

PERFORMANCE AND ACCOUNTABILITY REPORT

FISCAL YEAR 2016

October 1, 2015 – September 30, 2016

Submitted November 14, 2016

UNITED STATES
HOLOCAUST
MEMORIAL
MUSEUM

www.ushmm.org

**United States Holocaust
Memorial Museum**

Performance and Accountability Report
Year ended September 30, 2016

United States Holocaust Memorial Museum

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United States Holocaust Memorial Museum

Message from the Director

November 14, 2016

When the Museum opened in 1993, its founders knew that its message was timeless, but they could not have imagined that in the 21st 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 ideological extremism, rising antisemitism, and continuing genocide, our work has never been more urgent. We believe that our programs for teachers and youth as well as law enforcement officers, and members of the judiciary and military help people understand their personal and professional roles in advancing American values of liberty, dignity, and pluralism.

Through its onsite programs, outreach activities, and website, 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 high demand for our programs, the Museum will continue in Fiscal Year 2017 to bring these lessons to millions more.



Sara J. Bloomfield
Director

United States Holocaust Memorial Museum

Statement of Assurance

November 14, 2016

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 provides 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*.
- (3) The financial management systems of this agency provide reasonable assurances that: obligations and costs are in compliance with applicable laws; 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 *Federal Managers' Financial Integrity Act* is not required.
- (5) No material weaknesses are identified.



Sara J. Bloomfield
Director

United States Holocaust Memorial Museum

Management's Discussion and Analysis (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, 2016 and 2015 (FY 2016 and FY 2015), respectively. The purpose of this information is to assist readers of these statements to better understand the Museum's financial position and operating activities.

A living memorial to the Holocaust, the United States Holocaust Memorial Museum inspires citizens and leaders worldwide to confront hatred, prevent genocide, and promote human dignity. Located among our national monuments to freedom on the National Mall, the Museum provides a powerful lesson in the fragility of freedom, the myth of progress, and the need for vigilance in preserving democratic values.

The Museum's primary mission is to advance and disseminate knowledge about the Holocaust; to preserve the memory of those who suffered; and to encourage reflection on the moral and spiritual questions raised by the events of the Holocaust and the personal responsibilities of the citizens of a democracy. The Museum strives to broaden public understanding of the history of the Holocaust through educational programs; exhibitions; research and publication; collecting and preserving material evidence, art and artifacts related to the Holocaust; annual Holocaust commemorations known as Days of Remembrance; education; and public programming designed to enhance understanding of the Holocaust and related issues, including those of contemporary significance.

The Museum is a public-private partnership that receives an annual Federal appropriation and private donations. The Federal appropriation primarily supports operation of the Museum facility. Private (non-appropriated) funding primarily supports the educational programming, scholarly activities, and outreach.

Performance Goals and Results

Following extraordinary success in its first twenty years, the Museum has a strategic plan that provides a vision and framework for its activities through its third decade. The Museum had 36 established objectives for FY 2016 related to education, remembrance, research and infrastructure support. The Museum met or exceeded 24 objectives, and 12 objectives were met and are still ongoing.

Financial Statements Summary

The Museum's financial position remained strong at September 30, 2016 and 2015, with total assets of approximately \$551.5 million and \$474.8 million and total liabilities of approximately \$66.2 million and \$38.7 million, respectively. Net assets, which represent the residual interest in the Museum's assets after liabilities are deducted, are \$485.3 million, an 11.3% increase from the prior fiscal year.

The \$49.2 million increase in net assets is primarily attributable to an increase in long term investments. We had investment returns of \$23.4 million in FY 2016 and invested \$20.2 million of new endowment contributions.

United States Holocaust Memorial Museum

Management's Discussion and Analysis (Unaudited)

Statement of Financial Position

Contributions Receivable

The Museum has gross contributions receivable of \$78.5 million. Of these receivables, \$16.1 million are current and \$62.4 million are due after one year. Contribution receivables, net of allowance for doubtful accounts and discounted to present value, is \$60.6 million. The \$8.9 million increase from last year represents continued success in the five-year capital campaign.

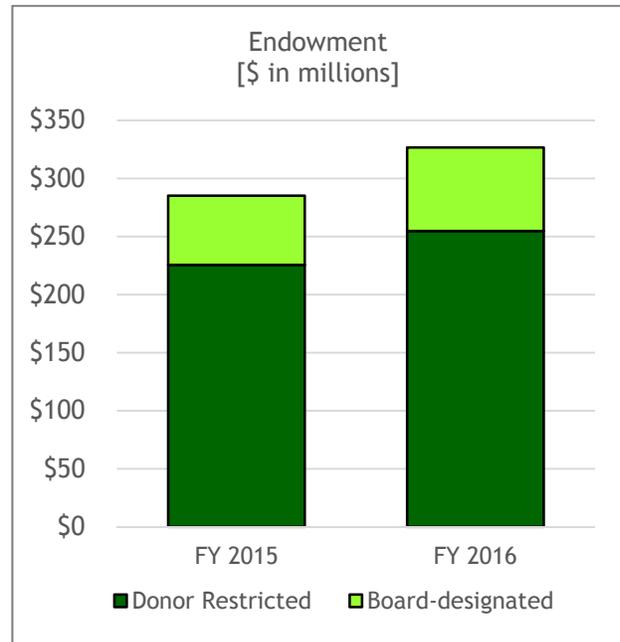
Long-Term Investments

Long-term investments consist mostly of endowment funds intended to provide long-term financial security for the Museum. Under the direction of the Investment Committee of the Council and a highly qualified investment consultant, the Museum invests in a diversified portfolio of equities, fixed income securities, alternatives, private equity and multi-asset strategies. All endowment funds are managed in a single investment pool.

The market value of investments totals \$360.5 million, an increase of 13.0% from last fiscal year. Investment results in FY 2016 were a net gain of \$23.4 million, which includes interest and dividend income of \$7.5 million, investment management fees of (\$1.1 million), and a \$17.0 million change in the market value of the portfolio.

The Museum's endowment is 90.6% of the investment balance, and consists of donor-restricted endowments and Board-designated and other unrestricted funds. As of September 30, 2016 and 2015 the donor-restricted endowment balances totaled \$254.8 million and \$225.6 million, respectively. The Board-designated and other endowment balance was \$71.9 million and \$59.5 million for FY 2016 and FY 2015, respectively.

The \$41.5 million increase in the value of the endowment from the end of FY 2015 to the end of FY 2016 was the result of \$20.2 million in new endowment contributions, \$21.3 million in total net investment returns, an addition of \$12.6 million to the Board-designated endowment, less distributions of (\$12.6 million) to support Museum activities. Distribution amounts were consistent with the Museum's spending policies, which aim to preserve capital while providing ongoing support for the Museum's mission.



Property and Equipment

Property and equipment is \$103.2 million and consists of \$3.2 million in land, \$166.6 million in buildings and capital improvements, \$22.1 million in furniture and equipment, \$44.3 million in the permanent exhibition and other exhibitions and \$1.8 million in leasehold improvements, less

United States Holocaust Memorial Museum

Management's Discussion and Analysis (Unaudited)

accumulated depreciation and amortization of \$134.8 million. The \$24.5 million increase compared to FY 2015 is mainly due to the construction of the new David and Fela Shapell Family Collections, Conservation and Research Center (SCCRC).

Liabilities

Liabilities of \$66.2 million consist of accounts payable and accrued expenses, charitable gift annuity liabilities, unexpended federal appropriations, and liabilities related to a loan. During FY 2016, the Museum began to draw down on a term loan for some expenses of constructing the new SCCRC that is expected to be occupied in early 2017. As of September 30, 2016, the outstanding loan balance was \$22.4 million, accounting for most of the \$27.6 million increase in liabilities.

Net Assets/Federal Equity

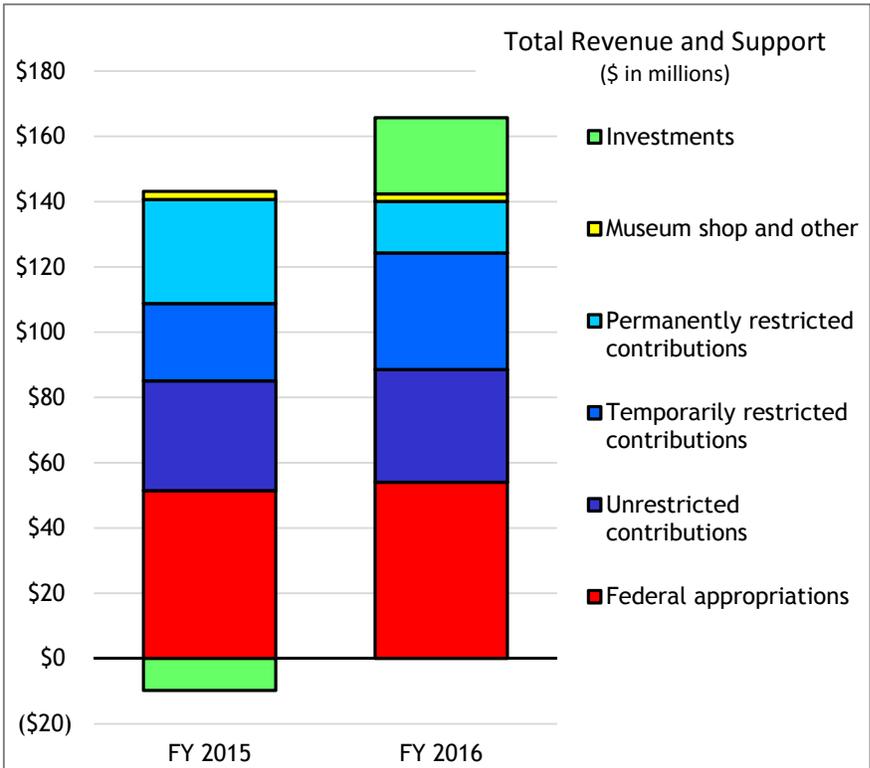
The Museum has total equity of \$485.3 million of which \$233.9 million is permanently restricted and \$105.2 million is temporarily restricted by donors. The Museum's equity includes investments in the Museum buildings and exhibitions in addition to the endowment.

Statement of Activities

The Statement of Activities presents the Museum's annual results of financial activity and matches revenues to related expenses. The statement summarizes the annual gain/loss in equity, which was a gain of \$49.2 million in FY 2016.

Total FY 2016 revenue and support was \$165.7 million, an increase of \$32.4 million compared to FY 2015. That increase was the result of a \$23.4 million net investment gain in FY 2016 compared to a (\$9.8 million) net loss for FY 2015.

Non-appropriated sources, which includes the investment returns, provided 67.4% and 61.4% of total revenue and support in FY 2016 and FY 2015 respectively.



Total FY 2016 expenses were \$116.5 million, up by \$11.9 million (11.4%) from FY 2015 due to higher total staff compensation and benefits costs and improvements to our collections including new acquisitions and our sustained effort to expand access to our collections through digitization of archival materials.

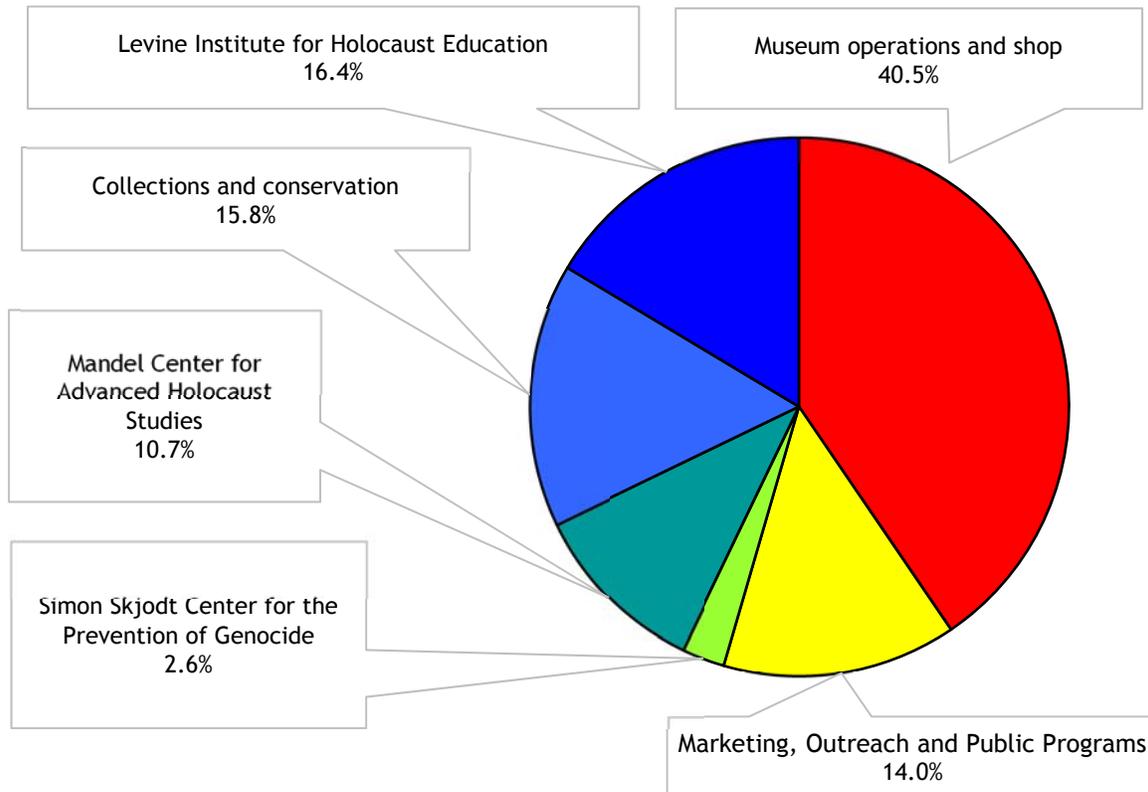
United States Holocaust Memorial Museum

Management's Discussion and Analysis (Unaudited)

Program services continue to consume more than 70.4% of total expenses (\$82.1 million) as detailed on the chart below. Museum operations and services account for 40.5% of our program expenses.

