four rotations of artifacts completed during FY 2011
<i>State of Deception: The Power of Nazi Propaganda</i> (traveling exhibition)	FY 2010: Conduct exhibition evaluation to inform conceptualization for traveling exhibition	<ul style="list-style-type: none"> <li>• Completed exhibition evaluation - FY 2011 Q2</li> <li>• Completed consultation with representatives from prospective host venues - FY 2011 Q1</li> <li>Tour start date postponed from Fall 2012 to Fall 2013.</li> <li>• Make curatorial content revisions during FY 2012 Q1</li> <li>• Begin design phase FY 2012 Q2</li> </ul>
Collaboration/Complicity (Kimmel-Rowan Gallery)	Spring 2013–Fall 2017: FY 2011 Q3: Begin exhibition design	Exhibition design phase 1 (schematic design) completed in FY 2011 Q4; project on schedule for April 2013 opening.
Traveling Exhibitions: <ul style="list-style-type: none"> <li>• <i>Deadly Medicine: Creating the Master Race</i></li> <li>• <i>Fighting the Fires of Hate: America and the Nazi Book Burnings</i></li> <li>• <i>The Nazi Olympics: Berlin 1936</i></li> <li>• <i>Nazi Persecution of Homosexuals: 1933-1945</i></li> <li>• <i>Schindler</i></li> <li>• <i>Varian Fry: Assignment Rescue 1940-1941</i></li> </ul>	Various locations and schedules	Two traveling exhibitions “retired” in FY 2011: <i>Varian Fry: Assignment Rescue 1940–1941</i> and <i>Schindler</i>
<i>State of Deception: The Power of Nazi Propaganda</i> (traveling exhibition)	Tour to begin Fall 2012: FY 2011 Q3: Begin exhibition design	Development of updated content begun in FY 2011 Q4; installation targeted for FY 2012 Q1

**GOAL: PROTECT AND STRENGTHEN THE CORE AND IMPACT OF THE LIVING MEMORIAL**

Strategy to achieve objective	FY 2011 activity planned, target or comparison baseline	Results / Status
Carry out the NIHE objectives – continued		
<p>Develop programming to increase awareness of contemporary antisemitism and its historical roots</p> <p>Increase capacity to deliver teacher training and resources</p> <p>Extend reach of programs for military, government, law enforcement and other leadership audiences</p> <p>Build network of medical professionals / bioethicists interested in incorporating Holocaust related material in humanities and medical ethics training</p>	<p>Implement evaluation recommendations to expand and diversify the range of perspectives and reach new audiences as part of the Antisemitism initiative.</p>	<p>Met: Created new resource on Hate and Lessons of the Holocaust on results of teacher evaluation.</p>
	<p>Increase the number of Museum Teacher Fellows trained to implement Museum education programming.</p>	<p>Met: Trained 16 new Museum Teacher Fellows in the year-long program this fiscal year.</p>
	<p>Refine and implement plans for working with targeted audiences (justice, military, religious leaders, etc.) for achieving greatest impact: train military and judicial leadership; replicate youth leadership program in 2 inner-city or rural communities nationally; create resources for target audiences</p>	<p>Met:</p> <ul style="list-style-type: none"> <li>• Completed environmental scans of the military and law enforcement professions. Identified strategies for serving both audiences to ensure greatest impact within both systems and reprioritized our work based on those strategies.</li> <li>• Served more than 3,000 members of the judiciary in 9 states. Members of the court received Continuing Legal Education credits in Ethics for completing the Museum’s course, and interest in the program continues to grow. In addition, 2,000 law enforcement officials from local, state, and federal agencies completed trainings. This included 150 Chiefs and top leaders from around the country.</li> <li>• Served more than 3,600 officers in training, active duty and command level officers. Majors from the U.S. Army Command and General Staff College at Fort Belvoir participated in a new course on the Holocaust and genocide prevention. In addition, staff hosted a three-day workshop for West Point faculty aimed at furthering participants’ understanding of the Holocaust and genocide.</li> <li>• Expanded youth leadership outreach significantly this year. A cadre of young leadership ambassadors pledged in 2010 to reach 10,000 others from</li> </ul>

		communities nationally and internationally in 2011. They exceeded their goal. The Museum's youth leadership program was replicated in the Mississippi Delta and Detroit, Michigan.
	Increase resources on denial and antisemitism through expended Web site, new products and use of social media	<b>Met:</b> New resources include a set of thematic lessons for classroom discussion of antisemitism and a CD set of podcast interviews on the topic.
	Identify staff person to lead an institutional effort on Holocaust denial	<b>Met:</b> Appointed a director to the Initiative on Holocaust Denial and Antisemitism

**GOAL: SECURE THE FUTURE OF THE MEMORIAL MUSEUM**

Strategy to achieve objective	FY 2011 activity planned, target or comparison baseline	Results / Status
Fundraising Activities		
Undertake fundraising efforts to fulfill the Strategic plan over the next decade	FY 2011 target \$30 million annual fund and \$5 million endowment.	<p><b>Met and exceeded:</b> Development raised over \$30.7M (includes major gifts, membership, and planned gifts), representing 101% of its \$30.2M goal, a 6% increase from FY 2010. An additional \$20.6M was raised for the endowment. (Restricted gifts may only be spent as donor stipulates, and endowment gift income may be spent, but not the principal.)</p>
	Enhance annual fund marketing campaign.	<p><b>Partially met:</b> Working closely with Marketing, began implementing an annual communication schedule of mailings for both soliciting prospects and donor stewardship.</p>
	Build a program for foundation and corporate giving	<p><b>Partially met:</b> After a lengthy search, recruited a new Director of Corporate and Foundation Relations who will oversee the Museum’s strategic corporate and foundation fundraising nationally and across the regions in collaboration with regional offices, volunteers, and friends of the Museum.</p>
	Develop a comprehensive campaign culminating with the Museum’s 25 <sup>th</sup> anniversary	<p><b>Partially met:</b></p> <ul style="list-style-type: none"> <li>• While in the “Quiet Phase” of the Campaign in FY11, delivered the first draft of the campaign case and campaign plan and will brief the Executive Committee and key leaders in fall of FY 2012</li> <li>• Worked on leadership structure for both the 20<sup>th</sup> Anniversary and the campaign and convening regional groups across the country</li> <li>• Continued to build the infrastructure to support the campaign (prospects, case, timeline, financial targets).</li> </ul>
	Continue targeted \$200 million bequest focused endowment effort.	<p><b>Met and ongoing:</b> Raised \$35.8M for the endowment, including \$15.2M in bequest commitments and \$20.6M in gifts and pledged revenue.</p>
Increase the integration of fundraising plans with	Complete next Milestone in the conversion from Target’s Team Approach to Blackbaud’s Enterprise Constituent Relationship Management system with specific focus on	<p><b>Deferred:</b> Reorganized the Development Services unit into distinct areas of focus in order to streamline procedures and</p>

programmatic priorities	membership.	maximize performance. Implementation begins October 1, 2011. The change should optimize data integrity directly result in better donor records and relations, quality reporting and analytics and more.
	Continue implementation of national stewardship plan.	<p><b>Met:</b> Began implementation of a comprehensive stewardship plan. Components included:</p> <ul style="list-style-type: none"> <li>• pilot programs in the New York and New England regions to serve as models for establishing regional boards</li> <li>• nation-wide mailings delivering greater program content to major donors and past donors</li> <li>• enhanced stewardship plans for key prospects of the Museum Director and Chief Development Officer</li> <li>• conversations with Marketing to create blueprint for revitalizing donor communications vehicles (e.g., institutional newsletter; Director’s letter)</li> </ul>
<b>Marketing &amp; Communications Activities</b>		
Enhance perception of the Museum as institution that teaches the lessons of the Holocaust and encourages leaders and citizens to confront hate, prevent genocide, promote human dignity and strengthen democracy.	Expand opportunities for new visual identity for the Museum—to include website and Museum signage.	<p><b>Met:</b> Completed Web site rebrand, texting campaign, all program and development materials in brand, major new outreach initiatives on the Web created in brand, et cetera.</p>
	Refine marketing division by hiring 1 or 2 additional staff.	<p><b>Met:</b> Hired Director of Public Programs and Director of Editorial</p>
	Improve positioning efforts and outreach related to antisemitism, Holocaust denial, and genocide prevention	<p><b>Met:</b> Created antisemitism homepage, support for creation of the <i>Voices on Antisemitism and Hate</i> CD series, support for CoC genocide prevention conferences, and digital outreach</p>
Position the Museum to anticipate and benefit from opportunities that support the mission and enhance the Museum’s image	Generate positive press coverage around key Museum initiatives such as traveling exhibitions and national programs in key cities and regions and (specifics to be determined).	<p><b>Met:</b></p> <ul style="list-style-type: none"> <li>• Created Remember Me and World Memory projects that brought thousands of visitors to the Web and assisted collections activity</li> <li>• Provided support for all major fundraising activities</li> </ul>
	Enhance and use the Web site as a fundraising, messaging, and educational tool—identify new opportunities for on-line marketing.	<p><b>Met:</b> Launched new online fundraising initiatives to grow email acquisitions, raise small donations, and increase membership</p>

