

UNITED STATES
HOLOCAUST
MEMORIAL
MUSEUM

**PERFORMANCE & ACCOUNTABILITY
REPORT**

FISCAL YEAR 2008

October 1, 2007 – September 30, 2008

January 26, 2009

PERFORMANCE AND ACCOUNTABILITY REPORT

Fiscal Year 2008

Table of Contents

<u>Tab</u>	<u>Contents</u>	<u>Page</u>
1	Message from the Director.....	1
	Statement of Assurance	2
	Management’s Discussion and Analysis	3
	Program Performance Report (GPRA).....	10
	Museum Organization Chart	30
2	Message from the CFO	31
	Independent Auditors’ Report	32
	Financial Statements.....	34
	Supplementary Information.....	52
	Independent Auditors’ Report on Compliance and Control.....	58

Message from the Director

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, the Museum teaches the history and lessons of the Holocaust so that both leaders and citizens will be motivated to confront hatred, promote human dignity, strengthen democracy, and prevent genocide.

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

Through its on-site programs, outreach activities, and Web site, the Museum is reaching millions of Americans as well as a growing international audience each year with these stark lessons: evil is not eradicable; indifference has consequences; freedom requires responsibility. Inspired by the survivors, challenged by our times, and gratified by the continued high demand for our programs, the Museum will continue in Fiscal Year 2009 to bring these lessons to millions more.



Sara J. Bloomfield
Director

Statement of Assurance

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

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



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 year ended September 30, 2008 (FY 2008). Prepared by Management, it is supplemental information to the financial statements and the footnotes in Part 2 of the *Performance and Accountability Report* (PAR). This information should assist readers of these statements in better understanding the Museum's financial position and operating activities.

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

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

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

Performance Goals and Results

Having achieved extraordinary success in its first ten years, the Museum established a strategic plan that provides a vision and framework for its activities through its second decade. The Museum had 43 established objectives for FY 2008 related to education, remembrance, research, and infrastructure support. The Museum

United States Holocaust Memorial Museum
Management's Discussion and Analysis
(Unaudited)

met or exceeded 22 objectives, partially met 18 objectives, deferred the targeted completion dates on two objectives, and one objective was not met. Full details on these goals and the related results are presented in the PAR that follows this section.

Financial Statements Summary

The Museum's financial position remained strong at September 30, 2008, with total assets of approximately \$307.6 million and total liabilities of approximately \$24 million. Net assets, which represent the residual interest in the Museum's assets after liabilities are deducted, are \$283.6 million, a 17 percent decrease from the prior fiscal year. The decrease in net assets is primarily attributable to investment depreciation and a restatement of the beginning balance related to depreciation of the permanent exhibition's capitalized cost and a change in accounting treatment of unexpended appropriations. The restated amount is \$26.1 million.

STATEMENT OF FINANCIAL POSITION

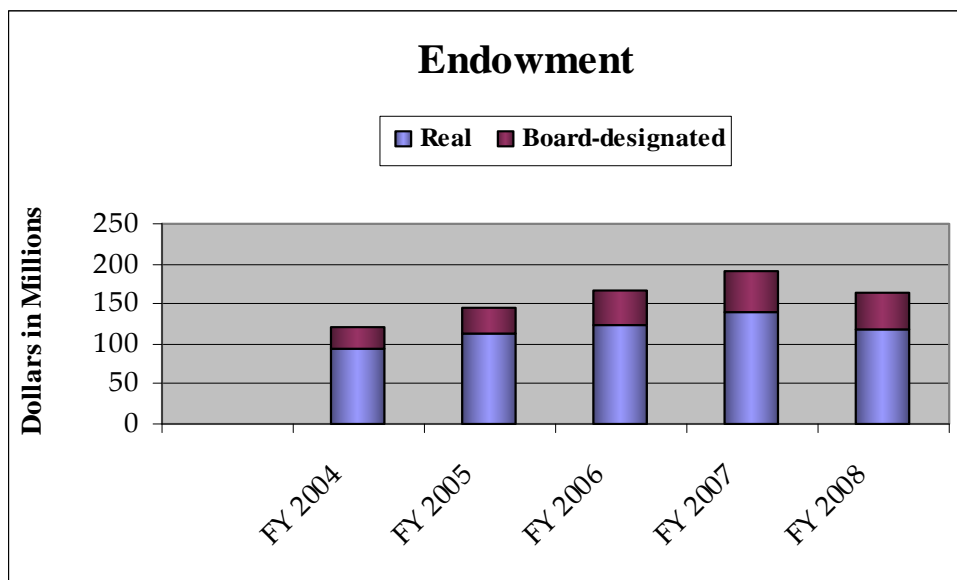
Contributions Receivable. The Museum has contributions receivable, net of allowance for doubtful accounts and discounts to present value, of \$23.9 million. Of these receivables, \$8.6 million are current and \$15.3 million are due after one year.