The Levine Institute for Holocaust Education is 16.4% of total program expenses. The Levine Institute creates our exhibitions and produces educational programs for students and teachers, military and civilian leaders, law enforcement and the judiciary. The Levine Institute is also the hub for many digital activities that include in FY 2016, *History Unfolded*, a citizen history project that sends individuals to their local libraries to research local publications from the 1930's and 1940's and contribute to our understanding of what was known in this country - and when - as the Holocaust was happening in Europe.

Another 15.8% is spent on collections and conservation of historical artifacts, documents, photographs, films, recordings and the other evidence of the Holocaust. Digitization expands access to our collection well beyond the walls of the Museum to anyone with an internet connection.



The Museum's Jack, Joseph and Morton Mandel Center for Advanced Holocaust Studies spends 10.7% of our program funds on research workshops, in-residence fellowships, faculty seminars, graduate student research assistantships, and other programs that help ensure the development of future generations of Holocaust studies scholars. The Mandel Center for Advanced Holocaust Studies also develops and coordinates symposia, conferences, archival acquisition and publications.

United States Holocaust Memorial Museum

Management's Discussion and Analysis (Unaudited)

The Simon-Skjodt Center for the Prevention of Genocide, 2.6% of the total programs expense, is dedicated to stimulating timely global action to prevent genocide and to catalyze an international response when genocide does occur.

Marketing, outreach and public programs extend the reach of all programs to audiences beyond those who visit the Museum through events around the country, live streaming and publications.

Support services include the technical infrastructure that enlivens our Museum exhibitions, enables worldwide access to our collections, and delivers educational programs through our website. Support services also include executive leadership, fundraising, finance, human resources and other functions that support all of the Museum's activities.

Management Integrity: Controls and Compliance

The Museum maintains a comprehensive management control program through the activities of its internal auditor and the Audit Committee of the governing board of trustees known as the United States Holocaust Memorial Museum Council (the Council), 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.

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

The Director's Statement of Assurance in the Performance and Accountability Report, 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. Museum management evaluates each fundraising activity to ensure that the levels of expenditures are fully justified and are producing the expected return on investment. Museum officials are available to discuss this work upon request.

United States Holocaust Memorial Museum

Management's Discussion and Analysis (Unaudited)

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

Demand for the Museum's programs has been growing nationally and internationally as the lessons of the Holocaust become increasingly relevant to our own times. The current level of Federal funding covers the basic operating costs of the Museum facility, but the Museum depends on substantial private support for other programs and outreach. The Museum is committed to building the institution's endowment so that our programs will continue as the Holocaust recedes in time. We are proud of the impact of our programs, and our productive investment in fundraising increases our confidence that the Museum will remain financially resilient.

United States Holocaust Memorial Museum

Government Performance and Results Act Annual Performance Plan - FY 2016

SUMMARY ANNUAL PERFORMANCE REPORT

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:

- Build the Collection of Record (Acquire, Preserve, Make Accessible)
- Expand and Diversify our Audiences (Global, Digital Engagement)
- Secure the Future of the Museum (Campaign)

Strategic Plan Summary

Museum's Vision

- The permanence of Holocaust memory, understanding, and relevance
- A world in which people confront hatred, prevent genocide, and promote human dignity

Our Approach

The Museum is a memorial to the victims and focuses on documenting, examining and teaching how and why the Holocaust happened, targeting two major audiences—leaders and youth.

The Holocaust is a warning that the unthinkable is possible and that human nature makes all of us susceptible to the abuse of power, a belief in the inferiority of “the other” and the ability to justify any behavior—including inaction. Its significance is not only that it happened, but that it happened in one of the most educated, advanced regions of the world, and was led by a nation, albeit a struggling one, with a democratic constitution, a rule of law, and freedom of expression.

A harsh reminder of human nature and the fragility of societies, the Museum motivates citizens and leaders to work proactively to protect free societies and prevent future genocides.

United States Holocaust Memorial Museum

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SUMMARY ANNUAL PERFORMANCE REPORT

Program Priorities

- Increase the visibility, impact and productivity of the field of Holocaust studies in the U.S. and abroad.
- Ensure that learning how and why the Holocaust happened is an important component of the education of American citizens and professions responsible for life and liberty and that it strengthens critical thinking about their role in society.
- Raise the level of Holocaust discourse and the legitimacy of the Holocaust in countries of influence where there is rising antisemitism and denial.
- Ensure that the US government has institutionalized structures, tools and policies aimed at preventing and responding to genocide and other mass atrocities.
- Stimulate global conversations on the lessons and legacies of the Holocaust.

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, the Office of Management and Budget (OMB), and the Congress. The Museum's Government Performance and Results Act (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 Performance Plan to FY 2016 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 2016 performance plan through narrative descriptions of each budget activity. The public-private partnership adds nonappropriated sources of funding that are applied to the goals in addition to federal funds. The nonappropriated budget, however, is not determined until the year immediately preceding the budget year, so it is not included in the presentation.

United States Holocaust Memorial Museum

Government Performance and Results Act Annual Performance Plan - FY 2016

SUMMARY ANNUAL PERFORMANCE REPORT

Note on Changes to the Performance and Accountability Report

In FY 2016, the Museum undertook to better align its annual Performance and Accountability Report with OMB guidance and so to improve compliance with OMB Circular A-11. The changes are largely technical, and include:

- Reporting five-years' worth of performance data, where available.
- Reporting performance status as either meeting targets ("met") where there's a year-over-year increase or as "on-going" where the Museum has not set targets because of the nature of the work. In these cases, the Museum is cultivating partnerships and encouraging adoption of the Museum's educational resources. The Museum recognizes that the work is cumulative and continuous.

United States Holocaust Memorial Museum

Government Performance and Results Act Annual Performance Plan - FY 2016

SUMMARY ANNUAL PERFORMANCE REPORT

Consolidated status of all objectives

Budget authority applied:

	FY 2016	FY 2015
Appropriated	\$ 56,700,000	\$ 52,210,000
Nonappropriated	53,875,000	49,840,000
Total	\$110,575,000	\$102,050,000

Status of objectives:

	FY 2016 Results		FY 2015
No specific targets	0	0%	0%
Met or exceeded targets	24	67%	94%
Met targets and ongoing	12	33%	3%
Deferred	0	0%	3%
Not met	0	0%	0%

Major Accomplishment Highlights:

- Continued construction of the state-of-the-art facility, which will protect and conserve the Museum's collections. The new facility will be known as The David and Fela Shapell Family Collections, Conservation and Research Center and is being built with private funds. Occupancy anticipated in the second quarter of FY 2017.
- Led the 2016 *Days of Remembrance* annual commemoration and national outreach effort.

United States Holocaust Memorial Museum

Government Performance and Results Act Annual Performance Plan - FY 2016

SUMMARY ANNUAL PERFORMANCE REPORT

GOAL: Build the Collection of Record; Expand and Diversify our Audiences

Budget authority applied to this goal:

	FY 2016	FY 2015
Federal	\$ 48,380,000	\$ 43,930,000
Nonappropriated	23,405,000	22,640,000
Total	\$ 71,785,000	\$ 66,570,000

Status of objectives:

	FY 2016 Results		FY 2015
No specific targets	0	0%	0%
Met or exceeded targets	21	68%	97%
Met targets and ongoing	10	32%	0%
Deferred	0	0%	3%
Not met	0	0%	0%

Major objectives:

- Build and preserve for posterity the fully accessible collection of the record of the Holocaust.
- Increase the visibility, impact and productivity of the field of Holocaust studies in the United States and abroad.
- Ensure that learning how and why the Holocaust happened is an important component of the education of American citizens and professions responsible for life and liberty and that it strengthens critical thinking about their role in society.
- Raise the level of Holocaust discourse and the legitimacy of the Holocaust in countries of influence where there is rising antisemitism and denial.
- Ensure that the United States government has institutionalized structures, tools and policies aimed at preventing and responding to genocide and other mass atrocities.

Highlights:

- Traveled four exhibitions to 11 venues in eight U.S. states, which were viewed by more than 100,000 people. In addition, two exhibitions were on view in Israel and France, drawing more than 60,000 additional international visitors.

United States Holocaust Memorial Museum

Government Performance and Results Act Annual Performance Plan - FY 2016

SUMMARY ANNUAL PERFORMANCE REPORT

GOAL: Secure the Future of the Museum

Budget authority applied to this goal:

	FY 2016	FY 2015
Appropriated	\$ 8,320,000	\$ 8,280,000
Nonappropriated	30,470,000	27,200,000
Total	\$ 38,790,000	\$ 35,480,000

Status of objectives:

	FY 2016 Results		FY 2015
No specific targets	0	0%	0%
Met or exceeded targets	3	60%	88%
Met targets and ongoing	2	40%	12%
Deferred	0	0%	0%
Not met	0	0%	0%

Major objectives:

- Undertake fundraising efforts to fulfill the strategic plan and integrate fundraising plans with programmatic priorities.
- Pursue continuous improvement and excellence in financial and human capital management, information technology support, and Museum management and governance.

Highlights:

- Raised \$60.4 million, including \$14.7 million in contributions and pledges for the endowment.
- Continued a major effort to update and operationalize the Museum's strategic plan.

United States Holocaust Memorial Museum

Government Performance and Results Act Annual Performance Plan - FY 2016

STRATEGIC OBJECTIVE: Building the Collection of Record (Acquire, Preserve, Make Accessible)

Priority Outcome	Indicator	FY16 Actual*	FY15 Actual	FY14 Actual	FY13 Actual	Performance Status (target met or work ongoing)
Build and preserve for posterity the fully accessible collection of the record of the Holocaust	Increase the number of new acquisitions	6,161	6,018	5,583	5,702	Met
	Increase the number of records in the online catalog	256,560	250,216	245,994	230,737	Met
	Increase the percentage of items cataloged^	70%	62%	65%	66%	Met
	Increase the percentage of items digitized^	20%	18%	18%	N/A	Met
	Increase the number of names indexed in Holocaust Survivors & Victims Database	1,035,416	864,152	654,774	456,053	Met
	Increase the number of searches conducted in the online catalog	738,753	668,115	519,608	242,534	Met
	Increase the number of reference inquiries resolved	31,033	29,124	25,492	18,840	Met
	Increase the number of items inventoried	33,226	N/A	N/A	N/A	Met

United States Holocaust Memorial Museum

Government Performance and Results Act Annual Performance Plan - FY 2016

STRATEGIC OBJECTIVE: Building the Collection of Record (Acquire, Preserve, Make Accessible)

Priority Outcome	Indicator	FY16 Actual*	FY15 Actual	FY14 Actual	FY13 Actual	Performance Status (target met or work ongoing)
	Increase the number of items surveyed for conservation and transportation	96,000	N/A	N/A	N/A	Met

* Includes all formats – archival collections, artifact collections, books & other published materials, historical film collections, oral histories, and photographs. Totals combine counts of collections or individual items, depending upon format.

^ Some collections and items are restricted by copyright or contractual agreement to internal-only access, and associated records may also be restricted.

Building the Collection of Record on the Holocaust, preserving it for posterity, and ensuring its global accessibility provide the foundation for education, exhibitions, and scholarship. The collection – the most comprehensive anywhere – includes documentation from survivors, victims, rescuers, perpetrators, and bystanders. This body of evidence serves as an authentic witness to the Holocaust and as a permanent rejoinder to those who deny or distort this history. The Museum is in a race against time to collect the substantial material still remaining with individuals and institutions worldwide, which if not acquired now, may be lost forever. In FY 2016, the Office of Collections, which is responsible for this foundational work, advanced its priority outcome in its three core functional areas.