	Create a national awareness campaign to support the comprehensive campaign to raise funds for endowment, annual operations, and facilities.	<b>Partially met:</b> Created logo and generally outlined national and regional plans which are still in progress
	Implement mobile technology for educational outreach, audience development, and fundraising.	<b>Met:</b> Developed with NIHE the Mind Over Media mobile component for the <i>Propaganda</i> exhibition
	Increase membership net revenue through message and technology strategy and increasing new and lapsed members	<b>Met:</b> Made ongoing efforts to integrate messages to online audiences and offer online renewal; more online gifts from new and older members have been reported.

**GOAL: SECURE THE FUTURE OF THE MEMORIAL MUSEUM**

Strategy to achieve objective	FY 2011 activity planned, target or comparison baseline	Results / Status
<p>Improve stewardship of key constituencies (survivors, donors, Council, former Council, Congress, staff)</p>	<p>Coordinate with Development and Marketing to create integrated communications strategy</p>	<p>Met and ongoing: Coordinated closely with Development and Marketing on a variety of key Museum initiatives:</p> <ul style="list-style-type: none"> <li>• 2011 DOR events, including the inaugural Elie Wiesel Award to be presented annually</li> <li>• ramp-up for 20th Anniversary commemoration</li> </ul>
	<p>Increase visibility and involvement of survivors in advancing Museum’s programmatic priorities</p>	<p>Met: Increased survivor participants and participation in programs on site, off site and via remote technology. Survivor speakers spoke to over 30,000 people in over 290 programs over the course of the year, including a first time video-conference to teachers in Rwanda.</p>
	<p>Strengthen internal communications and strategic planning.</p>	<p>Met and ongoing: Worked with consultant to complete institutional and program-office logic models as well as a common approach to planning/evaluation and a shared vocabulary of terms. Program areas currently developing strategic priorities, measures of success, and implementation plans across offices.</p>
	<p>Enhance the role of Council and committee members in supporting programmatic priorities</p>	<p>Partially met:</p> <ul style="list-style-type: none"> <li>• Made revisions to Council orientation materials, program and communications plan for new members; worked with Development and Marketing to ensure Council's awareness of/engagement in key programs at Museum and their regions.</li> <li>• Deferred a larger Council stewardship effort due to pressing priorities such as the strategic plan and the 20<sup>th</sup> Anniversary.</li> </ul>
<p>Pursue continuous improvement and excellence in financial management, human resources management, information technology support, and administration of the Museum and address relevant elements of the</p>	<p>Based on user feedback and evaluation, expand the functionality of the HR Web site (including integration of employee development tools and information).</p>	<p>Partially met:</p> <ul style="list-style-type: none"> <li>• Developed content for the site includes a manager’s corner (a resource for supervisors), HR forms and policies, training presentations, etc.</li> <li>• Deferred roll-out pending implementation of a new Museum-wide operating platform (Google) scheduled for the first quarter of FY12.</li> </ul>

President's Management Agenda.	Provide executive / leadership coaching and for senior executives and supervisory training for all managers.	Met: <ul style="list-style-type: none"> <li>Completed executive coaching for members of the senior leadership team</li> <li>Conducted a year-long management / leadership training program facilitated by the Partnership for Public Service and quarterly supplemental workshops tailored to each supervisory level</li> </ul>
	Assess the re-designed new employee orientation program and schedule.	Met: <ul style="list-style-type: none"> <li>Continued to fine tune the onboarding program with a focus on fine tuning the strategic overview sessions provided by senior leadership. Per the initial assessment, changes include expanding the length of the program, enhancing presentations with audio / visual, and ensuring that all presenters address key points of interest in their areas.</li> <li>Established a quarterly orientation schedule</li> </ul>
	Develop an internal communication plan and identify staff resources for this initiative.	Met: <ul style="list-style-type: none"> <li>Conducted an environmental scan and needs assessment</li> <li>Drafted an internal communication plan</li> <li>Related efforts include sustaining communication about key programs and projects through staff briefings, email updates, and the employee newsletter, distributing a communications inventory to promote existing resources, and drafting volunteer and employee handbooks.</li> </ul>
	Automate the vendor invoice receipt and approval process.	Deferred: Deferred for other funding/resource priorities
	Develop an interface between the procurement and accounting systems.	Deferred: Deferred for other funding/resource priorities

	<p>Continue the redesign of the Museum’s Web site including:</p> <ul style="list-style-type: none"> <li>• Re-architecture: information architecture analysis</li> <li>• Content management: implement enterprise content management for parts of the Web site</li> <li>• Search and discovery: Implement an enterprise-wide search, repository, and retrieval engine</li> <li>• Technical infrastructure: upgrade server architecture and operating system</li> <li>• Standards-based delivery: make more of Web site content available via standards-based and accessible presentations</li> </ul>	<p>Met:</p> <ul style="list-style-type: none"> <li>• Completed information architecture analysis.</li> <li>• Completed design and installation of content management system.</li> <li>• Developed a new Solr technology-based search engine and implemented Web site search and discovery.</li> <li>• Implemented new server hardware with upgraded operating system.</li> <li>• Established standards-based content delivery mechanism for the new Web site and continue to work on accessibility.</li> </ul>
Provide oversight for major Museum technology systems	Continue to develop mobile Web platforms for content delivery in the Museum space and to constituents world-wide.	Met: Completed methodology for effective delivery of mobile Web contents.
	Enhance performance of the data center, storage, and server infrastructure through server/storage platform virtualization.	Partially met: <ul style="list-style-type: none"> <li>• Implemented server virtualization as needed to enhance data center performance.</li> <li>• Operations division, in partnership with IT, is heading a project, now in final planning and to be implemented in 2012, for major data center revisions to accommodate current and future servers and storage systems.</li> </ul>
	Upgrade the Museum’s IT network infrastructure.	Met: Completed upgrades to: <ul style="list-style-type: none"> <li>• Network connectivity to all of USHMM’s regional offices to provide enhanced bandwidth.</li> <li>• Internal network hardware to meet the demands of increasing network traffic.</li> <li>• Wireless network to handle additional bandwidth and built a new mobile phone infrastructure to boost cell signals in the Museum and Ross Administrative Center to support the Museum’s mobile Web content delivery operations.</li> </ul>
	Work with Human Resources to upgrade legacy HR systems and processes.	Deferred: Ongoing task will continue next year with a goal to identify and select a suitable system to replace USHMM’s legacy HR operational processes.

# United States Holocaust Memorial Museum

United States Holocaust Memorial Council

Internal Auditor  
Mel Schwartz  
(reports to the Audit Committee)

Director  
Sara J. Bloomfield

Chief of Staff  
William Parsons

Chief Development Officer  
Jordan Tannenbaum

Director, External Affairs  
(Incl. strategic planning)  
Dara Goldberg

Chief Marketing Officer  
Lorna Miles

General Counsel  
Ronald Cuffe

Senior Program Advisor for Institutional Projects  
Arnold Kramer

Chief Financial Officer  
Minnie Carmichael

Chief Information Officer  
Joe Kraus

Director, Center for Advanced Holocaust Studies  
Paul Shapiro

Director, Collections  
Michael Grunberger

Director, National Institute for Holocaust Education  
Sarah Ogilvie

Director, Committee on Conscience  
Michael Abramowitz

Director, Museum Operations and Administration  
Tanell Coleman

Initiative on Holocaust Denial and Antisemitism  
Diane Saltzman

Survivors Affairs  
Diane Saltzman

Annual Fund & Endowment  
Amy Farrier

Mid-Atlantic  
Andres Abril  
Midwest  
Jill Weinberg  
New England  
Julie Hock  
Northeast  
Andrea Barchas  
Southeast  
Jack Karako  
Southwest  
Melissa Rubenstein-Gendason  
Western  
Michael Sarid