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

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

**United States Holocaust Memorial Museum
Management's Discussion and Analysis
(Unaudited)**

The endowment market value, \$164 million, has decreased to fiscal year 2006 levels due to the economic crisis. As outlined in the footnotes, the endowment consists of both board-designated and real endowments which are pooled for investment purposes. As of September 30, 2008 the board-designated endowment balance was approximately \$46.9 million, and the real endowment balances totaled approximately \$117.1 million.



Performance. The annual return for the pooled endowment fund this year was a negative 15.8 percent. Included in the calculation of this performance figure are realized and unrealized gains / losses along with investment income.

Property and Equipment. Property and equipment is \$97.1 million and consists of buildings and improvement (\$123.8 million), the permanent exhibition and other exhibitions (\$37.7 million), furniture and equipment (\$15.4 million), leasehold improvements (\$1.6 million), less accumulated depreciation of \$81.4 million.

Liabilities. Liabilities consist primarily of accounts payable, accrued expenses and deferred revenue. Total liabilities are \$24 million.

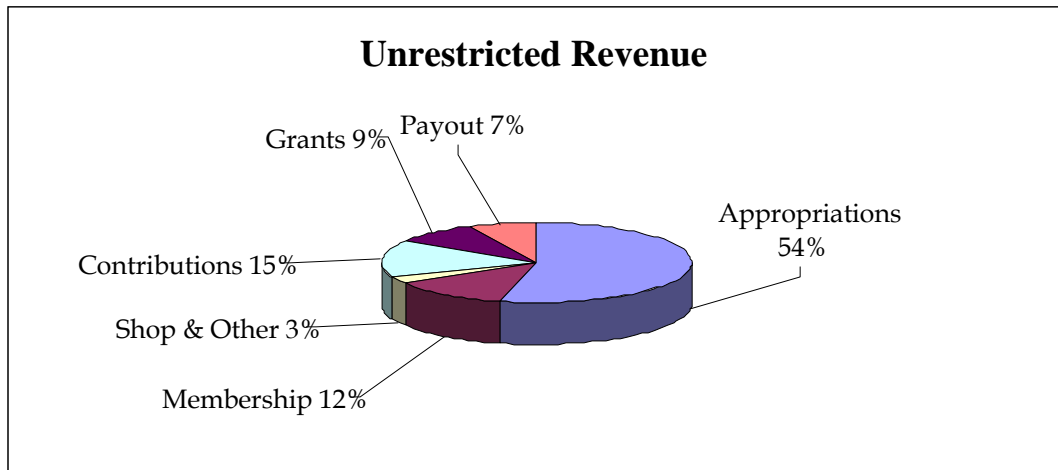
**United States Holocaust Memorial Museum
Management's Discussion and Analysis
(Unaudited)**

Net Assets/Federal Equity. The Museum has total equity of \$283.6 million of which approximately \$112.7 million is permanently restricted, and approximately \$34.2 million is temporarily restricted by donors. The Museum's equity includes investments in the Museum buildings and exhibitions.