Acquisitions

The Museum acquired 6,161 new collections across various formats, including archival and artifact collections, books/published materials, historical films, oral histories, and photographs, and especially pursued resources related to diverse victim groups and to American responses to the Holocaust. Highlights include:

- *Primo Levi Manuscript Collection*, including the original typescript working draft of *Se questo è un Uomo (If This is a Man)*, the personal account of survival in Auschwitz by Italian Jewish author, Primo Levi, donated by his family.
- *Exodus Flag (Blue and White Zionist Flag with a Star of David, Removed from the Mast of the Ship, Exodus 1947)*, flown on the ship during the ill-fated attempt to smuggle Holocaust survivors from Europe to Palestine.

United States Holocaust Memorial Museum

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STRATEGIC OBJECTIVE: Building the Collection of Record (Acquire, Preserve, Make Accessible)

- *The Szyk Haggadah* (1940), one of 250 signed and numbered vellum copies, the pinnacle of Arthur Szyk's artistry and advocacy in its interpretation of the traditional text to represent the plight of European Jewry in the 1930's.
- *Katz-Ehrenthal Collection*, consisting of more than 900 artifacts depicting Jews and antisemitic and anti-Jewish propaganda from the medieval to the modern era.

Preservation

With construction nearing completion on the Museum's David and Fela Shapell Family Collections, Conservation and Research Center, cross-institutional teams developed and executed plans to prepare the historical collections for relocation to the new state-of-the-art facility. Contracts and term positions were initiated to bring additional skilled registrars, conservators, and art handlers to work in consort with staff to survey, rehouse, and inventory the collections for the move, set to begin in early 2017. Preparations are on schedule, including:

- Survey of 96,000 items (100% of the collection to be relocated) completed for conservation needs, housing, and packing requirements.
- Inventory of 33,226 artifacts and oral history recordings completed (35% of the total collection).

Access

New and expanded projects have advanced the goal of global access:

- Cataloging efforts across all formats increased the total number of records in the online catalog to 256,560. Work is underway to optimize the functionality of the catalog, which was searched nearly 750,000 times by researchers in more than 190 countries.
- Digitization projects for all formats were expanded, resulting in: (1) 465 paper archival collections digitized, comprising over 250,000 pages; (2) 144 rare books digitized in partnership with the nonprofit Internet Archive; (3) 7,863 objects photographed; and (4) 74% of historical films and 61% of oral histories available on the web.
- The World Memory Project, in partnership with Ancestry.com, surpassed the one million mark of names indexed in the Museum's Holocaust Survivors and Victims database, building the world's largest online resource for information about individual victims of the Holocaust.
- Reference and research service staff in the following branches, Library & Archives, Holocaust Survivors & Victims Resource Center, Film Archives, and Photo Archives, responded to more than 33,000 requests for information and resources.

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STRATEGIC OBJECTIVE: Building the Collection of Record (Acquire, Preserve, Make Accessible)

- A contractor engaged to define the Museum's digital repository requirements provided its report of findings, and work is nearly completed in creating a Request for Proposal for a digital preservation system. New tools were tested for managing the Museum's digital assets.
- The Museum expanded its partnership with the European Holocaust Research Infrastructure (EHRI) collaborative research network through staff participation in EHRI seminars, workshops, and fellowships, by hosting EHRI fellows, and by contributing data and expertise to the EHRI online portal. In addition, EHRI funding resulted in hiring a software engineer for a two-year term.

United States Holocaust Memorial Museum

Government Performance and Results Act Annual Performance Plan - FY 2016

STRATEGIC OBJECTIVE: Expand and Diversify our Audiences (Global, Digital Engagement)

Accomplishments

- Led the 2016 *Days of Remembrance* annual commemoration and national outreach effort.
- Organized 413 Holocaust survivor presentations in 22 states for 51,486 people, including 19 virtual presentations.
- Traveled four exhibitions to 11 venues in eight U.S. states, which were viewed by more than 100,000 people during the course of the year. In addition, two exhibitions were on view in Israel and Paris, drawing more than 60,000 additional visitors internationally.

Priority Outcome	Indicator	FY16 Actual	FY15 Actual	FY14 Actual	Performance Status (target met or work on-going)
Increase the visibility, impact and productivity of the field of Holocaust studies in the U.S. and abroad	Increase publications, awards, and jobs won/promotions earned by Mandel Center staff and alumni	14 publications	41 publications	30 publications	On-going
		5 awards	6 awards	23 awards	On-going
		9 promotions	5 promotions	13 promotions	Met
	Increase applications for program offerings that focus on research and university teaching quality applicants from three areas = geographic, discipline, gender and and/or proposing new and underexplored topics	44% domestic applicants; 56% foreign applicants	38% domestic applicants; 62% foreign applicants	68% domestic applicants; 32% foreign applicants	Met
		53% history applicants; 47% non-history applicants	49% history applicants; 51% non-history applicants	39% history applicants; 61% non-history applicants	Met
		40% male applicants; 60% female applicants	46% male applicants; 54% female applicants	46% male applicants; 54% female applicants	Met
		330 new and underexplored topics	293 new and underexplored topics	290 new and underexplored topics	Met

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Government Performance and Results Act Annual Performance Plan - FY 2016

STRATEGIC OBJECTIVE: Expand and Diversify our Audiences (Global, Digital Engagement)

Priority Outcome	Indicator	FY16 Actual	FY15 Actual	FY14 Actual	Performance Status (target met or work on-going)
	Maintain consistent record of scholarly activity (relationships with scholars and institutions) in new and underexplored topics	11 cooperative programs 1 cost-sharing agreement	22 cooperative programs or publications 4 cost-sharing agreements 2 third location institutional developments 18 discussions for future cooperative efforts	18 cooperative programs 10 cost-sharing agreements	On-going
	Ensure scholarly activity (relationships with scholars and institutions) in crucial geographic areas	1 cooperative program	3 cooperative programs 5 cost-sharing agreements 18 discussions for future cooperative efforts	4 cooperative programs 2 cost-sharing agreements	On-going
	Track acquisitions of archival collections in new and underexplored topic areas	7 collections	68 collections	76 collections	On-going

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Government Performance and Results Act Annual Performance Plan - FY 2016

STRATEGIC OBJECTIVE: Expand and Diversify our Audiences (Global, Digital Engagement)

Holocaust awareness and education rests on scholarly research and inquiry. The Jack, Joseph and Morton Mandel Center for Advanced Holocaust Studies (the “Mandel Center”) is the leading generator of new knowledge and understanding of the many questions this history presents about human nature and societies. Holocaust studies is a relatively new academic field that lacks the organizational infrastructure to sustain – and build – it in the decades ahead. By working with partner institutions and producing publications and programs, the Mandel Center actively supports researchers and faculty worldwide, especially young scholars, in order to create the next generation of professors, authors and researchers who will ensure the continued growth and vitality of Holocaust studies.

In FY 2016, the Mandel Center sponsored 26 fellowships-in-residence, hosted four endowed lectures by leading Holocaust scholars, organized three seminars for university teaching faculty, and held three international research workshops on underexplored topics. It also continued to build infrastructure for the field and to strengthen its relationships with European centers for Holocaust studies. In conjunction with the new Center for Holocaust Studies at the Institute for Contemporary History in Munich, the Mandel Center organized a program for research and education staff of German memorial sites. The workshop helped establish a role for the Munich Center as a networking nexus and scholarly pillar of support for these institutions, and introduced the key staff of the institutions to the Museum. Similarly, the Mandel Center and the Elie Wiesel National Institute for the Study of the Holocaust in Romania co-organized a conference for scholars from all disciplines working on the Holocaust in the southeastern tier of Europe.

The Mandel Center’s publication program continued to disseminate the latest scholarship in the field. In FY 2016, it published the latest stand-alone volumes in the *Documenting Life and Destruction Series*, *Nazi Persecution and Postwar Repercussions: The International Tracing Service Archive and Holocaust Research*.

United States Holocaust Memorial Museum

Government Performance and Results Act Annual Performance Plan - FY 2016

STRATEGIC OBJECTIVE: Expand and Diversify our Audiences (Global, Digital Engagement)

Priority Outcome	Indicator	FY16 Actual	FY15 Actual	FY14 Actual	FY13 Actual	FY12 Actual	Performance Status (target met or work on-going)
Ensure that learning how and why the Holocaust happened is an important component of the education of American citizens and professions responsible for life and liberty and that it strengthens critical thinking about their role in society.	Increase the number of in-person visitors educated about how and why the Holocaust happened	1,615,333	1,626,674	1,477,207	1,554,222	1,633,994	Met
	Increase the number of digital visitors educated about how and why the Holocaust happened	17.6 million	15.0 million	13.1 million	11.7 million	10.8 million	Met
	Increase the number of educators trained to teach about how and why the Holocaust happened	945	921	839	N/A	N/A	Met
	Increase the number of professionals responsible for life and liberty trained about how and why the Holocaust happened	11,059	12,615	9,332	N/A	N/A	On-going

United States Holocaust Memorial Museum

Government Performance and Results Act Annual Performance Plan - FY 2016

STRATEGIC OBJECTIVE: Expand and Diversify our Audiences (Global, Digital Engagement)

Priority Outcome	Indicator	FY16 Actual	FY15 Actual	FY14 Actual	FY13 Actual	FY12 Actual	Performance Status <i>(target met or work on-going)</i>
	Increase the number of youth leaders educated about how and why the Holocaust happened	2,678	3,526	3,237	N/A	N/A	On-going
	Increase the number of target audiences validating our models and/or approaches	29 validations 9 sustained validations*	57 validations 37 sustained validations	59 validations 49 sustained validations	N/A	N/A	On-going
	Increase the number of target audiences** adopting our models and/or approaches	5 adoptions 76 sustained adoptions^	25 adoptions 79 sustained adoptions	42 adoptions 37 sustained adoptions	N/A	N/A	On-going
Raise the level of Holocaust discourse and the legitimacy of the Holocaust in countries of influence where there is rising antisemitism and denial.	Increase traffic to Museum web content and social media in Farsi, Arabic, and Turkish	249,339^^	275,000	246,000	N/A	N/A	On-going

United States Holocaust Memorial Museum

Government Performance and Results Act Annual Performance Plan - FY 2016

STRATEGIC OBJECTIVE: Expand and Diversify our Audiences (Global, Digital Engagement)

Priority Outcome	Indicator	FY16 Actual	FY15 Actual	FY14 Actual	FY13 Actual	FY12 Actual	Performance Status <i>(target met or work on-going)</i>
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* Validation: Target audiences confirm the usefulness of Museum programs or resources for learning about how and why the Holocaust happened.

Sustained Validation: Target audiences confirm the usefulness of Museum programs and resources over the course of two or more interactions.

^ Adoption: Target audiences report that they have incorporated Museum programs or resources into their curriculum.

Sustained Adoption: Target audiences continue to report the incorporation of Museum programs and resources into their curriculum over the course of two or more interactions.

** Target Audiences include educators, youth, and professionals in law enforcement, the military, the judiciary, and the American government.

^^ Reported as of March 2016

United States Holocaust Memorial Museum

Government Performance and Results Act Annual Performance Plan - FY 2016

STRATEGIC OBJECTIVE: Expand and Diversify our Audiences (Global, Digital Engagement)

The Museum's William Levine Family Institute for Holocaust Education (the "Levine Institute") is the preeminent institution in this field, reaching approximately 15 million people worldwide each year. Through traveling exhibitions, multilingual resources, digital outreach and innovative programs for students, educators and leaders, we ensure that the lessons of the Holocaust remain relevant to new generations.

This summer marked the 20th anniversary of our Museum Teacher Fellowship (MTF) program. This successful and ongoing initiative developed and trained a seasoned group of advanced teachers whom the Museum now employs to help carry out the integrated set of Teacher Education Programs. Over the past two decades, a unique and diverse group of 340 master educators from 49 states, the District of Columbia, and six countries have participated, advancing pedagogical approaches and best practices in teaching this complex history. In July 2016, the Levine Institute welcomed over 100 MTF alumni back to Washington, DC, to celebrate 20 years of achievement and explore new models of collaboration.

Since 1998, the Museum has offered targeted leadership programs for nearly 200,000 professionals in law enforcement, the military, the judiciary, and the American government. These seminars challenge participants to critically examine the role their counterparts played during the Holocaust—and to examine their professional and personal responsibilities today in safeguarding rights and freedoms. It must be noted that in FY 2016, the Levine Institute began shifting its strategy from direct training to a train-the-trainer model, so the number of professionals served has decreased.