Corporate & Foundation Relations  
Cara Sodos

Development Systems  
Vacant

Planned Giving  
George Hellman

Administration  
John Fawsett

Stewardship  
Vacant

Council Relations  
Jane Miller

Fundraising Communications  
Dana Weinstein

Integrated Marketing Communications  
Susan Watson

Media Outreach  
Andy Hollinger

Public Programs  
Elissa Schein

Special Events  
Nadia Ficara

Budget  
Robert Schelin  
(Acting)

Business Mgmt. / Shop  
Jerry Rehm

Procurement  
James Brady

Application Development  
Robert Twitty

Network Systems  
Angelito Pangilinan

Technical Services  
Clyde Finley

Applied Research  
Juergen Matthaues

International Archival Programs  
Radu Ioanid

Senior Historian  
Peter Black

University Programs  
Robert Ehrenreich

Visiting Scholars  
Suzanne Brown-Fleming

Collections Services  
Travis Roxlau

Curatorial Affairs  
Scott Miller

Digital Collections  
Michael Levy

Library  
Lenore Bell

Holocaust Survivors and Victims Resource Center  
Scott Miller  
(Acting)

Exhibitions & Resources  
Edward Phillips

Global Classroom  
Michael Haley-Goldman

National Planning and Administration  
Kristine Donly

Leadership Programs  
Lynn Williams

Teacher Education and Special Programs  
Dan Napolitano

Policy and Programs  
Jean Freedberg

Research and Projects  
Bridget Conley-Zilkic

Equal Employment  
Renee Wilson-Butler  
(Acting)

Human Resources  
Antonio Guzmán

Museum Services  
Lori Roop  
(Acting)

Operations  
Kristy Brosius

Protection Services  
Joseph Rosboschil

## Message from the Chief Financial Officer

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I am pleased to present the United States Holocaust Memorial Museum's Fiscal Year 2011 *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, 2011. 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 (*36 USC 2302*)

The Museum received an unqualified opinion on its consolidated financial statements for Fiscal Year 2011. 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.

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.



Minnie P. Carmichael  
Chief Financial Officer  
United States Holocaust Memorial Museum



KPMG LLP  
2001 M Street, NW  
Washington, DC 20036-3389

## 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) as of September 30, 2011, and the related statements of activities, and cash flows (hereinafter referred to as financial statements) for the year then ended. 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 2010 financial statements and, in our report dated November 15, 2010, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of September 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis section is presented for purposes of additional analysis and is not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules in the supplementary information section are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



In accordance with *Government Auditing Standards*, we have also issued our reports dated November 15, 2011, 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 other matters. The purpose of those reports 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 or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

KPMG LLP

November 15, 2011

**UNITED STATES HOLOCAUST MEMORIAL MUSEUM**

Statement of Financial Position

September 30, 2011

(with summarized information as of September 30, 2010)

	<b>Nonappropriated funds</b>	<b>Appropriated funds</b>	<b>2011 Total</b>	<b>2010 Total</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Assets:				
Cash and fund balance with Treasury	\$ 798,479	14,936,567	15,735,046	18,320,442
Short-term investments	286,301	—	286,301	322,564
Contributions receivable, net	18,895,574	—	18,895,574	17,431,050
Other assets	930,756	234,456	1,165,212	1,140,918
Long term investments	205,179,192	—	205,179,192	193,293,447
Property and equipment, net	72,859,638	11,874,394	84,734,032	89,035,294
Collections (note 2)	—	—	—	—
Total assets	<u>\$ 298,949,940</u>	<u>27,045,417</u>	<u>325,995,357</u>	<u>319,543,715</u>
Liabilities:				
Accounts payable and accrued expenses	\$ 3,472,560	5,501,187	8,973,747	9,894,625
Charitable gift annuity liability	4,808,051	—	4,808,051	3,521,940
Unexpended appropriations	—	11,373,254	11,373,254	12,039,224
Total liabilities	<u>8,280,611</u>	<u>16,874,441</u>	<u>25,155,052</u>	<u>25,455,789</u>
Net assets:				
Unrestricted:				
Federal cumulative results of operations	—	10,170,976	10,170,976	10,055,161
Program and supporting activities	64,656,453	—	64,656,453	80,171,577
Funds functioning as endowment	51,907,117	—	51,907,117	50,002,047
Total unrestricted net assets	116,563,570	10,170,976	126,734,546	140,228,785
Temporarily restricted net assets	36,718,616	—	36,718,616	35,903,604
Permanently restricted net assets	137,387,143	—	137,387,143	117,955,537
Total net assets	290,669,329	10,170,976	300,840,305	294,087,926
Commitments and contingencies (note 9)	—	—	—	—
Total liabilities and net assets	<u>\$ 298,949,940</u>	<u>27,045,417</u>	<u>325,995,357</u>	<u>319,543,715</u>

See accompanying notes to financial statements.

**UNITED STATES HOLOCAUST MEMORIAL MUSEUM**

Statement of Activities

Year ended September 30, 2011

(with summarized information for the year ended September 30, 2010)

	Nonappropriated funds	Appropriated funds	Total unrestricted	Nonappropriated funds		2011 Total	2010 Total
				Temporarily restricted	Permanently restricted		
Support and revenues:							
Federal appropriation revenue	\$ —	49,432,270	49,432,270	—	—	49,432,270	48,171,838
Contributions	15,042,240	—	15,042,240	6,726,763	20,614,425	42,383,428	22,213,581
Membership revenue	8,949,252	—	8,949,252	—	—	8,949,252	8,945,439
Museum shop	1,895,532	—	1,895,532	—	—	1,895,532	1,998,956
Investment income/(loss)	(1,818,580)	—	(1,818,580)	787,594	(1,182,819)	(2,213,805)	18,233,603
Contributed services	16,836	—	16,836	—	—	16,836	26,442
Imputed financing source	—	1,477,356	1,477,356	—	—	1,477,356	1,532,681
Other	285,776	—	285,776	—	—	285,776	24,455
Net assets released from restrictions:							
Expiration of time restrictions	681,463	—	681,463	(681,463)	—	—	—
Satisfaction of program restrictions	6,017,882	—	6,017,882	(6,017,882)	—	—	—
<b>Total support and revenues</b>	<b>31,070,401</b>	<b>50,909,626</b>	<b>81,980,027</b>	<b>815,012</b>	<b>19,431,606</b>	<b>102,226,645</b>	<b>101,146,995</b>
Expenses:							
Program services:							
Museum operations	3,736,186	22,375,597	26,111,783	—	—	26,111,783	26,127,666
Center for Advanced Holocaust Studies	4,952,149	2,555,919	7,508,068	—	—	7,508,068	7,295,561
National Institute for Holocaust Education	6,212,647	5,185,655	11,398,302	—	—	11,398,302	10,915,962
Collections	3,258,311	5,626,075	8,884,386	—	—	8,884,386	8,755,246
Committee on Conscience	1,107,074	—	1,107,074	—	—	1,107,074	1,072,109
Digital outreach	4,806,121	1,905,710	6,711,831	—	—	6,711,831	5,964,463
Museum shop	1,833,230	—	1,833,230	—	—	1,833,230	1,813,274
Other programs	156,274	1,520,854	1,677,128	—	—	1,677,128	1,907,229
<b>Total program services</b>	<b>26,061,992</b>	<b>39,169,810</b>	<b>65,231,802</b>	<b>—</b>	<b>—</b>	<b>65,231,802</b>	<b>63,851,510</b>
Supporting services:							
Management and general	5,354,711	11,624,001	16,978,712	—	—	16,978,712	16,742,597
Membership development	4,605,991	—	4,605,991	—	—	4,605,991	4,427,238
Fundraising	8,657,761	—	8,657,761	—	—	8,657,761	6,982,643
<b>Total supporting services</b>	<b>18,618,463</b>	<b>11,624,001</b>	<b>30,242,464</b>	<b>—</b>	<b>—</b>	<b>30,242,464</b>	<b>28,152,478</b>
<b>Total expenses</b>	<b>44,680,455</b>	<b>50,793,811</b>	<b>95,474,266</b>	<b>—</b>	<b>—</b>	<b>95,474,266</b>	<b>92,003,988</b>
Increase (decrease) in net assets	(13,610,054)	115,815	(13,494,239)	815,012	19,431,606	6,752,379	9,143,007
Net assets – beginning of year	130,173,624	10,055,161	140,228,785	35,903,604	117,955,537	294,087,926	284,944,919
Net assets – end of year	\$ 116,563,570	10,170,976	126,734,546	36,718,616	137,387,143	300,840,305	294,087,926

See accompanying notes to financial statements.