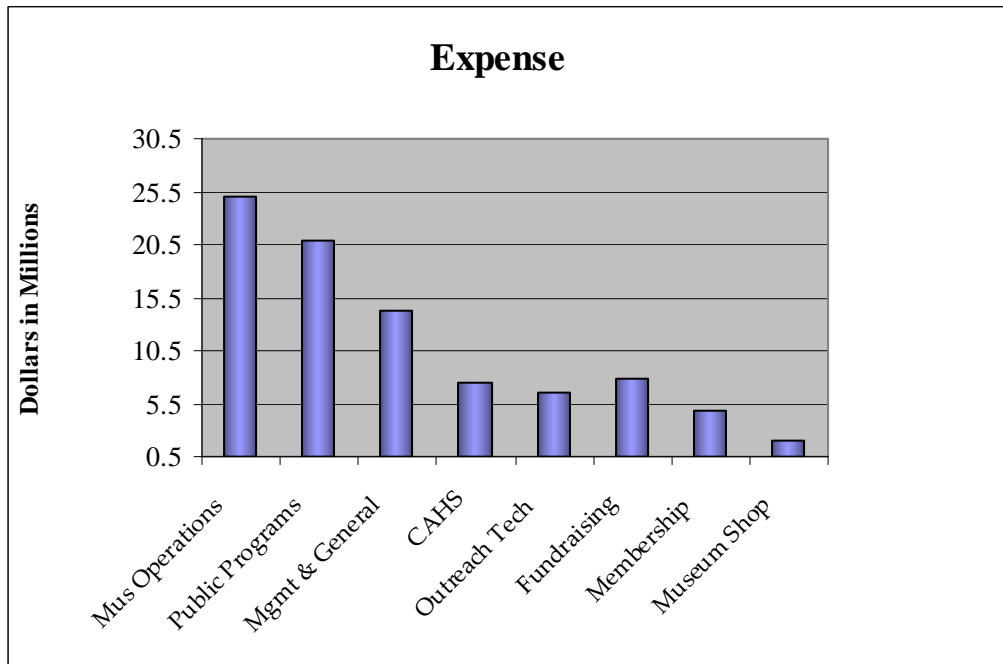
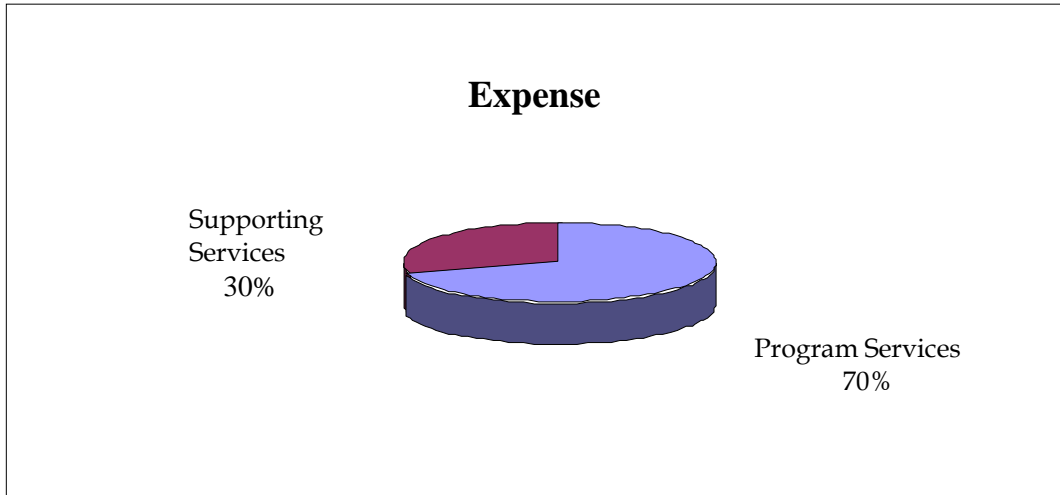
STATEMENT OF ACTIVITIES

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

Non-appropriated sources in FY 2008 provided 46 percent of unrestricted revenues and reflect the Museum's success in obtaining donor support for its program activities. Museum expenditures increased \$11.1 million (14 percent) from FY 2007 and are attributed to increases in payroll and contracts. Program services comprise 70 percent of these expenditures. The charts that follow provide details.



**United States Holocaust Memorial Museum
Management's Discussion and Analysis
(Unaudited)**



MANAGEMENT INTEGRITY: CONTROLS AND COMPLIANCE

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

United States Holocaust Memorial Museum
Management's Discussion and Analysis
(Unaudited)

Based on this program, the Museum has reasonable assurance that:

- The financial reporting is reliable.
- The Museum is in compliance with all applicable laws and regulations.
- Management's performance reporting systems are reliable.