In an example of this shift, the Museum partnered with the Major City Chiefs Association, an organization comprising the chiefs of the 68 largest police agencies in the US and Canada, on their Police Executive Leadership Institute. The Levine Institute also concluded an evaluation of its Law Enforcement and Society program, a training program for law enforcement officers. The evaluation found that while all participants report high satisfaction, command-level officers and officers who participate in a pre-program orientation and post-program reflection better understand the Holocaust's relevance to their profession and their profession's core values. The Levine Institute is working with partner law enforcement agencies in order to shift focus from recruits to command-level officers and to provide more opportunities for discussion.

In February 2016, the Levine Institute launched a nationwide online crowd-sourcing project, *History Unfolded: US Newspapers and the Holocaust*, to engage students, teachers, and life-long learners. A key goal, over the lifetime of this project, is to engage 20% of American high school students in this endeavor. Participants research what community newspapers reported around 30 specific events, such as the opening of the Dachau concentration camp, the first public reports about the Auschwitz killing center, and post-war American quotas for admission of displaced persons. To date, 2,200 people have signed up to participate in *History Unfolded*, including more than 150 teachers and professors. Participants have already contributed over 4,300 articles from 550 newspapers in every state plus the District of Columbia.

United States Holocaust Memorial Museum

Government Performance and Results Act Annual Performance Plan - FY 2016

STRATEGIC OBJECTIVE: Expand and Diversify our Audiences (Global, Digital Engagement)

Finally, the Museum's strategy for combatting contemporary antisemitism and Holocaust denial centers on building partnerships with local institutions that reach young adults, educators, journalists, and civil society leaders in countries with rising levels of Holocaust denial and antisemitism. One noteworthy example of our work in this area includes the constructive efforts we took to address an unconscionable and antisemitic cartoon contest in Iran. In response to this contest the Levine Institute published a white paper about the current Iranian regime's involvement in the contest and developed comprehensive online materials in both English and Farsi about Iran's Holocaust-era history, created a bilingual short film on an Iranian diplomat who saved Jews in France during the Holocaust, and hosted two press briefings related to Iran. Our work caught traction in the press, with references in prominent media outlets including the Washington Post, Newsweek, the Wall Street Journal, Radio Free Europe/Radio Liberty, VOA Persian, and more. The Initiative on Holocaust Denial and Antisemitism is engaged in long-term and strategic planning and so they are revising their indicators. In the interim, staff are no longer reporting these indicators.

The Levine Institute focused on catalyzing systematic change in education and professional training and so recognizes that it may be a generation, if not longer, before these changes take foot in society. The indicators of success match this long-term goal, and fluctuations in the number of validations, adoptions, and especially sustained validations and sustained adoptions reflect that the work is on-going and requires consistent maintenance.

United States Holocaust Memorial Museum

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STRATEGIC OBJECTIVE: Expand and Diversify our Audiences (Global, Digital Engagement)

Priority Outcome	Indicator	FY16 Actual	FY15 Actual	FY14 Actual	FY13 Actual	FY12 Actual	Performance Status (target met or work on-going)
Ensure that the United States government has institutionalized structures, tools and policies aimed at preventing and responding to genocide and other mass atrocities	Record “touches” of senior officials participating in our meetings and programs	85	38	98	225	228	Met
	Track GPTF and R2P recommendations being implemented	President Barack Obama issued Executive Order "Comprehensive Approach to Atrocity Prevention and Response" aimed at further institutionalizing US efforts in this area and affirming atrocities prevention as a core moral and national security priority of the United States.					Met
	Our work cited by US Gov't offices and officials	The Genocide and Atrocities Prevention Act was introduced in the US Senate. It affirms and, if passed, would institutionalize the Atrocity Prevention Board established by President Barack Obama in Presidential Study Directive 10.					Met
	Our work cited by media	The <i>New York Times</i> quotes former Early Warning Project consultant, Jay Ulfelder, and referenced an Early Warning Project forecast regarding the likelihood of a coup in Turkey.					Met

In an interconnected, rapidly changing world, atrocities fuel instability, refugee flows, and terrorism, making genocide prevention a matter of national and international interest. The long-term goal of the Simon-Skjodt Center for the Prevention of Genocide (the “Simon-Skjodt Center”) is to ensure that the United States government, governments around the world, and multilateral organizations institutionalize structures, tools, and policies to effectively prevent and respond to genocide and mass atrocities. Never before has an organization with the international stature and assets of the Museum devoted itself to the goal of genocide prevention.

United States Holocaust Memorial Museum

Government Performance and Results Act Annual Performance Plan - FY 2016

STRATEGIC OBJECTIVE: Expand and Diversify our Audiences (Global, Digital Engagement)

Ensuring a better future requires innovative strategies—initiatives that leverage new technologies and tools, forge new partnerships, nurture bold ideas, and boost the global public’s commitment to action. In order to realize these ambitious goals, the Simon-Skjodt Center has undertaken the following pioneering and groundbreaking initiatives:

- A robust, targeted outreach initiative to policymakers and opinion-shapers to strengthen government’s will and capacity to prevent genocide.
- A rigorous risk assessment system for identifying countries at risk of genocide and other forms of mass killing—and a plan for ensuring these assessments are widely distributed in the public and among policy makers.
- A world-class research program on the causes of genocide and how to prevent it, and a fellowship program designed to incubate new ideas and build a new generation of leaders in the field of genocide prevention.
- A new outreach effort for the public, utilizing primarily digital media, to enhance understanding of genocide, current threats, and the value of their engagement.

An example of the Simon-Skjodt Center’s effectiveness is illustrated in our work to raise awareness about genocide in Iraq. In September 2015, Naomi Kikoler, Deputy Director of the Simon-Skjodt Center, traveled to northern Iraq on a Bearing Witness mission in the aftermath of the Islamic State’s (IS) takeover of the region and campaign against ethnic and religious minorities there. Accompanied by photojournalist Mackenzie Knowles-Coursin, she visited refugee camps, interviewed displaced persons, and documented the atrocities minorities suffered at the hands of IS. Her findings led the Museum to announce on November 12, 2015, that IS is perpetrating genocide against the Yezidi religious minority. In concert with our announcement, we released an in-depth report called “Our Generation is Gone,” and created a special website at www.ushmm.org/iraq devoted to the crisis, our report, and its recommendations. To further publicize the Yezidis’ plight, the Museum’s *Walls Bear Witness* program projected building size photos from the Iraq mission on the Museum’s exterior walls each night from November 9-12 as part of FotoWeek 2015.

Subsequent to the report’s release, the Museum met with officials in the US government, the United Nations, and civil society organizations to discuss the report and its findings. In March 2016, Secretary of State John Kerry announced that the US government determined the Islamic State perpetrated genocide and crimes against humanity against religious minority groups in northern Iraq. He indicated the need for accountability for victims, as well as the continuation of liberation efforts. Following the announcement, Simon-Skjodt staff returned to northern Iraq to investigate ongoing risks, routes to justice and accountability, and protection options for civilians returning to their homes in liberated areas. We found that significant risks remain, namely from the Islamic State and militias forming in the region and that accountability is desperately needed at the local and international levels to ensure that cycles of violence and impunity end. Going forward, we will continue to serve as a resource in discussions

United States Holocaust Memorial Museum

Government Performance and Results Act Annual Performance Plan - FY 2016

STRATEGIC OBJECTIVE: Expand and Diversify our Audiences (Global, Digital Engagement)

with the US government, the United Nations, and civil society on atrocity prevention efforts as they pertain to the threats posed by the Islamic State.

It is worthwhile to note that over the past three years, the Simon-Skjoldt Center has undergone a shift in strategy due to a rigorous strategic planning process that prioritizes the activities that are outlined above. These changes have led the Center to hold fewer, but more impactful meetings and events with policy professionals in the US and abroad. We expect to continue these meetings with policy professionals in the coming year and will continue to refine our strategic plan and indicators of success.

United States Holocaust Memorial Museum

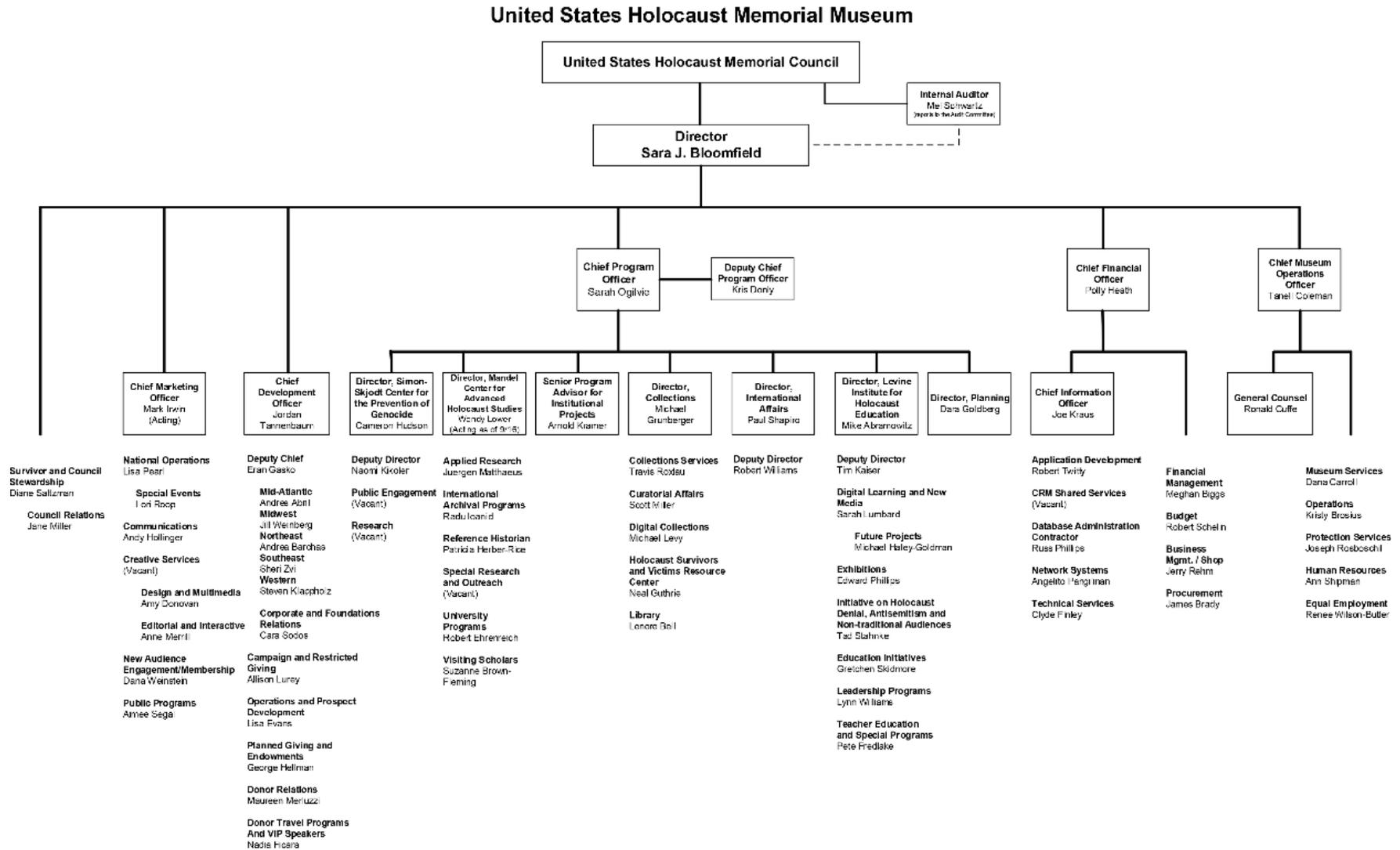
Government Performance and Results Act Annual Performance Plan - FY 2016

STRATEGIC OBJECTIVE: Secure the Future of the Museum (Campaign)

Priority Outcome	Indicator	FY16 Actual	FY15 Actual	Performance Status (target met or work on-going)
Undertake fundraising efforts to fulfill the strategic plan and integrate fundraising plans with programmatic priorities.	Raise \$52.2 million for the annual fund and \$5.5 million for the endowments, for a combined total of \$57.7 million	\$69.5 million for the annual fund and \$12.8 million for the endowments, for a combined total of \$82.3 million	\$59.1 million for the annual fund and \$43.2 million for the endowments, for a combined total of \$102.3 million	Exceeded
Pursue continuous improvement and excellence in financial and human capital management, information technology support, and Museum management and governance.	Continue to develop mobile Web platforms for content delivery in the Museum space and to constituents worldwide	Developed multiple new web pages and deployed content that is easily readable on smartphones and tablets	N/A	Met
	Enhance performance of the data center, storage, and server infrastructure through server/storage platform virtualization	Completed analysis of Cloud vendors and prepare migration plan	N/A	Met and ongoing
	Develop design for exhibition hardware replacement as funding becomes available	Migrated 50% of the legacy hardware functions to new equipment	N/A	Met
	Improve security around the information assets of the Museum	Significant progress made in mitigating information security risks	N/A	Met and ongoing

United States Holocaust Memorial Museum

Museum Organization Chart



United States Holocaust Memorial Museum

Message from the Chief Financial Officer

November 14, 2016

I am pleased to present the United States Holocaust Memorial Museum's Fiscal Year 2016 *Performance and Accountability Report* which presents both financial and performance information on the Museum's operations in a combined report for the fiscal year ended September 30, 2016. 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 financial statements for Fiscal Year 2016. These statements fully account for both the federal appropriated and nonappropriated funds.