**UNITED STATES HOLOCAUST MEMORIAL MUSEUM**

Statement of Cash flows

Year ended September 30, 2011  
(with summarized information for the year ended September 30, 2010)

	<u>Total nonappropriated funds</u>	<u>Appropriated funds</u>	<u>2011 Total</u>	<u>2010 Total</u>
Reconciliation of change in net assets to net cash provided by operating activities:				
Increase in net assets	\$ 6,636,564	115,815	6,752,379	9,143,007
Adjustments to reconcile net income to net cash provided by operating activities:				
Museum depreciation	2,724,056	1,157,576	3,881,632	3,843,731
Equipment depreciation	588,263	804,572	1,392,835	1,123,054
Exhibition amortization	1,286,298	1,167,391	2,453,689	2,456,118
Realized/unrealized (gains) losses on investments	7,655,377	—	7,655,377	(13,773,694)
Contributions of permanently restricted net assets	(9,454,770)	—	(9,454,770)	(4,519,827)
Contributions of gifts of securities	(11,858,438)	—	(11,858,438)	—
Change in assets and liabilities:				
(Increase) decrease in contributions receivable, net	(1,464,524)	—	(1,464,524)	3,681,438
(Increase) decrease in other assets	(16,264)	(8,030)	(24,294)	76,316
Increase (decrease) in unexpended appropriation	—	(665,970)	(665,970)	456,372
Increase (decrease) in accounts payable and accrued liabilities	(728,169)	(192,709)	(920,878)	1,538,030
Increase (decrease) in charitable gift annuity liability	1,286,111	—	1,286,111	847,133
Net cash provided by operating activities	<u>(3,345,496)</u>	<u>2,378,645</u>	<u>(966,851)</u>	<u>4,871,678</u>
Cash flows from investing activities:				
Capital expenditures	(41,960)	(3,384,934)	(3,426,894)	(2,673,164)
Purchase of investments	(50,562,410)	—	(50,562,410)	(49,223,978)
Sale of investments	42,915,989	—	42,915,989	45,844,512
Net cash used in investing activities	<u>(7,688,381)</u>	<u>(3,384,934)</u>	<u>(11,073,315)</u>	<u>(6,052,630)</u>
Cash flows from financing activities:				
Permanently restricted contributions	9,454,770	—	9,454,770	4,519,827
Net cash provided by financing activities	<u>9,454,770</u>	<u>—</u>	<u>9,454,770</u>	<u>4,519,827</u>
Net increase (decrease) in cash	(1,579,107)	(1,006,289)	(2,585,396)	3,338,875
Cash and fund balance with treasury – beginning of year	2,377,586	15,942,856	18,320,442	14,981,567
Cash and fund balance with treasury – end of year	<u>\$ 798,479</u>	<u>14,936,567</u>	<u>15,735,046</u>	<u>18,320,442</u>
Supplemental data:				
Non-cash investing and financing activities:				
Gifts of securities	11,858,438	—	11,858,438	—

See accompanying notes to financial statements.

# UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

### (1) Organization and Purpose

#### (a) *Organization and Governance*

The United States Holocaust Memorial Council (the Museum) was created as an independent Federal establishment 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. The U.S. 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 nonvoting 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 nonappropriated 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 nonappropriated funds of the Museum.

#### (b) *Tax-Exempt Status*

The Museum is exempt from income taxation, except for their unrelated business income, under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Museum recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Museum does not believe its financial statements include any uncertain tax positions.

### (2) Summary of Significant Accounting Policies

The financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Museum's financial statements are presented in accordance with FASB ASC 958-205, *Not-For-Profit Presentation of Financial Statements*.

The statement of financial activity includes 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 U.S. generally accepted accounting principles. Accordingly, such

# UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

information should be read in conjunction with the Museum's financial statements for the year ended September 30, 2010, from which the summarized information was derived.

Significant accounting policies followed are summarized below:

**(a) Cash and Fund Balance with Treasury**

Cash for nonappropriated funds consists of amounts held in financial institutions for day to day operations. Fund balance with Treasury for appropriated funds consists of funds held by the U.S. Department of the Treasury.

**(b) Investments**

Investments 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.

Short-term investments 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 noncurrent 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 value averages as calculated using data through June 30th of the preceding year.

**(c) 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 due to inherent time restrictions. 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 real endowment and are recorded as permanently restricted support in the year received in the accompanying statement of activities.

# UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

**(d) Membership**

Membership dues are considered contributions and are recognized as revenue in the period received. Total fundraising costs include both membership development and fundraising expenses.

**(e) Split-Interest Agreements**

Split-interest agreements with donors consist of charitable gift annuities and interests in perpetual trusts. For charitable gift annuities, the assets are recognized at fair value at the date of the annuity agreements. An annuity liability is recognized for the present value of future cash flows expected to be paid to the donor or the donor's designee and contribution revenues are recognized equal to the difference between the assets and the annuity liability. Liabilities are adjusted during the term of the annuities for payments, accretion of discounts and changes in life expectancies. The Museum uses the historical Internal Revenue Service discount rates and tables compiled from the Office of the Actuary of the Social Security Administration for life expectancies.

The interests in perpetual trusts are included in contributions receivable at the present value of the estimated future benefits to be received when the trust's assets are distributed. Contribution revenue is recognized when the Museum is first made aware of their irrevocable interest in a perpetual trust. The receivable is adjusted during the term of the trust for the accretion of discounts, revaluation of the present value of the estimated future payments, and changes in life expectancies. These changes are reported as contribution revenue.

**(f) 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. The allowance is based on historical data and is applied as a percentage of receivables. Changes in the allowance for uncollectible contributions are recorded as bad debt expense.

**(g) Other Assets**

Other assets consist primarily of prepayments and inventory from the Museum bookstore (the Museum Shop). The Museum Shop sells Holocaust-related educational materials, such as books and DVDs, to the public. The Museum Shop's inventory was \$348,234 and \$356,117 as of September 30, 2011 and 2010, respectively, and is valued at the lower of cost or market using the first-in, first-out inventory valuation method.

**(h) Property and Equipment**

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

# UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

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 on the Museum commenced and is computed on the straight line basis over 40 years. The exhibitions include the cost to design and construct the permanent exhibition and temporary exhibitions. The permanent exhibition is being depreciated on the straight line basis over 30 or 40 years and temporary exhibitions are amortized on a straight line basis over the life of the exhibition. Renovations and improvements are recorded and depreciated on a straight line basis over 10 years.

The land on which the Museum has been constructed as well as an administrative building are titled in the name of the U.S. government and are not reflected in the accompanying financial statements. The Museum reserves administrative jurisdiction over the property for as long as it is used to carry out the mission of the Museum. The Museum has use of this land and building rent-free in perpetuity.

**(i) Collections**

The Museum acquires its collections, which include works of art, artifacts, archives, film and video, oral histories, and historical treasures, by purchase or by donation. All collections are held for public exhibition, education, or research. The Museum's collection policy includes guidance on the preservation, care, and maintenance of the collections and procedures related to the accession/deaccession of collections items.

In conformity with the practice generally followed by museums, no value is assigned to the collections in the statement of financial position. Purchases of collection items are recognized as reductions in unrestricted net assets in the period of acquisition. Proceeds from deaccessions of collection items are designated for future collection acquisitions.

**(j) Accrued Vacation**

The Museum records an expense and related liability for vacation earned and unpaid at the end of the year for appropriated and nonappropriated employees. This liability is reflected in accounts payable and accrued expenses in the accompanying statement of financial position.

**(k) Net Assets**

The Museum classifies nonappropriated 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

# UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

perpetuity. Some donors 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.

**(l) *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 revenue as expenditures are incurred.

**(m) *Non-Appropriated Funds***

The nonappropriated 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.

**(n) *Imputed Financing Source***

The Museum recognizes the costs of pension 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.

**(o) *Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

**(p) *Fair Value of Financial Instruments***

The Museum's financial instruments consist of cash, contributions receivable, investments, accounts payable, and accrued liabilities. The carrying amount of the cash, contributions receivable, accounts payable, and accrued liabilities approximated their fair values. The values of publicly traded fixed income and equity securities are based on quoted market prices and exchange rates.

The Museum applies fair value measurements of financial assets and financial liabilities and fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date assuming the transaction occurs in the entity's principle (or most advantageous) market.