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

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

During this year's audit, our external auditors noted deficiencies in their Independent Auditors' Report on Internal Control over Financial Reporting. These deficiencies were the result of accounting transactions not properly presented in prior years.

INVESTMENT IN FUNDRAISING

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

LIMITATIONS OF THE FEDERAL FINANCIAL STATEMENTS

The financial statements have been prepared to report the financial position and results of operations of the Museum, pursuant to the requirements of 31 U.S.C. 3515(b). The statements have been prepared from the books and records of the Museum in accordance with U.S. generally accepted accounting principles. The Federal schedules included in the supplementary information are in addition to the financial reports used to monitor and control budgetary resources and were prepared from the same books and records. The statements should be read with the realization that they are for a component of the United States Government, a sovereign entity.

**United States Holocaust Memorial Museum
Management's Discussion and Analysis
(Unaudited)**

FUTURE CONCERNS AND ISSUES

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

PROGRAM 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:

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

Mission Goals

- ◆ Protect and Strengthen the Core of the Living Memorial
- ◆ Enhance the Nation's Moral Discourse
- ◆ Secure the Future of the Memorial Museum
- ◆ Improve management and administration

Use of Non-Federal Parties

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

Impact of FY 2008 Results on Future Performance Plans

The partially met objectives from FY 2008 are carried forward in the FY 2009 and later performance plans, as necessary and where consistent with the current plans and funding levels.

Format of the Performance Report

The elements contained in the report are as specified in guidance issued by the Office of Management and Budget in circular A-11. Required elements of the report are identified below:

Comparison of actual performance with projected level of performance – This information is contained in the “YTD Results / Status” column of the report for each indicator for each performance objective. Where the results do not describe status as exceeded, met, partially met, deferred, or canceled it is an indication that no specific targets were established for that objective/activity. The addition of a category for “no specific targets” is new for the FY 2008 report and thus precludes direct comparison with FY 2007.

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

Description of plans to meet unmet objectives in the future – The FY 2009 and future performance plans address any plans to extend unmet objectives into the future.

Evaluation of FY 2009 performance plan – This information is contained under “Impact of FY 2008 Results on Future Performance Plans.”

Funding applied – the summary report pages include information on obligations associated with each of the mission goals. This information is based on a cross-walk of organizational structure to goals and is not based on cost-accounting at the transaction level.

Availability of Additional Information

Additional information about the FY 2008 accomplishments and about the programs and public resources of the United States Holocaust Memorial Museum is available through the following means:

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

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

SUMMARY ANNUAL PERFORMANCE REPORT

Consolidated status of all objectives

Funding applied:

	FY08	FY07	Change
Federal	\$46,021,253	\$ 45,552,038	1%
Non-appropriated	41,808,297	33,406,664	25%
Total	\$87,829,550	\$ 78,958,702	11%

Status of objectives:

	FY 08 Results		FY 07
No specific targets	9	17%	n/a
Met or exceeded targets	22	42%	78%
Partially met targets	18	35%	14%
Deferred	2	2%	8%
Not met	1	1%	0%

GOAL: Protect and strengthen the core of the living memorial

Major objectives:

- Operate the Museum and improve visitor services
- Rescue the evidence of the Holocaust
- Engage new audiences in Days of Remembrance
- Shape the emerging field of Holocaust studies

Highlights:

- Visitation reached the highest level since 2001.
- Museum bridges recoated to address rusting of steel components
- Opening of the International Tracing Service Archives brought vastly expanded archival collections to the Museum and increased public access to information.
- Digitization and database efforts provided improved access to collections
- Initiated formal program of research on anti-Semitism topics

Funding applied to this goal:

	FY08	FY07	Change
Federal	\$31,531,167	\$ 30,807,674	2%
Non-appropriated	13,584,533	10,056,408	35%
Total	\$45,115,700	\$ 40,864,082	10%

Status of objectives:

	FY 08 Results		FY 07
No specific targets	6	30%	n/a
Met or exceeded targets	8	40%	90%
Partially met targets	6	30%	5%
Deferred	0	0%	5%

GOAL: Enhance the nation's moral discourse

Major objectives:

- Effectively use the Committee on Conscience to respond to contemporary genocide
- Increase the base of citizens with knowledge of the Holocaust
- Improve Holocaust teaching at the secondary level
- Improve the distribution of support to underserved communities
- Serve as a catalyst for professions of leadership
- Use the Wexner Learning Center to enhance visitor engagement
- Extend the impact of the Permanent Exhibition

Highlights:

- Genocide Prevention Task Force launched in November 2007
- *World is Witness* geoblog created through partnership with Google Earth
- Web translations of Holocaust Encyclopedia expanded into Urdu, Russian, Turkish and Greek
- Traveling exhibitions on view in seventeen states
- Training program for state judges launched

Funding applied to this goal:

	FY08	FY07	Change
Federal	\$6,903,701	\$ 7,656,963	(10%)
Non-appropriated	9,427,529	7,121,669	32%
Total	\$16,331,229	\$ 14,778,632	11%

Status of objectives:

	FY 08 Results		FY 07
No specific targets	1	8%	n/a
Met or exceeded targets	7	59%	63%
Partially met targets	3	25%	26%
Deferred	1	8%	11%

GOAL: Secure the future of the Memorial Museum

Major objectives:

- Undertake fundraising efforts to fulfill the strategic plan and integrate fundraising plans with programmatic priorities
- Enhance perception of the Museum as institution that teaches the lessons of the Holocaust and encourages leaders and citizens to confront hate, prevent genocide, promote human dignity and strengthen democracy
- Position the museum to anticipate and benefit from opportunities that support the mission

Highlights:

- Exceeded fundraising goal for the annual fund
- Press outreach generated global media coverage of museum activities during 2008, especially surrounding the opening of the International Tracing Service archives and the display of the Auschwitz SS photo album
- Relocated leased office space closer to the Museum

Funding applied to this goal:

	FY08	FY07	Change
Federal	\$1,229,230	\$ 1,157,865	6%
Non-appropriated	15,849,917	13,937,610	14%
Total	\$17,079,147	\$ 15,095,475	13%

Status of objectives:

	FY 08 Results		FY 07
No specific targets	2	18%	n/a
Met or exceeded targets	5	46%	100%
Partially met targets	4	36%	0%

GOAL: Improve management and administration

Major objectives:

- Pursue continuous improvement and excellence in financial and human capital management, information technology support, and museum management and governance
- Address the relevant elements of the President's Management Agenda

Highlights:

- Relocated leased office space closer to the Museum
- Initiated major human resources improvements
- Completed major upgrades to information technology infrastructure for both administrative and programmatic functions

Funding applied to this goal:

	FY08	FY07	Change
Federal	\$6,357,155	\$ 5,929,536	7%
Non-appropriated	2,946,319	2,290,978	29%
Total	\$9,303,474	\$ 8,220,514	13%

Status of objectives:

	FY 08 Results		FY 07
Met or exceeded targets	2	22%	60%
Partially met targets	5	56%	20%
Deferred	1	11%	20%
Not met	1	11%	0%

GOAL: PROTECT AND STRENGTHEN THE CORE OF THE LIVING MEMORIAL

Objective	FY 2008 activity planned, target or comparison baseline	Results / Status
<p>General museum operating statistics</p> <ul style="list-style-type: none"> • Visitation • Volunteer hours worked 	<p>FY 2007 comparisons:</p> <ul style="list-style-type: none"> • 1,623,762 visitors <ul style="list-style-type: none"> ▪ 306,721 in groups (19%) ▪ 550,618 RTC (34%) ▪ 116,586 in KR Gallery (7%) (gallery dark 6/1 – 12/15/06) ▪ 171,307 in Learning Center (11%) • 23,883 volunteer hours worked • 21,273,485 Web site visitors 	<p>FY 2008 results:</p> <ul style="list-style-type: none"> • 1,700,129 visitors <ul style="list-style-type: none"> ▪ 324,757 in groups (19%) ▪ 649,360 RTC (38%) ▪ 126,206 in KR Gallery (7%): (gallery dark 10/08/07 -04/24/08) ▪ 186,202 in Learning Center (11%) • 37,992 volunteer hours worked • 24,799,829 Web site visitors
<p>Improve visitor services at the Museum</p>	<p>Offer group visits to special exhibitions to expand group visitation opportunities (compare results to 591 groups in 2007)</p>	<p>The Kimmel Rowan Gallery was closed 10/8/07-4/24/08 and 8/5/08-9/30/08. 151 group reservations were made for the exhibition <i>Nazi Olympics: Berlin 1936</i>. Met: Completed</p>
<p>Extend the impact of the Permanent Exhibition and provide core programming in the Museum</p>	<p>Complete the P.E. retrofit project by the end of FY 2008. Implement recommendations for changes derived from the 2004 evaluation of the P.E.</p>	<p>Partially met: Of 20 projects:</p> <ul style="list-style-type: none"> • 5 completed • 2 have a design concept phase • 1 has a detail design
<p>Maintain the museum buildings through the repair and rehabilitation program</p>	<p>(this objective added during reporting phase)</p>	<p>Museum bridges were recoated to address rusting of steel components</p>