In the past year, we continued efforts to refine and improve the Museum's 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.



Polly Povejsil Heath
Chief Financial Officer
United States Holocaust Memorial Museum



Independent Auditor's Report

To the Council Members
United States Holocaust Memorial Museum
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of the **United States Holocaust Memorial Museum** (the Museum), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States Holocaust Memorial Museum as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary Schedule of Budgetary Resources - Appropriated Funds, Schedule of Net Cost - Appropriated Funds, Schedule of Changes in Net Position - Appropriated Funds and Schedule Reconciling Net Cost of Operations to Budget - Appropriated Funds for the years ended September 30, 2016 and 2015, and Schedule of Claims Conference Payments for the year ended September 30, 2016, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

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

Report on Summarized Comparative Information

We have previously audited the Museum's 2015 financial statements, and our report dated November 13, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 14, 2016, 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 grant agreements 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* in considering the Museum's internal control over financial reporting and compliance.

November 14, 2016

BDO USA, LLP

Financial Statements

United States Holocaust Memorial Museum

Statement of Financial Position

As of September 30, 2016

(with summarized information as of September 30, 2015)

	Nonappropriated Funds	Appropriated Funds	2016 Total	2015 Total
Assets:				
Cash and fund balance with Treasury	\$ 3,985,904	\$ 21,512,524	\$ 25,498,428	\$ 23,749,866
Short-term investments	9,257	-	9,257	18,347
Contributions receivable, net	60,555,014	-	60,555,014	51,689,819
Other assets	1,573,649	229,511	1,803,160	1,529,109
Long-term investments	360,496,243	-	360,496,243	319,143,841
Property and equipment, net	90,015,845	13,148,132	103,163,977	78,638,876
Collections	-	-	-	-
Total assets	\$516,635,912	\$ 34,890,167	\$551,526,079	\$ 474,769,858
Liabilities and net assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 7,067,469	\$ 5,669,895	\$ 12,737,364	\$ 10,346,461
Charitable gift annuity liability	12,507,032	-	12,507,032	11,459,338
Unexpended appropriations	-	17,346,999	17,346,999	16,575,168
Interest rate swap	1,202,185	-	1,202,185	306,450
Term loan	22,443,923	-	22,443,923	-
Total liabilities	43,220,609	23,016,894	66,237,503	38,687,417
Net assets:				
Unrestricted:				
Federal cumulative results of operations	-	11,873,273	11,873,273	11,092,805
Programming and supporting activities	62,332,010	-	62,332,010	71,223,446
Funds functioning as endowment	71,912,411	-	71,912,411	59,529,857
Total unrestricted	134,244,421	11,873,273	146,117,694	141,846,108
Temporarily restricted	105,229,498	-	105,229,498	81,743,927
Permanently restricted	233,941,384	-	233,941,384	212,492,406
Total net assets	473,415,303	11,873,273	485,288,576	436,082,441
Commitments and contingencies				
Total liabilities and net assets	\$516,635,912	\$ 34,890,167	\$551,526,079	\$ 474,769,858

See accompanying notes to financial statements.

United States Holocaust Memorial Museum

Statement of Activities Year Ended September 30, 2016 (with summarized information for the year ended September 30, 2015)

	Nonappropriated Funds	Appropriated Funds	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
Support and revenues:							
Federal appropriation revenue	\$ -	\$52,901,158	\$ 52,901,158	\$ -	\$ -	\$ 52,901,158	\$ 50,256,807
Contributions	23,996,405	-	23,996,405	35,757,635	15,767,419	75,521,459	78,704,689
Membership revenue	10,501,488	-	10,501,488	-	-	10,501,488	10,509,130
Stein Museum Shop	1,971,424	-	1,971,424	-	-	1,971,424	1,917,265
Investment income (loss), net	15,291,123	-	15,291,123	2,415,915	5,681,559	23,388,597	(9,769,610)
Contributed services	2,360	-	2,360	-	-	2,360	278,853
Imputed financing source	-	1,142,830	1,142,830	-	-	1,142,830	1,182,467
Other	307,667	-	307,667	-	-	307,667	286,397
Net assets released from restrictions:							
Expiration of time restrictions	1,051,919	-	1,051,919	(1,051,919)	-	-	-
Satisfaction of program restrictions	13,636,060	-	13,636,060	(13,636,060)	-	-	-
Total support and revenues	66,758,446	54,043,988	120,802,434	23,485,571	21,448,978	165,736,983	133,365,998
Expenses:							
Program services							
Museum operations	5,641,717	25,846,906	31,488,623	-	-	31,488,623	29,106,478
Mandel Ctr for Advanced Holocaust Studies	5,937,081	2,850,009	8,787,090	-	-	8,787,090	8,412,510
Levine Institute for Holocaust Education	9,187,723	4,271,117	13,458,840	-	-	13,458,840	11,579,569
Collections	7,069,874	5,871,013	12,940,887	-	-	12,940,887	9,536,493
Simon-Skjoldt Ctr for the Prevention of Genocide	2,162,704	-	2,162,704	-	-	2,162,704	2,151,989
Marketing	6,610,775	695,405	7,306,180	-	-	7,306,180	6,767,802
Stein Museum Shop	1,731,879	-	1,731,879	-	-	1,731,879	1,762,729
Other outreach programs	1,982,177	2,221,048	4,203,225	-	-	4,203,225	4,008,473
Total program services	40,323,930	41,755,498	82,079,428	-	-	82,079,428	73,326,043
Supporting services							
Management and general	5,565,765	5,630,472	11,196,237	-	-	11,196,237	11,101,176
Technology	2,022,052	5,877,550	7,899,602	-	-	7,899,602	5,671,085
Membership development	5,180,612	-	5,180,612	-	-	5,180,612	5,232,628
Fundraising	10,174,969	-	10,174,969	-	-	10,174,969	9,259,671
Total supporting services	22,943,398	11,508,022	34,451,420	-	-	34,451,420	31,264,560
Total expenses	63,267,328	53,263,520	116,530,848	-	-	116,530,848	104,590,603
Change in net assets	3,491,118	780,468	4,271,586	23,485,571	21,448,978	49,206,135	28,775,395
Net assets - beginning of year	130,753,303	11,092,805	141,846,108	81,743,927	212,492,406	436,082,441	407,307,046
Net assets - end of year	\$134,244,421	\$11,873,273	\$146,117,694	\$105,229,498	\$233,941,384	\$485,288,576	\$ 436,082,441

See accompanying notes to financial statements.

United States Holocaust Memorial Museum

Statement of Cash Flows Year Ended September 30, 2016 (with summarized information for the year ended September 30, 2015)

	Nonappropriated Funds	Appropriated Funds	2016 Total	2015 Total
Reconciliation of change in net assets to net cash provided by operating activities:				
Change in net assets	\$ 48,425,667	\$ 780,468	\$ 49,206,135	\$ 28,775,395
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Museum depreciation	2,724,056	1,198,087	3,922,143	3,904,336
Equipment depreciation	42,088	841,784	883,872	777,611
Exhibit amortization	952,318	897,142	1,849,460	1,876,176
Realized/unrealized (gains) losses on investments	(17,002,402)	-	(17,002,402)	15,781,652
Change in allowance for doubtful accounts	358,681	-	358,681	736,970
Change in discount to present value of contributions receivable	(2,202,776)	-	(2,202,776)	11,536,118
Contributions of permanently restricted net assets	(20,217,044)	-	(20,217,044)	(29,587,355)
Interest rate swap	895,735	-	895,735	306,450
Changes in assets and liabilities:				
Decrease (increase) in:				
Contributions receivable	(7,021,100)	-	(7,021,100)	(18,733,567)
Other assets	(329,978)	55,927	(274,051)	239,587
Increase (decrease) in:				
Accounts payable and accrued expenses	1,814,582	576,321	2,390,903	(1,888,359)
Charitable gift annuity liability	1,047,694	-	1,047,694	209,472
Unexpended appropriations	-	771,831	771,831	1,960,009
Net cash provided by operating activities	9,487,521	5,121,560	14,609,081	15,894,495
Cash flows from investing activities:				
Capital expenditures	(27,372,707)	(3,807,869)	(31,180,576)	(9,415,076)
Purchases of investments	(98,901,501)	-	(98,901,501)	(87,192,037)
Proceeds from sale of investments	74,560,591	-	74,560,591	54,074,072
Net cash used in investing activities	(51,713,617)	(3,807,869)	(55,521,486)	(42,533,041)
Cash flows from financing activities:				
Proceeds from term loan	22,443,923	-	22,443,923	-
Permanently restricted contributions	20,217,044	-	20,217,044	29,587,355
Net cash provided by financing activities	42,660,967	-	42,660,967	29,587,355
Net increase in cash and fund balance with Treasury	434,871	1,313,691	1,748,562	2,948,809
Cash and fund balance with Treasury - beginning of year	3,551,033	20,198,833	23,749,866	20,801,057
Cash and fund balance with Treasury - end of year	\$ 3,985,904	\$ 21,512,524	\$ 25,498,428	\$ 23,749,866
Supplemental data:				
Gifts of securities	\$ 14,893,537	\$ -	\$ 14,893,537	\$ 19,223,583
Cash paid for interest	\$ 60,656	\$ -	\$ 60,656	\$ -

See accompanying notes to financial statements.

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

1. Organization and Purpose

Organization and Governance

The United States Holocaust Memorial Council 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 (the 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 their term in Congress.

The Museum receives an annual Federal appropriation (see Appropriated Funds - note 9) 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.

Tax-Exempt Status

The Museum is exempt from income taxation, except for its 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 to be sustained.

Under Financial Accounting Standards Board (FASB), *Accounting for Uncertainty in Income Taxes* Accounting Standards Codification (ASC) 740-10, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The Museum does not believe there are any material uncertain tax positions, and accordingly, it will not recognize any liability for unrecognized tax benefits. The Museum has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Museum has filed Internal Revenue Service (IRS) Form 990 and Form 990-T tax returns as required and all other applicable returns in those jurisdictions where it is required. The Museum believes that it is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2013. For the years ended September 30, 2016 and 2015, there were no interest or penalties recorded or included in the statement of activities related to uncertain tax positions.

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

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 (U.S. GAAP). The Museum's financial statements are presented in accordance with FASB ASC 958-205, *Not-For-Profit Presentation of Financial Statements*.

The statement of activities 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. GAAP. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

Significant Accounting Policies

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.

The Museum maintains cash balances with federally insured institutions, which are insured by the Federal Deposit Insurance Corporation up to \$250,000 on interest-bearing accounts per bank at September 30, 2016 and 2015. The Museum has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and fund balance with Treasury.

(b) Investments

Investments are reported at fair value, with gains and losses included in the statement of activities. Short-term 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) Financial Instruments and Credit Risk

Financial instruments which potentially subject the Museum to a concentration of credit risk consist principally of investments held by creditworthy financial institutions. By policy, these investments are kept within limits designed to prevent risk caused by concentration.

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

Approximately 65% and 52% of the Museum's gross contributions receivable as of September 30, 2016 and 2015, respectively, are due from three grantors. The Museum believes the credit risk is mitigated based on a long history with the grantors and management's ongoing considerations around collectability of its receivables. The credit risk with respect to the remaining contributions receivable is considered limited due to the large donor base.

(d) Split-Interest Agreements - Charitable Gift Annuities and Interests in Perpetual Trusts

For gifts that establish charitable gift annuities, the contributed 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 trusts' assets are distributed. Contribution revenue is recognized when the Museum is first made aware of its 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.

(e) 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.

(f) Other Assets

Other assets consist primarily of prepayments and inventory from the Museum bookstore (the Stein Museum Shop). The Stein Museum Shop sells Holocaust-related educational materials, such as books and DVDs, to the public. The Stein Museum Shop's inventory was \$400,626 and \$384,905 as of September 30, 2016 and 2015, respectively, and is valued at the lower of cost or market using the first-in, first-out inventory valuation method.

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

(g) Property and Equipment

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

Renovations and improvements are recorded, and depreciated and/or amortized, 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.

Museum exhibitions include the cost to design and construct the permanent exhibition and temporary exhibitions. The permanent exhibition is being amortized 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 specific exhibition.