**UNITED STATES HOLOCAUST MEMORIAL MUSEUM**

Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

The Museum investments include a significant number of investment funds whose fair market values are reported using the net asset value (NAV) methodology. These funds calculate NAV and operate in all material respects in conformance with AICPA applicable guidelines for investment companies.

For those investments which are valued based on manager reported net asset values, the Museum applies methods and procedures to assess valuation including reviewing pricing techniques utilized by the individual managers, comparing fund performance to relevant market indexes, and evaluating the pricing methods and models utilized by the fund manager. In addition, the members of the Museum’s Investment Committee are independent experts in the investment field who provide oversight in the selection and ongoing monitoring of investments.

**(q) Reclassifications**

Certain prior year balances have been reclassified to conform to the current year presentation.

**(3) Fund Balance with Treasury**

	<u>2011</u>	<u>2010</u>
Status of fund balance with Treasury:		
Unobligated balance:		
Available	\$ 4,617,411	3,179,946
Unavailable	833,453	547,762
Obligated not yet disbursed	<u>9,485,703</u>	<u>12,215,148</u>
Total	<u>\$ 14,936,567</u>	<u>15,942,856</u>

**(4) Investments and Fair Value Measurements**

Investments are professionally managed by outside investment organizations subject to direction and oversight by the Investment Committee of the Museum. The Museum has established investment policies and guidelines that provide for asset allocation and performance objectives.

Short-term investments, at fair value at September 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Money market funds	\$ 261,894	260,058
Donated stock	<u>24,407</u>	<u>62,506</u>
Total	<u>\$ 286,301</u>	<u>322,564</u>

**UNITED STATES HOLOCAUST MEMORIAL MUSEUM**

Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

Long-term investments, at fair value at September 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Investments:		
Portfolio cash	\$ 19,346,927	6,593,947
U.S. large cap equities	42,437,847	42,723,292
U. S. small to mid-cap equities	13,238,493	13,903,048
International markets equities	22,839,436	24,849,381
Emerging markets equities	903,481	1,083,848
Global equities	6,168,573	6,381,275
Fixed income mutual funds	36,650,390	38,605,949
High yield corporate bond funds	12,348,253	12,012,958
Fixed income commodity funds	3,036,415	2,908,920
Equity long/short hedge funds	8,427,570	8,536,459
Event driven hedge funds	23,798,546	21,130,994
Multi-strategy hedge funds	7,827,165	7,670,488
State of Israel bonds	929,157	981,892
Gift annuity program investments:		
Portfolio cash	274,337	161,593
Domestic equities and fixed income	6,952,602	5,749,403
	<u>\$ 205,179,192</u>	<u>193,293,447</u>

Net investment income/(loss) for the years ended September 30, 2011 and 2010 is summarized below:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 5,438,573	4,459,909
Net realized and unrealized gains/(losses)	(6,572,586)	14,627,330
Investment management fees	(1,079,792)	(853,636)
Net investment income/(loss)	<u>\$ (2,213,805)</u>	<u>18,233,603</u>

As described in footnote 2, the Museum applies the fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities. This level generally includes certain U.S. large cap equities, U.S. small to mid cap equities, fixed income mutual funds, fixed income commodity funds, and State of Israel bonds that are traded in an active exchange market.

## UNITED STATES HOLOCAUST MEMORIAL MUSEUM

### Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quotes prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. This category generally includes holdings which cannot be liquidated daily including certain U.S. large cap equities, international markets equities, emerging markets equities, fixed income mutual funds, and certain high yield corporate bond funds.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This level includes financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This level generally includes global equities, certain high yield corporate bond funds, equity long/short hedge funds, event driven hedge funds, multi-strategy hedge funds, and interests in charitable trusts.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**UNITED STATES HOLOCAUST MEMORIAL MUSEUM**

Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

The following table presents financial instruments that are measured at fair value on a recurring basis at September 30, 2011:

	<b>Fair value as of September 30, 2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Investments:</b>				
Portfolio cash	\$ 19,346,927	19,346,927	—	—
U.S. large cap equities	42,437,847	18,837,478	23,600,369	—
U. S. small to mid-cap equities	13,238,493	13,238,493	—	—
International markets equities	22,839,436	—	22,839,436	—
Emerging markets equities	903,481	—	903,481	—
Global equities	6,168,573	—	—	6,168,573
Fixed income mutual funds	36,650,390	36,650,390	—	—
High yield corporate bond funds	12,348,253	—	4,063,746	8,284,507
Fixed income commodity funds	3,036,415	3,036,415	—	—
Equity long/short hedge funds	8,427,570	—	—	8,427,570
Event driven hedge funds	23,798,546	—	—	23,798,546
Multi-strategy hedge funds	7,827,165	—	—	7,827,165
State of Israel bonds	929,157	929,157	—	—
<b>Gift annuity program investments:</b>				
Portfolio cash	274,337	274,337	—	—
Domestic equities and fixed income	6,952,602	—	6,952,602	—
Long-term investments subtotal	205,179,192	92,313,197	58,359,634	54,506,361
Interests in charitable trusts - included in contributions receivable	1,049,211	—	—	1,049,211
	<u>\$ 206,228,403</u>	<u>92,313,197</u>	<u>58,359,634</u>	<u>55,555,572</u>

**UNITED STATES HOLOCAUST MEMORIAL MUSEUM**

Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

The following table presents financial instruments that are measured at fair value on a recurring basis at September 30, 2010:

	<b>Fair value as of September 30, 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Investments:</b>				
Portfolio cash	\$ 6,593,947	6,593,947	—	—
U.S. large cap equities	42,723,292	19,613,801	23,109,491	—
U. S. small to mid-cap equities	13,903,048	13,903,048	—	—
International markets equities	24,849,381	—	24,849,381	—
Emerging markets equities	1,083,848	—	1,083,848	—
Global equities	6,381,275	—	—	6,381,275
Fixed income mutual funds	38,605,949	38,605,949	—	—
High yield corporate bond funds	12,012,958	—	3,920,647	8,092,311
Fixed income commodity funds	2,908,920	2,908,920	—	—
Equity long/short hedge funds	8,536,459	—	—	8,536,459
Event driven hedge funds	21,130,994	—	—	21,130,994
Multi-strategy hedge funds	7,670,488	—	—	7,670,488
State of Israel bonds	981,892	981,892	—	—
<b>Gift annuity program investments:</b>				
Portfolio cash	161,593	161,593	—	—
Domestic equities and fixed income	5,749,403	—	5,749,403	—
Long-term investments subtotal	193,293,447	82,769,150	58,712,770	51,811,527
<b>Interests in charitable trusts - included in contributions receivable</b>				
	1,160,983	—	—	1,160,983
	<u>\$ 194,454,430</u>	<u>82,769,150</u>	<u>58,712,770</u>	<u>52,972,510</u>

**UNITED STATES HOLOCAUST MEMORIAL MUSEUM**

Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

The following table presents the Museum's activity for Level 3 assets measured at fair value on a recurring basis for the years ended September 30, 2011 and 2010:

	<b>Beginning balance October 1, 2010</b>	<b>Total gains and losses included in changes in net assets:</b>			<b>Ending balance September 30, 2011</b>
		<b>Dividend and interest income</b>	<b>Realized and unrealized gains/(losses), net</b>	<b>Purchases, sales, issuances, and settlements, net</b>	
Assets:					
Global equities	\$ 6,381,275	126,817	(339,519)	—	6,168,573
Hi yield corporate bonds	8,092,311	608,436	(416,240)	—	8,284,507
Equity long/short hedge funds	8,536,459	—	(108,889)	—	8,427,570
Event driven hedge funds	21,130,994	403,685	(69,133)	2,333,000	23,798,546
Multi-strategy hedge funds	7,670,488	24	156,653	—	7,827,165
Interest in charitable trusts	1,160,983	—	(111,772)	—	1,049,211
Total	<u>\$ 52,972,510</u>	<u>1,138,962</u>	<u>(888,900)</u>	<u>2,333,000</u>	<u>55,555,572</u>