GOAL: PROTECT AND STRENGTHEN THE CORE OF THE LIVING MEMORIAL

Objective	FY 2008 activity planned, target or comparison baseline	Results / Status
<p>Rescue the Evidence:</p> <p>Develop a more comprehensive collection that is better able to serve exhibition and research needs and fill identified gaps (this objective encompasses all areas and types of collections as well as collections management and access)</p>	<p>Pursue strategic acquisitions activities, primarily in United States, Israel, Australia, Eastern Europe, Latin America, and Southeast Asia.</p> <p>Plan for a temporary office for a staff member to live/work in Israel.</p> <p>Pursue, in collaboration with both Yad Vashem and the International Tracing Service, the development of name resources of Jewish and non-Jewish victims of the Holocaust. This includes the many existing archival and testimonial collections at USHMM and Yad Vashem as well as the huge collections being shared by the ITS. The goal is to disseminate this name-based information to interested parties</p> <p>Focus library acquisitions to support research, education, and exhibition needs of the Museum</p>	<p>342 new collections,</p> <ul style="list-style-type: none"> • 255 from the United States and Canada • 40 from Israel • 37 from Europe • 2 from Australia • 1 from Tajikistan <ul style="list-style-type: none"> • Reached an agreement with Moroccan National Library • 75 new archival collections, totaling 3,128,000 pages <p>Met: The office is up and running, staffed by a part-time contractor.</p> <ul style="list-style-type: none"> • Cooperation on this project has extended name discussions into issues of better reference to the names from ITS, projects to improve knowledge of the collection, and possible work to share name data captured from the collection. • The ITS archive is currently accessible to researchers using specialized software acquired by the Museum. Planning in progress to create a more broadly based public access system. • Since opening the ITS collection to the public in January 17th, 2008 there have been over 7,000 requests for information. • New staff hired and trained along side staff from across the institution and a new group of Museum volunteers to support name research in the collection and to provide documents to survivors and their families. <p>6,228 items added to the collection Total collection now at 80,268 items.</p>

GOAL: PROTECT AND STRENGTHEN THE CORE OF THE LIVING MEMORIAL

Objective	FY 2008 activity planned, target or comparison baseline	Results / Status
<p>Rescue the Evidence (continued):</p> <p>Develop a more comprehensive collection that is better able to serve exhibition and research needs and fill identified gaps (this objective encompasses all areas and types of collections as well as collections management and access)</p>	<p>Complete implementation of collections management database system with final migration and data clean-up.</p> <p>Assess, treat, and rotate permanent exhibition artifacts according to the priority list of 438 objects compiled in 2006.</p> <p>Digitize the collection of nearly 5,000 hours of USHMM-produced video survivor interviews and store the new digital files for long term survival and on-line access. The entire collection is scheduled for 2008 digitization.</p>	<p>(see status report under Information Technology objective elsewhere in performance plan)</p> <p>Partially met: 145 additional objects have been treated.</p> <p>Met: Digitization completed. User access to these interviews will be via the Museum's new collections management system. A proposal for the digital reformatting of the Museum's remaining magnetic tape holdings is being developed now.</p>