Furniture and equipment are stated at cost. The Museum capitalizes all property and equipment having a useful life of one year or more and an acquisition cost of \$5,000 or more per unit. 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.

(h) Impairment of Long-Lived Assets

The Museum reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced to its current fair value by a charge to the statement of activities.

(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.

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

(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 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) 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 that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Museum, and are recorded as permanently restricted support in the year received in the accompanying statement of activities.

(m) Membership Revenue

Membership dues are considered contributions and are recognized as revenue in the period received.

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

(n) 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.

(o) Nonappropriated 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.

(p) 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.

(q) Expenses

Expenses are recognized by the Museum during the period in which they are incurred. Expenses paid in advance and not yet incurred are deferred to the applicable period.

Program expenses refer to activities that further the Museum's mission.

Supporting expenses refer to general administrative expenses of operating the Museum.

Fundraising costs include both membership development and fundraising expenses.

(r) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

(s) 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, accounts payable, and accrued liabilities approximated their fair values. The value of contributions receivable is estimated as the present value of discounted cash flows using a current risk free rate. The values of publicly traded fixed income and equity securities are based on quoted market prices and exchange rates.

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

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 principal (or most advantageous) market.

The Museum's 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 American Institute of Certified Public Accountants (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.

For interest rate swap, management reviews and relies on the counterparty valuation method.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Updated (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update establishes a comprehensive revenue recognition standard for virtually all industries under U.S. GAAP, including those that previously followed industry-specific guidance. The principle of the update is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective dates of ASU 2014-09 by a year. The guidance is effective for the Museum for fiscal year ending September 30, 2020. Management of the Museum continues to evaluate the potential impact of this update on the financial statements.

In April 2015, FASB issued ASU 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The ASU requires that debt issuance costs be reported in the statements of financial position as a direct deduction from the face amount of the related liability, consistent with the presentation of debt discounts. Prior to the amendments, debt issuance costs were presented as a deferred charge (i.e., an asset) on the statements of financial position. Further, the amendments require the amortization of debt issuance costs to be reported as interest expense. Similarly, debt issuance costs and any discount or premium are considered in the aggregate when determining the effective interest rate on the debt. The amendments are effective for fiscal years beginning after December 15, 2015. The amendments must be applied retrospectively. Management of the Museum continues to evaluate the potential impact of this update on the financial statements.

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share*. The ASU simplifies Topic 820 by removing the requirement to categorize, within the fair value hierarchy, all investments measured using the net asset value (NAV) per share practical expedient. Although classification within the fair value hierarchy is no longer required, an entity must disclose the amount of investments measured using the net asset value practical expedient in order to permit reconciliation of the fair value of investments in the hierarchy to the corresponding line items in the statement of financial position. The amendments are effective retrospectively for fiscal years beginning after December 15, 2016 and may be early adopted. Management of the Museum continues to evaluate the potential impact of this update on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The standard also requires lessors to treat a lease as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If the lessor doesn't convey risks and rewards or control, an operating lease results. The guidance is effective for the Museum for the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently assessing the impact the adoption of this ASU will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Museum's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of their pending adoption of the new standard on the financial statements.

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

3. Cash and Fund Balance with Treasury

Cash and fund balance with Treasury represent nonappropriated and appropriated funds, respectively.

Appropriated fund balance with Treasury at September 30 consists of the following:

	2016	2015
Status of fund balance with Treasury:		
Unobligated balance:		
Available	\$ 5,592,814	\$ 6,817,201
Unavailable	384,391	600,371
Obligated not yet disbursed	15,535,319	12,781,261
Total appropriated fund balance with Treasury	\$ 21,512,524	\$ 20,198,833

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, 2016 and 2015, are donated stock with balances of \$9,257 and \$18,347, respectively.

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

	2016	2015
Investments:		
Portfolio cash equivalents	\$ 28,643,653	\$ 39,459,002
U.S. large cap equities	91,488,276	81,424,818
U.S. small to mid-cap equities	22,717,117	20,212,585
International markets equities	24,909,480	23,034,580
Emerging markets equities	10,882,943	9,119,006
Fixed income mutual funds	28,760,053	26,547,981
Multi-strategy mutual funds	30,831,892	24,791,830
High yield corporate bond funds	11,614,931	11,088,287
Bank loan fund	13,006,401	11,145,960
Equity long/short hedge funds	18,398,141	19,159,484
Private equity - secondary	864,531	-
Event driven hedge funds	53,938,631	32,401,925
Multi-strategy hedge funds	648,685	708,271
State of Israel bonds	181,511	175,859
Gift annuity program investments:		
Portfolio cash equivalents	215,200	340,719
Domestic equities and fixed income	23,394,798	19,533,534
Total	\$ 360,496,243	\$ 319,143,841

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

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

	2016	2015
Interest and dividends	\$ 7,518,735	\$ 7,208,365
Net realized and unrealized gains/(losses)	17,002,402	(15,781,652)
Investment management fees	(1,132,540)	(1,196,323)
Net investment income/(loss)	\$ 23,388,597	\$ (9,769,610)

As described in note 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 cash, certain U.S. large cap equities, U.S. small to mid cap equities, fixed income mutual funds, multi-strategy mutual funds, high yield corporate bond funds, and State of Israel bonds that are traded in an active exchange market.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted 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, and domestic equities and fixed income.
- 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, multi-strategy mutual funds, bank loan fund, 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

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

The following table presents financial instruments that are measured at fair value on a recurring basis at September 30, 2016:

	Level 1	Level 2	Level 3	Total
Short-term investment:				
Donated stock	\$ 9,257	\$ -	\$ -	\$ 9,257
Short-term investment subtotal	9,257	-	-	9,257
Long-term investments:				
Portfolio cash equivalents	28,643,653	-	-	28,643,653
U.S. large cap equities	19,571,464	71,916,812	-	91,488,276
U.S. small to mid-cap equities	22,717,117	-	-	22,717,117
International markets equities	-	24,909,480	-	24,909,480
Emerging markets equities	-	10,882,943	-	10,882,943
Fixed income mutual funds	28,760,053	-	-	28,760,053
Multi-strategy mutual funds	20,760,162	-	10,071,730	30,831,892
High yield corporate bond funds	11,614,931	-	-	11,614,931
Bank loan fund	-	-	13,006,401	13,006,401
Equity long/short hedge funds	-	-	18,398,141	18,398,141
Private equity - secondary	-	-	864,531	864,531
Event driven hedge funds	-	12,569,180	41,369,451	53,938,631
Multi-strategy hedge funds	-	-	648,685	648,685
State of Israel bonds	181,511	-	-	181,511
Gifts annuity program investments:				
Portfolio cash equivalents	215,200	-	-	215,200
Domestic equities and fixed income	-	23,394,798	-	23,394,798
Long-term investments subtotal	132,464,091	143,673,213	84,358,939	360,496,243
Interest in charitable trusts - included in contributions receivable				
	-	-	474,385	474,385
Interest rate swap liability	-	(1,202,185)	-	(1,202,185)
Total	\$132,464,091	\$ 142,471,028	\$ 84,833,324	\$359,768,443

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

The following table presents financial instruments that are measured at fair value on a recurring basis at September 30, 2015:

	Level 1	Level 2	Level 3	Total
Short-term investment:				
Donated stock	\$ 18,347	\$ -	\$ -	\$ 18,347
Short-term investment subtotal	18,347	-	-	18,347
Long-term investments:				
Portfolio cash equivalents	39,459,002	-	-	39,459,002
U.S. large cap equities	32,118,821	49,305,997	-	81,424,818
U.S. small to mid-cap equities	20,212,585	-	-	20,212,585
International markets equities	-	23,034,580	-	23,034,580
Emerging markets equities	-	9,119,006	-	9,119,006
Fixed income mutual funds	26,547,981	-	-	26,547,981
Multi-strategy mutual funds	19,003,417	-	5,788,413	24,791,830
High yield corporate bond funds	11,088,287	-	-	11,088,287
Bank loan fund	-	-	11,145,960	11,145,960
Equity long/short hedge funds	-	-	19,159,484	19,159,484
Event driven hedge funds	-	-	32,401,925	32,401,925
Multi-strategy hedge funds	-	-	708,271	708,271
State of Israel bonds	175,859	-	-	175,859
Gifts annuity program investments:				
Portfolio cash equivalents	340,719	-	-	340,719
Domestic equities and fixed income	-	19,533,534	-	19,533,534
Long-term investments subtotal	148,946,671	100,993,117	69,204,053	319,143,841
Interest in charitable trusts - included in contributions receivable				
	-	-	474,385	474,385
Interest rate swap liability	-	(306,450)	-	(306,450)
Total	\$ 148,965,018	\$ 100,686,667	\$ 69,678,438	\$ 319,330,123

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

The following table presents the Museum's activity for Level 3 assets measured at fair value on a recurring basis for the year ended September 30, 2016:

	Beginning balance October 1, 2015	Dividend and interest income	Realized gains/ (losses)	Unrealized gains/ (losses)	Purchases/ Issuances*	Sales	Ending balance September 30, 2016
Multi-strategy mutual funds	\$ 5,788,413	\$ -	\$ -	\$ (16,683)	\$ 4,300,000	\$ -	\$ 10,071,730
Bank loan fund	11,145,960	628,234	(5,609)	(162,184)	1,400,000	-	13,006,401
Equity long/short hedge funds	19,159,484	-	-	(761,343)	-	-	18,398,141
Private equity - secondary	-	519	-	239,530	625,000	(518)	864,531
Event driven hedge funds	32,401,925	1,675,296	56,506	164,414	7,359,000	(287,690)	41,369,451
Multi-strategy hedge funds	708,271	78	-	27,423	-	(87,087)	648,685
Interest in charitable trusts	474,385	-	-	-	-	-	474,385
Total	\$ 69,678,438	\$ 2,304,127	\$ 50,897	\$ (508,843)	\$ 13,684,000	\$ (375,295)	\$ 84,833,324

*Issuances amounted to \$625,000 during the year ended September 30, 2016, which pertains to an investment in a private equity secondary market. There were no settlements during the year ended September 30, 2016.

The following table presents the Museum's activity for Level 3 assets measured at fair value on a recurring basis for the year ended September 30, 2015:

	Beginning balance October 1, 2014	Dividend and interest income	Realized gains/ (losses)	Unrealized gains/ (losses)	Purchases	Sales	Ending balance September 30, 2015
Multi-strategy mutual funds	\$ 5,378,522	\$ -	\$ -	\$ 409,891	\$ -	\$ -	\$ 5,788,413
Bank loan fund	11,326,250	567,275	(1,757)	(745,808)	-	-	11,145,960
Equity long/short hedge funds	11,580,089	2	-	79,393	7,500,000	-	19,159,484
Event driven hedge funds	30,563,130	1,323,417	146,036	(732,637)	1,441,000	(339,021)	32,401,925
Multi-strategy hedge funds	1,008,097	11	-	74,815	-	(374,652)	708,271
Interest in charitable trusts	1,396,801	-	(922,416)	-	-	-	474,385
Total	\$ 61,252,889	\$ 1,890,705	\$ (778,137)	\$ (914,346)	\$ 8,941,000	\$ (713,673)	\$ 69,678,438

There were no issuances or settlements during the year ended September 30, 2015.

United States Holocaust Memorial Museum

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Quantitative Information

Quantitative information as of September 30, 2016, with respect to assets measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) follows:

Investments

Quantitative unobservable inputs are not developed by the Museum in the valuation of its investments. The Museum uses the values reported by each fund manager as the basis for valuation noting that the valuation techniques and unobservable inputs vary widely among its fund managers.

Interest in Charitable Trusts

Description	Fair Value	Principal Valuation Techniques	Unobservable Inputs	Weighted Average
Interest in charitable trusts	\$474,385	Income Approach	Discount rates Life expectancies Trust payouts Allocation percentages	N/A

Level 3 Valuation Process

Investments

Absent a solid, reliable quantitative model to assess the reasonableness of investment manager reported valuations, the Museum's management applies qualitative measures which consist of various informational analyses including:

- Comparisons of reported performance to benchmark performances, with particular interest in fund performance in excess of 5% above or below appropriate benchmarks.
- Reviews of external audit reports of each fund.
- Reviews of SOC-1 reports of each fund, where available.
- Monitoring and evaluation of relevant news in the financial press.
- Participation in conference calls, presentations, or investor meetings conducted by investment managers.
- Consideration and review of non-public information available through subscription financial information services and/or communications from individual fund managers.
- Consideration of fund managers' delivery of quality and timely fund performance information, risk analysis, market outlook analysis and overall responsiveness to investor queries and requests for information.