	<b>Beginning balance October 1, 2009</b>	<b>Total gains and losses included in changes in net assets:</b>			<b>Ending balance September 30, 2010</b>
		<b>Dividend and interest income</b>	<b>Realized and unrealized gains, net</b>	<b>Purchases, sales, issuances, and settlements, net</b>	
Assets:					
Global equities	\$ 5,492,603	109,106	905,425	(125,859)	6,381,275
Hi yield corporate bonds	7,078,839	568,191	455,226	(9,945)	8,092,311
Equity long/short hedge funds	7,059,661	—	476,798	1,000,000	8,536,459
Event driven hedge funds	15,223,777	332,921	1,774,296	3,800,000	21,130,994
Multi-strategy hedge funds	10,962,534	659	555,249	(3,847,954)	7,670,488
Interest in charitable trusts	969,153	—	191,830	—	1,160,983
Total	<u>\$ 46,786,567</u>	<u>1,010,877</u>	<u>4,358,824</u>	<u>816,242</u>	<u>52,972,510</u>

**UNITED STATES HOLOCAUST MEMORIAL MUSEUM**

Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

The following table presents the nature and risk of assets with fair values estimated using net asset value (NAV) as a practical expedient held at September 30, 2011:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
U.S. large cap equities	\$ 23,600,369	—	daily to monthly	none to 10 days
International markets equities	22,839,436	—	daily to monthly	none to 30 days
Emerging markets equities	903,481	—	daily	N/A
Global equities	6,168,573	—	semi-annually	75 days
High yield corporate bond funds	12,348,253	—	monthly to quarterly	10 to 60 days
Equity long/short hedge funds	8,427,570	—	quarterly	45 days
Event driven hedge funds	23,798,546	167,000	quarterly to at maturity	none to N/A
Multi-strategy hedge funds	<u>7,827,165</u>	<u>—</u>	quarterly to at maturity	70 days to N/A
Total	\$ <u>105,913,393</u>	<u>167,000</u>		

U.S. large cap equities include investments in three funds. Two of these investments are mutual funds with values set on a daily basis and the remaining investment is estimated at fair value using NAV per share. International markets equities include investments in three funds. Two of these investments estimate fair values using the NAV per share on a monthly basis and the remaining investment is a mutual fund with a manager reported NAV based on daily closing market values. Emerging markets equities is an investment in one mutual fund with a value set on a daily basis. Global equities is also an investment in one fund which is estimated at fair values using NAV per share. For all funds where the NAV is used as a basis for estimating fair value not validated by active markers, the Museum obtains independent audited statements as of the fund's year-end and reconciles the audited balance to the Museum's reported balance.

High yield corporate bond funds is composed of two investments, a limited partnership that invests in below investment grade fixed income securities, with a focus on higher quality issues of the high yield bond market; and a limited partnership that invests in investment grade corporate bonds, high yield bonds, and bank loans. The fair value of the investments in this category is estimated using the NAV per share. The Museum obtains independent audited statements for these partnerships which are reconciled to the Museum's reported balances.

The Museum's investments in hedge funds include an investment in an equity long/short fund, four investments in event driven funds, and two investments in multi-strategy funds. The fair values in these categories are estimated using the NAV per share. The Museum obtains independent audited statements for these investments, which are reconciled to the Museum's reported balances.

**UNITED STATES HOLOCAUST MEMORIAL MUSEUM**

Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

Two of the investments in the event driven funds totaling \$10.8 million are closed ended funds that will liquidate in future periods. One investment in an event driven fund, totaling \$5 million has a remaining lockup period of nine months, and then will allow limited (25%) withdrawal of capital semi-annually. An investment of \$1.6 million in a multi-strategy hedge fund is in the process of liquidating the remaining side pocket investment. The remaining three hedge fund investments provide for either monthly or quarterly redemption.

**(5) Split-Interest Agreements**

Split-interest agreements include charitable gift annuities and interests in charitable trusts. The charitable gift annuities are valued at approximately \$7.2 million and \$5.9 million in 2011 and 2010, respectively. These investments are recognized at fair value using quoted market prices. An annuity liability for approximately \$4,808,000 and \$3,522,000 in 2011 and 2010, respectively, is reported in charitable gift annuity liabilities and represents the present value of future cash flows expected to be paid to the donor or the donor's designee. The revenue and change in value of split-interest agreements recognized for charitable gift annuities was \$655,076 and (\$103,384) in 2011 and \$481,894 and (\$225,312) in 2010.

**(6) Contributions Receivable**

Contributions receivable in the accompanying statement of financial position as of September 30, 2011 and 2010 included the following unconditional promises to give:

	<b>2011</b>	<b>2010</b>
Amounts due in:		
Less than one year	\$ 3,490,869	3,824,265
One to five years	14,939,028	13,842,987
More than five years	2,803,270	2,110,587
Subtotal	21,233,167	19,777,839
Less:		
Allowance for doubtful accounts	(885,096)	(1,394,679)
Discount to present value (1.6% – 4.9%)	(1,452,497)	(952,110)
	\$ 18,895,574	17,431,050

**UNITED STATES HOLOCAUST MEMORIAL MUSEUM**

Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

**(7) Property and Equipment**

At September 30, 2011 property and equipment consisted of the following:

	<b>Non appropriated funds</b>	<b>Appropriated funds</b>	<b>Total</b>
Buildings and capital improvement	\$ 108,896,449	19,385,075	128,281,524
Furniture and equipment	6,722,103	10,768,439	17,490,542
Exhibitions	30,044,836	10,327,067	40,371,903
Leasehold improvements	1,562,428	63,505	1,625,933
Total	<u>147,225,816</u>	<u>40,544,086</u>	<u>187,769,902</u>
Less accumulated depreciation	<u>(74,366,178)</u>	<u>(28,669,692)</u>	<u>(103,035,870)</u>
Total property and equipment	\$ <u><u>72,859,638</u></u>	<u><u>11,874,394</u></u>	<u><u>84,734,032</u></u>

At September 30, 2010 property and equipment consisted of the following:

	<b>Non appropriated funds</b>	<b>Appropriated funds</b>	<b>Total</b>
Buildings and capital improvement	\$ 108,904,865	16,605,437	125,510,302
Furniture and equipment	6,696,377	10,274,143	16,970,520
Exhibitions	30,044,836	10,327,067	40,371,903
Leasehold improvements	1,562,428	63,505	1,625,933
Total	<u>147,208,506</u>	<u>37,270,152</u>	<u>184,478,658</u>
Less accumulated depreciation	<u>(69,792,211)</u>	<u>(25,651,153)</u>	<u>(95,443,364)</u>
Total property and equipment	\$ <u><u>77,416,295</u></u>	<u><u>11,618,999</u></u>	<u><u>89,035,294</u></u>

**(8) Appropriated Funds**

The fiscal year 2011 and 2010 Federal appropriations (net of rescissions) totaled \$49,023,756 and \$49,122,000, respectively, which includes appropriations of \$1,261,472 and \$1,264,000 for exhibition design and production and \$1,896,200 and \$1,900,000 for building repair and rehabilitation, for fiscal years 2011 and 2010, to be used by the Museum until fully expended. The Museum also received additional funding for a three year appropriation in the amount of \$513,970 and \$515,000, for fiscal years 2011 and 2010, to be used for equipment replacement.

**UNITED STATES HOLOCAUST MEMORIAL MUSEUM**

Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

Below is a reconciliation of the fiscal year 2011 and 2010 Federal appropriations received to Federal appropriations expended:

	<u>2011</u>	<u>2010</u>
Federal appropriation (net of rescissions)	\$ 49,023,756	49,122,000
Unexpended appropriation – current year	(6,483,063)	(7,307,309)
Amounts obligated in previous years – expended in current year	<u>6,891,577</u>	<u>6,357,147</u>
Federal appropriation revenue	\$ <u>49,432,270</u>	<u>48,171,838</u>

Below is a reconciliation of the spending of the fiscal year 2011 and 2010 appropriations:

	<u>2011</u>	<u>2010</u>
Total expenses	\$ 50,793,811	50,111,239
Depreciation and amortization	(3,129,539)	(2,774,523)
Unpaid vacation and other unfunded expenses	(1,616,936)	(1,672,803)
Unexpended appropriation – current year	6,483,063	7,307,309
Amounts obligated in previous years – expended in current year	<u>(6,891,577)</u>	<u>(6,357,147)</u>
Capital expenditures	<u>3,384,934</u>	<u>2,507,925</u>
Federal appropriation	\$ <u>49,023,756</u>	<u>49,122,000</u>

**(9) Commitments and Contingencies**

The Museum has leases for regional offices, warehouses, and additional office space. These leases expire at various dates through 2018. Annual minimum lease payments due under operating leases in effect at September 30, 2011 are summarized as follows:

2012	\$ 2,667,468
2013	2,663,394
2014	2,701,115
2015	2,391,302
2016	1,979,755
Thereafter	<u>2,381,848</u>
	\$ <u>14,784,882</u>

Rent expense for fiscal year 2011 and 2010 was \$2,784,216 and \$2,780,506, respectively. This amount was comprised of appropriated funds and nonappropriated funds of \$2,451,737 and \$332,479 and \$2,432,879 and \$347,627 in 2011 and 2010, respectively.

# UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

### **(10) Retirement Plans**

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 (the Systems) 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 fiscal year 2011 and 2010 was \$3,101,075 and \$3,023,689, respectively.

The Museum recognizes the cost of pensions and other retirement benefits during its 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 fiscal year 2011 and 2010, the Museum, utilizing OPM's cost factors, recognized \$401,531 and \$484,402 of pension expenses, \$1,072,806 and \$1,045,362 of postretirement health benefits expenses, and \$3,019 and \$2,917, respectively, of post-retirement life insurance expenses, beyond amounts actually paid. The Museum recognized offsetting revenue of \$1,477,356 and \$1,532,681 in 2011 and 2010, respectively, as an imputed financing source to the extent these intergovernmental expenses will be paid by OPM.

The Museum sponsors a defined contribution salary deferral 403(b) plan for its nonappropriated fund employees. Starting January 1, 2007, the Museum contributes 8% of annual pay for each eligible employee. In addition, the Museum matches 100% of the participant contributions up to 4% of annual pay. The Museum's expense for the 403(b) plan in 2011 and 2010 was \$1,759,612 and \$1,782,416, respectively.

### **(11) Federal Employees' Compensation Act Actuarial Liability**

The Department of Labor (DOL) provided the Museum with the calculation model and ratios to determine this liability as of September 30, 2011 and 2010. The Museum recognizes the actuarial cost of future Federal Employees' Compensation Act (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 plus a component for incurred but not reported claims. 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 fiscal year 2011 and 2010. The fiscal year 2011 and 2010 appropriated actuarial liability is \$230,500 and \$177,941, and the fiscal year 2011 and 2010 nonappropriated actuarial liability is \$394,720 and \$379,440, respectively.

The FECA actuarial liability is recorded for financial reporting purposes only. This liability constitutes an extended future estimate of cost which will not be obligated against budgetary resources until the fiscal

**UNITED STATES HOLOCAUST MEMORIAL MUSEUM**

Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

year in which DOL actually bills the cost to the Museum. The cost associated with this liability cannot be met by the Museum without further appropriation action.

An unfunded liability is recorded for future payments to be made for workers' compensation pursuant to FECA. The liability consists of the un-reimbursed cost paid by 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 appropriated and nonappropriated funds will be used to reimburse DOL for appropriate payments. The fiscal year unfunded liability for the Museum's appropriated employees is \$280 and \$15,179 in 2011 and 2010, respectively. The fiscal year unfunded liability for the Museum's non-appropriated employees is \$342 and \$18,271 in 2011 and 2010 respectively.

**(12) Temporarily Restricted Net Assets**

Temporarily restricted net assets at September 30, 2011 and 2010 are available for the following programs or periods:

	<u>2011</u>	<u>2010</u>
Contributions to be received in future periods – for general use	\$ 5,668,610	4,026,884
Secure the future	5,018,563	5,690,641
National Institute for Holocaust Education	10,495,667	10,219,283
Rescue the evidence	4,269,601	4,590,223
Center for Advanced Holocaust Studies	8,887,144	9,193,785
Committee on conscience	<u>2,379,031</u>	<u>2,182,788</u>
Total temporarily restricted net assets	<u>\$ 36,718,616</u>	<u>35,903,604</u>

**(13) Permanently Restricted Net Assets**

At September 30, 2011 and 2010 permanently restricted net assets are restricted in perpetuity, the income from which is expendable to support the following purposes:

	<u>2011</u>	<u>2010</u>
Secure the future	\$ 99,909,796	80,493,447
National Institute for Holocaust Education	14,812,579	14,273,585
Rescue the evidence	1,765,879	1,779,372
Center for advanced Holocaust Studies	18,040,442	18,494,662
Committee on conscience	<u>2,858,447</u>	<u>2,914,471</u>
Total permanently restricted net assets	<u>\$ 137,387,143</u>	<u>117,955,537</u>

## UNITED STATES HOLOCAUST MEMORIAL MUSEUM

### Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

#### (14) Contributed Services

In-kind contributions of goods and services totaling \$16,836 and \$26,442 were received by the Museum during the fiscal years ended September 30, 2011 and 2010, respectively. This amount has been recognized as revenue and expense in the accompanying statement of activities. In addition to the contributed services recognized in the financial statements, the Museum has more than 400 volunteers, including 98 Holocaust survivors, donating more than 40,000 hours annually. The value of these contributions cannot be objectively measured and do not meet the criteria for recognition of in-kind contributions, and accordingly, are not recognized in the financial statements.

#### (15) Endowment

On January 23, 2008, the District of Columbia adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which defines a robust set of guidelines about what constitutes prudent spending of endowment funds. The Museum, as an independent establishment of the United States Government, has constitutional immunity from regulation by states as conferred by the Supremacy Clause of the Constitution and as such is not subject to and has not adopted the provisions of UPMIFA.

The Museum's endowment consists of 61 individual funds established for a variety of purposes including donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. In accordance with U.S. generally accepted accounting principles, the Museum discloses the activities related to the donor-restricted and board designated endowment funds.

Endowment net assets consist of the following at September 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 5,943,183	7,535,076	131,813,030	145,291,289
Funds functioning as endowment	51,907,117	—	—	51,907,117
Total	<u>\$ 57,850,300</u>	<u>7,535,076</u>	<u>131,813,030</u>	<u>197,198,406</u>

Endowment net assets consist of the following at September 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 14,609,084	8,934,957	113,295,970	136,840,011
Funds functioning as endowment	50,002,047	—	—	50,002,047
Total	<u>\$ 64,611,131</u>	<u>8,934,957</u>	<u>113,295,970</u>	<u>186,842,058</u>

**UNITED STATES HOLOCAUST MEMORIAL MUSEUM**

Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

Changes in endowment net assets for the year ended September 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2010	\$ 64,611,131	8,934,957	113,295,970	186,842,058
Investment return:				
Investment income	3,824,533	779,710	620,101	5,224,344
Net appreciation/depreciation	<u>(5,284,162)</u>	<u>7,884</u>	<u>(1,502,935)</u>	<u>(6,779,213)</u>
Total investment return	(1,459,629)	787,594	(882,834)	(1,554,869)
Contributions	—	—	19,399,894	19,399,894
Payout of endowment assets for expenditure	(6,271,965)	(2,187,475)	—	(8,459,440)
Additions to Board Designated	<u>970,763</u>	<u>—</u>	<u>—</u>	<u>970,763</u>
Endowment net assets, September 30, 2011	\$ <u>57,850,300</u>	<u>7,535,076</u>	<u>131,813,030</u>	<u>197,198,406</u>

Changes in endowment net assets for the year ended September 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2009	\$ 53,816,792	7,681,838	109,961,174	171,459,804
Investment return:				
Investment income	3,187,582	661,797	463,822	4,313,201
Net appreciation/depreciation	<u>11,842,098</u>	<u>1,961,291</u>	<u>(1,045,482)</u>	<u>12,757,907</u>
Total investment return	15,029,680	2,623,088	(581,660)	17,071,108
Contributions	—	—	4,519,827	4,519,827
Payout of endowment assets for expenditure	(6,259,784)	(1,369,969)	(603,371)	(8,233,124)
Additions to Board Designated	<u>2,024,443</u>	<u>—</u>	<u>—</u>	<u>2,024,443</u>
Endowment net assets, September 30, 2010	\$ <u>64,611,131</u>	<u>8,934,957</u>	<u>113,295,970</u>	<u>186,842,058</u>

# UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## Notes to Financial Statements

September 30, 2011

(with comparative information for the year ended September 30, 2010)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or U.S. generally accepted accounting principles requires the Museum to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$183,198 and \$158,069 as of September 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Council. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

The Museum has adopted investment and spending policies that provide a predictable stream of funding to programs while maintaining the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity or for a donor-specified period. Under these policies, as approved by the Museum's Council, endowment assets are invested in a manner to attain an average annual real return (net of management fees) of at least 5%, with adjustments for inflation (as measured by the CPI(U) index), over a period of five years. It is recognized that the real return objective may be difficult to attain in every five-year period, but should be attainable over a series of five-year periods.