GOAL: PROTECT AND STRENGTHEN THE CORE OF THE LIVING MEMORIAL

Objective	FY 2008 activity planned, target or comparison baseline	Results / Status
Engage new audiences in Days of Remembrance (DOR)	Provide special programming to engage the next generation of Museum supporters	<p>Met: Reached out to donors, potential donors, Council and other leadership through array of events that highlight DOR and showcase breadth and depth of Museum programs.</p>
	Expand outreach to key audiences: military, law enforcement, educators, college student	<p>Met:</p> <ul style="list-style-type: none"> • Updated Web site w/more resources for planning DOR ceremonies and educational programs • DOR materials mailed to government audiences in all 50 states • Expanded outreach to include military in Iraq and Kuwait • Initiated discussions w/officials at the Defense Equal Opportunity Management Institute to establish a collaborative partnership with the goal of creating enhanced training and resources for military personnel charged with planning DOR events at bases across the country and worldwide.
	Increase efforts at encouraging Teacher Fellows to create and engage in DOR activities in their schools and communities	<p>Partially met: 90% fulfilled the requirement: Distributed posters to schools nationwide; introduced a new Teacher Fellow requirement: create a DOR program for their school and/or local community.</p>

GOAL: PROTECT AND STRENGTHEN THE CORE OF THE LIVING MEMORIAL

Objective	FY 2008 activity planned, target or comparison baseline	Results / Status
<p>Center for Advanced Holocaust Studies</p> <p>Shape the emerging field of Holocaust studies to promote its excellence and vitality</p>	<p>Engage 75-100 new university-based scholars in CAHS network of research/teaching activities</p> <p>Facilitate university scholars' research and teaching work through faculty seminars (2 per year); fellows program (25-30 per year); campus outreach/presence (50-75 presentations per year)</p>	<p>Exceeded: Engaged 96 new university-based scholars in CAHS research and teaching activities</p> <p>Exceeded:</p> <ul style="list-style-type: none"> • 26 research fellowships to scholars from 6 states and 8 countries; 6 graduate student research awards to students from 5 states. • 79 campus programs in 30 states and DC. • 3 faculty seminars for 55 professors from 28 states, DC, and Canada; • 7 scholars from 6 states attended a Yiddish course for Holocaust research.
	<p>Build networks of scholars/communities of discourse through 6-10 summer research workshops; symposia; partnered activities off-site</p>	<p>Partially met:</p> <ul style="list-style-type: none"> • 4 summer research workshops comprising 49 scholars from 12 states and 10 countries. Topics included anti-Semitism, the International Tracing Service, Vichy France, and Nuremberg War-Crimes Trials. • Conducted off-site activity on the Holocaust in Ukraine with 3 other organizations. • The Center canceled its on-site symposium program due to funding constraints.
	<p>Complete an encyclopedia of Nazi killing centers, camps, ghettos, and other detention sites by FY 2010. FY 2008 targets are printing volume 1 and completing entries for volume 2.</p>	<p>Partially met:</p> <ul style="list-style-type: none"> • Printing of volume 1 and completion of entries for volume 2 delayed until FY2009. • Final completion date delayed to FY 2015.
	<p>Encourage scholarship on anti-Semitism through a summer research workshop, short-term invitational scholars, lectures, and fellowships.</p>	<p>Met:</p> <ul style="list-style-type: none"> • French anti-Semitism specialist Alain Finkielkraut made presentations at USHMM, Indiana University, and University of Minnesota. • Bassam Tibi wrote study on anti-Semitism in Islam during 3 month residency. • Conducted 1 summer research workshop on anti-Semitism, consisting of 17 experts from 5 states and 5 countries.
	<p>Complete an archival studies project on Jewish responses to persecution by FY 2010.</p>	<p>Partially met:</p> <ul style="list-style-type: none"> • Manuscript for volumes 1 and 2 on target for delivery to publisher in FY 2009. • Work on volume 3 begun. • Final completion date delayed to FY 2012.