The Museum's investment advisor also performs on-going due diligence of the funds which includes evaluation of each fund manager's investment process, organizational changes, compliance with applicable rules and regulations, review of fees and charges, and analysis of performance, leverage, return patterns, volatility over time, drawdowns and recovery periods, gross and net exposures, and other factors as determined to be appropriate. The Museum's investment advisor also has regular calls with management of the funds and meets periodically with the Museum's Investment

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Committee and reports the performance of the funds. There were no changes in valuation techniques noted for these funds for 2016 and 2015.

Interest in Charitable Trusts

For interest in charitable trusts, the Museum gathers as much information as possible for each instrument, including the initial and current trust value, the amount allocated to the Museum, the date of birth of any other beneficiaries and payout amounts. The Museum uses a standard charitable gift calculation model using these inputs and a standard discount rate reset each year based on current IRS discount rates. For any input not readily available, management develops a best estimate for use in the calculation. There were no changes in valuation techniques for these receivables for 2016 and 2015.

Level 3 Sensitivity of Fair Value Measurements and Changes in Significant Observable Inputs

Investments

The significant unobservable inputs used in the fair value measurement of the Museum's investments are subject to market risks resulting from changes in the market value of their underlying investments.

Interest in Charitable Trusts

The significant unobservable inputs used in the fair value measurement of the Museum's interest in charitable trusts are subject to risks resulting from changes in appropriate discount rates due to general economic fluctuations and differences in life expectancies and actualities.

The estimated fair values of the Museum's financial instruments that are not measured at fair value on a recurring basis as of September 30, 2016 are as follows:

	Carrying Amount	Fair Value
Contributions receivable	\$ 60,555,014	\$ 63,132,288
Charitable gift annuity liability	\$ 12,507,032	\$ 13,337,931

The estimated fair values of the Museum's financial instruments that are not measured at fair value on a recurring basis as of September 30, 2015 are as follows:

	Carrying Amount	Fair Value
Contributions receivable	\$ 51,689,819	\$ 52,232,195
Charitable gift annuity liability	\$ 11,459,338	\$ 11,544,644

Estimates of fair value at September 30, 2016 and 2015, were determined in accordance with ASC 820. ASC 820 defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. Consistent with ASC 820, the disclosure excludes non-financial assets and liabilities.

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

The carrying amount is the amount at which the financial instrument is recorded on the books of the Museum.

Contributions receivable: Based on expected future cash flows, discounted at currently offered rates if the pledge is for a period greater than one year.

Charitable gift annuity liability: Fair value is estimated based on the present value of future cash flows expected to be paid to the donor or the donor's designee using the current IRS discount rates.

Cash and fund balance with Treasury, accounts payable and accrued expenses and unexpended appropriations are recorded in the financial statements at historical cost. The historical cost basis for these accounts is estimated to approximate their respective fair values due the short maturity of these instruments.

Net Asset Value (NAV) Per Share

In accordance with ASU 2009-12, *Fair Value Measurements and Disclosures (Topic 820) - Investment in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, the Museum expanded disclosures to include the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the net asset value per share or its equivalent for which fair value is not readily determinable.

The following table presents the nature and risk of assets with fair values estimated using NAV as a practical expedient held at September 30, 2016:

	Fair Value	Unfunded commitments	Redemption Frequency	Redemption notice period
U.S. large cap equities	\$ 71,916,812	\$ -	daily to monthly	none to 10 days
International markets equities	24,909,480	-	daily to monthly	none to 6 days
Emerging markets equities	10,882,943	-	daily to quarterly	none to 10 days
Multi-strategy mutual funds	10,071,730	-	quarterly	30 days
Bank loan fund	13,006,401	-	quarterly	90 days
Equity long/short hedge funds	18,398,141	-	quarterly	45 days
Private equity- secondary	864,531	13,375,000	N/A	N/A
Event driven hedge funds	53,938,631	-	quarterly to at maturity	none to 90 days
Multi-strategy hedge funds	648,685	-	annually	N/A
Total	\$ 204,637,354	\$ 13,375,000		

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

U.S. large cap equities include investments in three funds which are mutual funds with values set on a daily basis. International markets equities include investments in two funds. One of these investments estimates fair values using the NAV per share on a monthly basis and the other investment is a mutual fund with a manager reported NAV based on daily closing market values.

Emerging markets equities include investment in two funds. One is mutual fund with a value set on a daily basis. The other one is an investment in a limited partnership with reported values based on closing market prices. Multi-strategy mutual funds are invested 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 markets, the Museum obtains independent audited statements as of the funds' year-end and reconciles the audited balance to the Museum's reported balance.

Bank loan fund is composed of one investment, a limited partnership that invests in senior loans and other senior debt instruments including bridge loans for high yield bond commitments. The fair value of the investments in this category is estimated using the NAV per share. The Museum obtains independent audited statements for this partnership which is reconciled to the Museum's reported balances.

The Museum's investments in hedge funds include two investments in equity long/short funds, six investments in event driven funds, and one investment in multi-strategy hedge 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. The investment in multi-strategy hedge fund is in the process of liquidating the remaining side pocket investment. The remaining hedge fund investments provide for quarterly redemption.

The Museum is invested in two private equity funds in the private equity secondary markets. These funds are invested in established private equity fund interests with investments in various sectors including leveraged buyouts, venture capital, and mezzanine and growth equity. Redemptions do not apply to these partnerships since they are closed vehicles and withdrawals will be generally upon the termination and liquidation of the partnerships.

5. Split-Interest Agreements

Split-interest agreements include charitable gift annuities and interests in charitable trusts. The charitable gift annuities are valued at approximately \$23.6 million and \$19.9 million in 2016 and 2015, respectively. These investments are recognized at fair value using quoted market prices. An annuity liability for approximately \$12.5 million and \$11.5 million in 2016 and 2015, respectively, is reported in charitable gift annuity liability 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 \$762,130 and (\$517,569), respectively, in 2016 and \$464,743 and (\$487,915), respectively, in 2015 and is included in contributions revenue.

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

6. Contributions Receivable

Contributions receivable as of September 30 included the following unconditional promises to give:

	2016	2015
Amounts due in:		
Less than one year	\$ 16,055,268	\$ 4,949,982
One to five years	40,905,351	44,202,108
More than five years	21,567,956	22,355,385
Subtotal	78,528,575	71,507,475
Less:		
Allowance for doubtful accounts	(3,288,577)	(2,929,896)
Discount to present value (2.6% - 3.9%)	(14,684,984)	(16,887,760)
Total	\$ 60,555,014	\$ 51,689,819

7. Property and Equipment

At September 30, 2016, property and equipment consisted of the following:

	Nonappropriated funds	Appropriated funds	Total
Land	\$ 3,207,930	\$ -	\$ 3,207,930
Buildings and capital improvements	142,112,107	24,444,625	166,556,732
Furniture and equipment	6,635,969	15,475,356	22,111,325
Exhibitions	30,440,056	13,859,785	44,299,841
Leasehold improvements	1,687,225	63,505	1,750,730
Total property and equipment	184,083,287	53,843,271	237,926,558
Less accumulated depreciation and amortization	(94,067,442)	(40,695,139)	(134,762,581)
Total property and equipment, net	\$ 90,015,845	\$ 13,148,132	\$ 103,163,977

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

At September 30, 2015, property and equipment consisted of the following:

	Nonappropriated funds	Appropriated funds	Total
Land	\$ 3,207,930	\$ -	\$ 3,207,930
Buildings and capital improvements	114,941,927	22,674,497	137,616,424
Furniture and equipment	6,558,239	13,919,956	20,478,195
Exhibitions	30,440,056	13,671,044	44,111,100
Leasehold improvements	1,562,428	63,505	1,625,933
Total property and equipment	156,710,580	50,329,002	207,039,582
Less accumulated depreciation and amortization	(90,348,980)	(38,051,726)	(128,400,706)
Total property and equipment, net	\$ 66,361,600	\$ 12,277,276	\$ 78,638,876

Depreciation and amortization expense for the years ended September 30, 2016 and 2015 was \$6,655,475 and \$6,558,123, respectively. The Museum wrote off \$293,600 and \$922,695 of fully depreciated assets during the years ended September 30, 2016 and 2015, respectively.

8. Debt

Term Loan

On August 13, 2014, the Museum entered into a drawdown term loan agreement in the principal amount of up to \$50.0 million to finance the purchase of land and construction of the new David and Fela Shapell Family Collections, Conservation and Research Center. As of September 30, 2016, the Museum has an outstanding principal balance of \$22,443,923 on this loan.

Interest on the outstanding principal balance of the term loan is due and payable monthly, in arrears, on the 1st day of each month until the unpaid principal balance of the term loan has been paid in full. Beginning July 1, 2021 and on the same day of each year thereafter, annual principal payments on the term loan are due equal to the lesser of \$1.5 million per year or an annual principal payment determined on July 1, 2021 as that amount of principal which, if paid on an annual basis, will be sufficient to amortize on a level debt service basis the principal balance of the term loan over a period of 25 years at an annual interest rate equal to the adjusted LIBOR rate on such date. The entire outstanding principal balance and all accrued unpaid interest under the term loan are due and payable in full on January 1, 2027, or such earlier date as may be required.

Interest Rate Swap

On January 27, 2015, the Museum entered into an interest rate swap agreement with a bank, with an effective date of February 1, 2017 and a termination date of February 1, 2023. The Museum pays the fixed rate of 2.13%, while the bank pays the floating rate based on USD-LIBOR-BBA-Bloomberg, with a reset date on the 1st day of each floating rate calculation period. Initial payment will commence on March 1, 2017. Thereafter, payments are on the 1st day of each month.

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(with comparative information for the year ended September 30, 2015)

The swap is recognized on the statements of financial position at fair value and is recorded as interest rate swap. Changes in the fair value of the swap are recorded under management and general expenses in the statements of activities.

The interest rate swap as of September 30, 2016 and 2015 was \$1,202,185 and \$306,450, respectively and loss on interest rate swap during the year amounted to \$895,735 and \$306,450, respectively.

9. Appropriated Funds

The fiscal year 2016 and 2015 Federal appropriations totaled \$54,000,000 and \$52,385,000, respectively, which includes appropriations of \$1,264,000 for exhibition design and production for each year, and \$2,500,000 and \$1,900,000 for building repair and rehabilitation respectively, to be used by the Museum until fully expended. The Federal appropriations also include additional funding for a three year appropriation in the amount of \$1,215,000 and \$515,000, respectively, to be used for equipment replacement.

Below is a reconciliation of the fiscal year 2016 and 2015 Federal appropriations received to Federal appropriations expended and recognized as revenue:

	2016	2015
Federal appropriation received	\$ 54,000,000	\$ 52,385,000
Unexpended appropriation - current year	(9,210,809)	(8,478,961)
Amounts obligated in previous years - expended in current year	8,111,967	6,350,768
Federal appropriation revenue	\$ 52,901,158	\$ 50,256,807

Below is a reconciliation of the spending of the fiscal year 2016 and 2015 Federal appropriations:

	2016	2015
Total expenses	\$ 53,263,520	\$ 51,452,605
Depreciation and amortization	(2,937,013)	(2,862,734)
Unpaid vacation and other unfunded expenses	(1,177,291)	(948,448)
Prepayments and others	(55,927)	(10,308)
Unexpended appropriation - current year	9,210,809	8,478,961
Amounts obligated in previous years - expended in current year	(8,111,967)	(6,350,768)
Capital expenditures	3,807,869	2,625,692
Federal appropriation	\$ 54,000,000	\$ 52,385,000

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

10. Commitments and Contingencies

The Museum has leases for regional offices, warehouses, and additional office space. These leases expire at various dates through 2024. Annual minimum lease payments due under operating leases in effect at September 30, 2016, by year and in the aggregate, are summarized as follows:

2017	\$	2,947,211
2018		1,396,231
2019		384,362
2020		135,758
2021		70,674
Thereafter		246,970
Total	\$	5,181,206

Rent expense for fiscal years 2016 and 2015 was \$3,116,824 and \$2,943,288, respectively. This amount was composed of appropriated funds and nonappropriated funds of \$2,725,118 and \$2,544,798, and \$391,706 and \$398,490 in 2016 and 2015, respectively.

11. 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, 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 2016 and 2015 was \$3,094,908 and \$3,187,370, 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 2016 and 2015, the Museum, utilizing OPM's cost factors, recognized \$137,383 and \$293,668 respectively, of pension expenses, \$1,002,560 and \$885,978 respectively, of postretirement health benefits expenses, \$2,911 and \$2,821, respectively, of postretirement life insurance expenses, beyond amounts actually paid. The Museum recognized offsetting revenue of \$1,142,854 and \$1,182,467 in 2016 and 2015, 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 3% and 50% of contributions for the next 2% of annual pay. The Museum's expense for the 403(b) plan in 2016 and 2015 was \$2,959,158 and \$2,497,356, respectively.

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

12. 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, 2016 and 2015. 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 2016 and 2015. The fiscal year 2016 and 2015 appropriated actuarial liability is \$1,750 and \$1,750, respectively, and the fiscal year 2016 and 2015 nonappropriated actuarial liability is \$385 and \$385, respectively.