To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places emphasis on investments in equities, fixed income and alternative investment funds in a 60, 30, and 10% ratio to achieve its long-term return objectives within prudent risk constraints.

The Museum has a policy of distributing each year 5% of its endowment funds' average fair value using the prior 12 quarters through June 30<sup>th</sup> preceding the fiscal year in which the distribution is planned. In establishing these policies, the Museum considered the expected return on its endowment. Accordingly, the Museum expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

### **(16) Risks and Uncertainties**

The Museum invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

### **(17) Subsequent Events**

Management has performed an evaluation of subsequent events through November 15, 2011, which is the date that the financial statements were available to be issued, noting no events which affect the financial statements as of September 30, 2011.

## UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## Schedule of Budgetary Resources – Appropriated Funds

Years ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Budgetary resources:		
Unobligated balance, brought forward, October 1	\$ 3,727,708	5,239,372
Recoveries of prior year unpaid obligations	127,410	37,744
Budgetary authority appropriations received	49,122,000	49,122,000
Spending authority from offsetting collections	56,415	31,529
Rescission	(98,244)	—
Canceled appropriation – permanently not available	(257,456)	(494,986)
Total budgetary resources	<u>\$ 52,677,833</u>	<u>53,935,659</u>
Status of budgetary resources:		
Obligations incurred	\$ 47,226,969	50,207,951
Unobligated balance – available apportioned	4,617,411	3,179,946
Unobligated balance not available	833,453	547,762
Status of budgetary resources	<u>\$ 52,677,833</u>	<u>53,935,659</u>
Change in obligated balance:		
Obligated balances (net):		
Unpaid obligations, brought forward, October 1	\$ 12,215,148	8,880,195
Obligations incurred (net)	47,226,969	50,207,951
Less gross outlays	(49,829,004)	(46,835,254)
Less recoveries of prior year unpaid obligations (actual)	(127,410)	(37,744)
Obligated balances, (net) end of year	<u>\$ 9,485,703</u>	<u>12,215,148</u>
Net outlays:		
Gross outlays	\$ 49,829,004	46,835,254
Less offsetting collections	(56,415)	(31,529)
Net outlays	<u>\$ 49,772,589</u>	<u>46,803,725</u>

See accompanying independent auditors' report.

## UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## Schedule of Net Cost – Appropriated Funds

Years ended September 30, 2011 and 2010

	<b>2011</b>		
	<b>Intra- government</b>	<b>Public</b>	<b>Total</b>
Program costs:			
Museum operations	\$ 3,930,202	18,445,395	22,375,597
Center for Advanced Holocaust Studies	494,350	2,061,569	2,555,919
National Institute for Holocaust Education	847,292	4,338,363	5,185,655
Collections	1,233,014	4,393,061	5,626,075
Digital outreach	204,731	1,700,979	1,905,710
Other programs	393,111	1,127,743	1,520,854
Management and general	1,798,688	9,825,313	11,624,001
Net cost of operations	<u>\$ 8,901,388</u>	<u>41,892,423</u>	<u>50,793,811</u>
	<b>2010</b>		
	<b>Intra- government</b>	<b>Public</b>	<b>Total</b>
Program costs:			
Museum operations	\$ 4,334,236	18,201,626	22,535,862
Center for Advanced Holocaust Studies	444,255	1,817,293	2,261,548
National Institute for Holocaust Education	837,601	4,379,003	5,216,604
Collections	1,172,636	4,245,945	5,418,581
Committee on conscience	32,636	84,285	116,921
Digital outreach	197,247	1,453,947	1,651,194
Other programs	428,287	1,292,152	1,720,439
Management and General	1,928,615	9,261,475	11,190,090
Net cost of operations	<u>\$ 9,375,513</u>	<u>40,735,726</u>	<u>50,111,239</u>

See accompanying independent auditors' report.

## UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## Schedule of Changes in Net Position – Appropriated Funds

Years ended September 30, 2011 and 2010

	2011		2010	
	<u>Cumulative results of operations</u>	<u>Unexpended appropriations</u>	<u>Cumulative results of operations</u>	<u>Unexpended appropriations</u>
Beginning balances	\$ 10,055,161	12,039,224	10,461,881	11,582,852
Budgetary financing sources:				
Appropriations received (current period)	—	49,122,000	—	49,122,000
Rescissions	—	(98,244)	—	—
Canceled expired appropriations	—	(257,456)	—	(494,986)
Adjustment	—	—	—	1,196
Appropriations used	49,432,270	(49,432,270)	48,171,838	(48,171,838)
Other financing resources:				
Imputed financing from costs absorbed by others	1,477,356	—	1,532,681	—
Total financing sources	<u>50,909,626</u>	<u>(665,970)</u>	<u>49,704,519</u>	<u>456,372</u>
Total	60,964,787	11,373,254	60,166,400	12,039,224
Net cost of operations	<u>50,793,811</u>	<u>—</u>	<u>50,111,239</u>	<u>—</u>
Ending balances	\$ <u>10,170,976</u>	<u>11,373,254</u>	<u>10,055,161</u>	<u>12,039,224</u>

See accompanying independent auditors' report.

## UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## Schedule Reconciling Net Cost of Operations to Budget – Appropriated Funds

Years ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Total resources used to finance activities:		
Obligations, offsetting receipts, imputed financing sources	\$ 48,520,500	51,590,390
Change in budgetary resources obligated for goods and services	2,392,044	(1,887,468)
Resources that finance the acquisition of capital assets	<u>(3,384,934)</u>	<u>(2,507,925)</u>
Total resources used to finance the net cost of operations	<u>47,527,610</u>	<u>47,194,997</u>
Components requiring or generating resources in future periods:		
Annual leave liability increase	101,920	81,162
Unfunded FECA, NonBudgetary Receivables, Actuarial FECA	34,742	60,557
Components not requiring or generating resources:		
Depreciation and amortization	<u>3,129,539</u>	<u>2,774,523</u>
Total components of the net cost of operations that will not require or generate resources in the current period	<u>3,266,201</u>	<u>2,916,242</u>
Net cost of operations	<u><u>\$ 50,793,811</u></u>	<u><u>50,111,239</u></u>

See accompanying independent auditors' report.

## UNITED STATES HOLOCAUST MEMORIAL MUSEUM

## Schedule of Claims Conference Payments

Year ended September 30, 2011

<u>Grant award</u>	<u>Payments</u>
112-30448-7	\$ 702
162-30448-9	15,929
192-30448-11	13,263
222-304448-16	94,624
252-30448-18	247,186
S028-7016-21	200,000
SO28-7538-22	49,500
SO28-7730-24	114,280
SWVLP-8135-25	42,101
SWVLP-8442-27	562,798
Fund S033/App. 10298	451,993
Fund SWVLP/App. 11151	56,409
Fund S029/App. 8534	45,000
SWVLP/App. 11233	268,631
Fund S029/App. 11770	244,201
	<hr/>
Fiscal year 2011 payments to USHMM	\$ <u><u>2,406,617</u></u>

See accompanying independent auditors' report.



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## Independent Auditors' Report on Internal Control over Financial Reporting

Council Members

United States Holocaust Memorial Museum:

We have audited the statement of financial position of the United States Holocaust Memorial Museum (the Museum) as of September 30, 2011, and the related statements of activities, and cash flows (hereinafter referred to as financial statements) for the year then ended, and have issued our report thereon dated November 15, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Museum is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2011 audit, we considered the Museum's internal control over financial reporting by obtaining an understanding of the Museum's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We noted certain additional matters, which are not considered significant deficiencies or material weakness, that will be reported to management of the museum in a separate letter.

Our consideration of internal control over financial reporting was for the limited purpose described in the third paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2011 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



This report is intended solely for the information and use of the Museum's management, Council Members, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 15, 2011



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## Independent Auditors' Report on Compliance and Other Matters

Council Members

United States Holocaust Memorial Museum:

We have audited the statement of financial position of the United States Holocaust Memorial Museum (the Museum) as of September 30, 2011, and the related statements of activities, and cash flows (hereinafter referred to as financial statements) for the year then ended, and have issued our report thereon dated November 15, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Museum is responsible for complying with laws, regulations, and contracts applicable to the Museum. As part of obtaining reasonable assurance about whether the Museum's fiscal year 2011 financial statements are free of material misstatement, we performed tests of the Museum's compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts and grant agreements applicable to the Museum. 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 of compliance described in the preceding paragraph of this report disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

This report is intended solely for the information and use of the Museum's management, Council Members, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

November 15, 2011