The FECA actuarial liability, included in the accounts payable and accrued expenses in the statement of financial position, 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 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 \$955 and \$423 in 2016 and 2015, respectively. The fiscal year unfunded liability for the Museum's nonappropriated employees is \$6,746 and \$0 for 2016 and 2015, respectively.

13. Temporarily Restricted Net Assets

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

	2016	2015
Contributions to be received in future periods -		
for general use	\$ 7,593,674	\$ 8,970,247
Secure the Future	21,580,511	1,900,677
Levine Institute for Holocaust Education	14,887,102	13,097,078
Rescue the Evidence	41,581,560	38,664,382
Mandel Center for Advanced Holocaust Studies	14,288,288	14,475,176
Simon-Skjodt Center for the Prevention of Genocide	5,298,363	4,636,367
Total temporarily restricted net assets	\$ 105,229,498	\$ 81,743,927

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

14. Permanently Restricted Net Assets

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

	2016	2015
Secure the Future	\$ 129,082,720	\$ 108,736,628
Levine Institute for Holocaust Education	42,445,281	41,390,835
Rescue the Evidence	2,239,181	2,239,181
Mandel Center for Advanced Holocaust Studies	37,428,451	37,428,451
Simon-Skjodt Center for the Prevention of Genocide	22,745,751	22,697,311
Total permanently restricted net assets	\$ 233,941,384	\$ 212,492,406

15. Contributed Services

In-kind contributions of goods and services totaling \$2,360 and \$278,853 were received by the Museum during the fiscal years ended September 30, 2016 and 2015, respectively. This amount has been recognized as revenue and expense in the accompanying statement of activities based on the amount reported by the independent third-party providers. In addition to the contributed services recognized in the financial statements, the Museum has more than 430 volunteers, including 80 Holocaust survivors, donating more than 36,000 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.

16. 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 81 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. GAAP, the Museum discloses the activities related to the donor-restricted and board-designated (funds functioning as endowment) endowment funds.

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

Endowment net assets consist of the following at September 30, 2016:

	Unrestricted	Temporarily restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 31,215,109	\$ 5,798,568	\$ 217,778,090	\$ 254,791,767
Funds functioning as endowment	71,912,411	-	-	71,912,411
Total	\$103,127,520	\$ 5,798,568	\$ 217,778,090	\$ 326,704,178

Endowment net assets consist of the following at September 30, 2015:

	Unrestricted	Temporarily restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 26,122,989	\$ 6,769,431	\$ 192,722,145	\$ 225,614,565
Funds functioning as endowment	59,529,857	-	-	59,529,857
Total	\$ 85,652,846	\$ 6,769,431	\$ 192,722,145	\$ 285,144,422

Changes in endowment net assets for the year ended September 30, 2016 are as follows:

	Unrestricted	Temporarily restricted	Permanently Restricted	Total
Endowment net assets, September 30, 2015	\$ 85,652,846	\$ 6,769,431	\$192,722,145	\$ 285,144,422
Investment return:				
Investment income	4,669,774	784,538	1,498,025	6,952,337
Net appreciation/ depreciation	9,499,964	1,627,988	3,262,423	14,390,375
Total investment return	14,169,738	2,412,526	4,760,448	21,342,712
Contributions	-	-	20,217,044	20,217,044
Payout of endowment assets for expenditures	(9,215,538)	(3,383,389)	-	(12,598,927)
Additions to Board Designated	12,598,927	-	-	12,598,927
Underwater adjustment	(78,453)	-	78,453	-
Endowment net assets, September 30, 2016	\$103,127,520	\$ 5,798,568	\$217,778,090	\$ 326,704,178

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As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

Changes in endowment net assets for the year ended September 30, 2015 are as follows:

	Unrestricted	Temporarily restricted	Permanently Restricted	Total
Endowment net assets, September 30, 2014	\$ 87,642,931	\$ 10,737,584	\$164,052,456	\$ 262,432,971
Investment return:				
Investment income	4,671,602	862,903	1,250,345	6,784,850
Net appreciation/ depreciation	(9,893,927)	(1,756,549)	(3,379,323)	(15,029,799)
Total investment return	(5,222,325)	(893,646)	(2,128,978)	(8,244,949)
Contributions	-	-	29,587,355	29,587,355
Payout of endowment assets for expenditures	(8,617,982)	(3,074,507)	-	(11,692,489)
Additions to Board Designated	13,061,534	-	-	13,061,534
Underwater adjustment	(1,211,312)	-	1,211,312	-
Endowment net assets, September 30, 2015	\$ 85,652,846	\$ 6,769,431	\$192,722,145	\$ 285,144,422

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. GAAP requires the Museum to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$78,453 and \$1,211,312 as of September 30, 2016 and 2015, 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 Museum's 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, alternative investment and multi-asset class funds in a 50, 25, 15 and 10% ratio to achieve its long-term return objectives within prudent risk constraints.

United States Holocaust Memorial Museum

Notes to Financial Statements

As of and for the Year Ended September 30, 2016

(with comparative information for the year ended September 30, 2015)

The Museum has a policy of distributing each year 5% of its endowment funds' average fair value using the prior 12 quarters through June 30th 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.

17. Risks and Uncertainties

The Museum invests in various investment securities that may be 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 and the statement of activities.

In the normal course of business, the Museum is from time to time a party to various claims and lawsuits. If management determines, based on the underlying facts and circumstances, that it is probable a loss will result from a litigation contingency and the amount of the loss can be reasonably estimated, the estimated loss is accrued for. Management does not expect any adverse financial impact from open litigation matters occurring in the normal course of business as of September 30, 2016.

18. Related Party Transactions

There were no related party transactions that require disclosure during the years ended September 30, 2016 and 2015.

19. Subsequent Events

Management has performed an evaluation of subsequent events through November 14, 2016, 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, 2016.

Supplementary Schedules

United States Holocaust Memorial Museum

Schedule of Budgetary Resources - Appropriated Funds Years ended September 30, 2016 and 2015

<i>For the years ended September 30,</i>	2016	2015
Budgetary resources:		
Unobligated balance, brought forward, October 1	\$ 7,417,572	\$ 7,908,265
Recoveries of prior year unpaid obligations	1,414,717	1,493,191
Budgetary authority appropriations received	54,000,000	52,385,000
Spending authority from offsetting collections	-	8,762
Canceled appropriation - permanently not available	(321,876)	(168,184)
Others	(37,712)	-
Total budgetary resources	\$ 62,472,701	\$ 61,627,034
Status of budgetary resources:		
Obligations incurred, net	\$ 56,495,496	\$ 54,209,462
Unobligated balance - available apportioned	5,592,814	6,817,201
Unobligated balance not available	384,391	600,371
Status of budgetary resources	\$ 62,472,701	\$ 61,627,034
Change in obligation balance:		
Obligated balances, net:		
Unpaid obligations, bought forward, October 1	\$ 12,781,261	\$ 11,177,626
Obligations incurred, net	56,495,496	54,209,462
Less: gross outlays	(52,326,721)	(51,112,636)
Less: recoveries of prior year unpaid obligations, actual	(1,414,717)	(1,493,191)
Obligated balances, net, end of year	\$ 15,535,319	\$ 12,781,261
Outlays:		
Gross outlays	\$ 52,326,721	\$ 51,112,636
Less: offsetting collections	-	(8,762)
Net outlays	\$ 52,326,721	\$ 51,103,874

See accompanying independent auditor's report.

United States Holocaust Memorial Museum

Schedule of Net Cost - Appropriated Funds Years ended September 30, 2016 and 2015

	For the year ended 2016		
	Intra- government	Public	Total
Museum operations	\$ 5,417,155	\$ 20,429,751	\$ 25,846,906
Mandel Center for Advanced Holocaust Studies	608,805	2,241,204	2,850,009
Levine Institute for Holocaust Education	712,590	3,558,527	4,271,117
Collections	1,270,194	4,600,819	5,871,013
Marketing	187,834	507,571	695,405
Other outreach programs	321,372	1,899,676	2,221,048
Management and general	1,148,115	4,482,357	5,630,472
Technology	378,209	5,499,341	5,877,550
Net cost of operations	\$ 10,044,274	\$ 43,219,246	\$ 53,263,520

See accompanying independent auditor's report.

	For the year ended 2015		
	Intra- government	Public	Total
Museum operations	\$ 4,989,298	\$ 20,125,561	\$ 25,114,859
Mandel Center for Advanced Holocaust Studies	616,583	2,396,078	3,012,661
Levine Institute for Holocaust Education	673,993	3,808,186	4,482,179
Collections	1,202,796	4,731,049	5,933,845
Marketing	240,325	679,769	920,094
Other outreach programs	334,596	2,153,462	2,488,058
Management and general	648,256	4,569,715	5,217,971
Technology	551,500	3,731,438	4,282,938
Net cost of operations	\$ 9,257,347	\$ 42,195,258	\$ 51,452,605

See accompanying independent auditor's report.

United States Holocaust Memorial Museum

Schedule of Changes in Net Position - Appropriated Funds Years Ended September 30, 2016 and 2015

<i>For the years ended September 30,</i>	2016		2015	
	Cumulative results of operations	Unexpended appropriations	Cumulative results of operations	Unexpended appropriations
Beginning balances	\$ 11,092,805	\$ 16,575,168	\$ 11,106,136	\$ 14,615,159
Budgetary financing sources:				
Appropriations received (current period)	-	54,000,000	-	52,385,000
Canceled or expired appropriations	-	(321,876)	-	(168,184)
Appropriations used	52,901,158	(52,901,158)	50,256,807	(50,256,807)
Others	-	(5,135)	-	-
Other financing resources:				
Imputed financing from costs absorbed by others	1,142,830	-	1,182,467	-
Total financing sources	54,043,988	771,831	51,439,274	1,960,009
Total	65,136,793	17,346,999	62,545,410	16,575,168
Net cost of operations	(53,263,520)	-	(51,452,605)	-
Ending balances	\$ 11,873,273	\$ 17,346,999	\$ 11,092,805	\$ 16,575,168

See accompanying independent auditor's report.

United States Holocaust Memorial Museum

Schedule Reconciling Net Cost of Operations to Budget - Appropriated Funds Years ended September 30, 2016 and 2015

<i>For the year ended September 30,</i>	2016	2015
Total resources used to finance activities:		
Obligations, offsetting receipts, imputed financing sources	\$ 56,401,453	\$ 53,947,550
Change in budgetary resources obligated for goods and services	(2,744,733)	(2,508,275)
Resources that finance the acquisition of capital assets	(3,807,869)	(2,625,692)
	49,848,851	48,813,583
Components requiring or generating resources in future periods:		
Annual leave liability increase	37,673	(4,104)
Unfunded FECA, NonBudgetary Receivables, Actuarial FECA	439,983	(219,608)
Components not requiring or generating resources in current period:		
Depreciation and amortization	2,937,013	2,862,734
Total components of the net cost of operations that will not require or generate resources	3,414,669	2,639,022
Net cost of operations	\$ 53,263,520	\$ 51,452,605

See accompanying independent auditor's report.

United States Holocaust Memorial Museum

Schedule of Claims Conference Payments Year ended September 30, 2016

Grant Award	2016
Fund SO35/App. 11380	\$ 12,247
Fund SO35/App. 11568	34,035
Fund SO38/App. 12870	7,996
Fund SO39/App. 13298	28,000
Fund SO40/App. 14021	117,812
Fund SO40/App. 14022	25,765
Fund SO42/App. 14312	64,103
Fund SO42/App. 14665	86,604
Fund SO34/App. 14662	87,444
Fund SWVLP/App. 15217	85,119
Fund SO34/App. 14663	73,819
Fund SO43/App. 15048	139,962
Fund SO43/App. 15019	194,647
Fund SO44/App. 15531	59,719
Fund SO44/App. 15515	64,700
Fund SO45/App. 15988	552,375
Fund SO47/App. 17183	143,971

Fiscal year 2016 payments to United States Holocaust Memorial Museum	\$ 1,778,318
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See accompanying independent auditor's report.

**Independent Auditor's Reports Required by
*Government Auditing Standards***



Independent Auditor's Report on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Council Members
United States Holocaust Memorial Museum
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the **United States Holocaust Memorial Museum** (the Museum), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Museum's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control. Further, 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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

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.

November 14, 2016

BDO USA, LLP



Independent Auditor's Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Council Members
United States Holocaust Memorial Museum
Washington, D.C.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the **United States Holocaust Memorial Museum** (the Museum), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2016.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Museum's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 15-02. We limited 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 described in the preceding paragraph of this report disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's compliance. Accordingly, this communication is not suitable for any other purpose.

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.

BDO USA, LLP

November 14, 2016

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