GOAL: ENHANCE THE NATION'S MORAL DISCOURSE

Objective	FY 2008 activity planned, target or comparison baseline	Results / Status
Effectively use the Committee on Conscience to respond to contemporary genocide		
Expand the network of citizens who care about genocide	<p>Create data repository within the Genocide Prevention Mapping Initiative (GPMI) to collect and share information from localities where genocide is a threat.</p> <p>Launch an exhibition on contemporary genocide in the Wexner Learning Center.</p>	<p>Met:</p> <ul style="list-style-type: none"> • Data repository and Web interface created and tested. • GPMI launched second initiative with Google Earth, <i>World is Witness</i> in April 08. Geoblog first entries were of Museum “bearing witness” trip to Rwanda/ Congo. • Additional entries from guest contributors and Summer 2008 bearing witness trip to Sudan and Congo. <p>(see status under NIHE goals)</p>
Expand the reach of the Academy for Genocide Prevention	Produce genocide prevention findings resulting from the work of the Genocide Prevention Task Force (GPTF).	<p>Met:</p> <ul style="list-style-type: none"> • GPTF launched in November 2007 • Spring 2008 consultations and analysis phase completed. • Report completed and submitted to publisher for December 2008 public release.

GOAL: ENHANCE THE NATION'S MORAL DISCOURSE

Objective	FY 2008 activity planned, target or comparison baseline	Results / Status
<p>Carry out the NIHE objectives</p> <p>Use special exhibitions, the Web site and related programs / products to stimulate dialogue / discourse</p> <p>Present traveling exhibitions and related programs / products nationwide</p> <p>Use the Wexner Learning Center to enhance visitor engagement with the history and legacy of the Holocaust</p>	<p>Present special exhibitions and associated programs at the Museum and through traveling exhibitions nationwide.</p> <p>Launch <i>Propaganda</i> initiative with special programming for journalists and other communications professionals.</p> <p>Create web-based and other products such as videos and podcasts related to the <i>Propaganda</i> initiative.</p> <p>Translate the Holocaust Encyclopedia on the Museum's Web site into Chinese, Urdu, Russian, Portuguese, and Turkish, languages (and add a minor site in Greek).</p> <p>Launch an exhibition on contemporary genocide in the Wexner Learning Center.</p>	<p>Met:</p> <ul style="list-style-type: none"> • (See following page for museum exhibitions) • Traveling exhibitions served twenty-four communities in seventeen states <p>Met:</p> <ul style="list-style-type: none"> • Convened three roundtable conversations to begin building a training model for journalists • Initiated conversations with potential partners including the American Press Institute, the Society for Professional Journalists, and the Association for Education in Journalism and Mass Communication about programming for professionals and students in the field. • Worked to identify opportunities at upcoming professional conventions and conferences at which the USHMM might convene sessions. • Planning outreach to student journalists through the youth leadership conference, the REC program, and the American Society of Newspaper Editors' "Myjournalism.com" • Developing general audience outreach, including a student tool for use in the exhibition and a public program series <p>Deferred to the first quarter of FY 2009 in conjunction with the opening of the special exhibition, <i>State of Deception: The Power of Nazi Propaganda</i>.</p> <p>Partially met: Chinese, Urdu, Russian, and Greek languages are live on the Museum's Web site. Turkish and Portuguese are in production.</p> <p>Partially met: Concept design complete; installation expected in spring 2009</p>

GOAL: ENHANCE THE NATION'S MORAL DISCOURSE

Status report for special exhibitions:

<u>Exhibition Title/Topic</u>	<u>Target Presentation Dates</u>	<u>Phase as of 4/30/2008</u>
<i>Documenting the Path of American Liberators</i> (Wexner Learning Center)	May 16, 2004–fall 2008	On view
<i>GENOCIDE EMERGENCY—Darfur, Sudan: Who Will Survive Today?</i> (Wexner Learning Center)	March 11, 2005 - Indefinitely	On view
<i>Abandoned at Srebrenica: Ten Years Later</i> (Meyerhoff Theater)	July 11, 2005 - Indefinitely	On view
<i>The Nuremberg Trials: What Is Justice?</i> (Wexner Learning Center)	December 20, 2005 - Indefinitely	On view
<i>A Dangerous Lie: The Protocols of the Elders of Zion</i> (Gonda Education Center)	April 21, 2006 - Indefinitely	On view
"From Memory to Action: The Genocide Response Project" (working title) (Wexner Learning Center)	Spring 2009–2014	Concept design finalized; detail design begun
<i>State of Deception: The Power of Nazi Propaganda</i> (Kimmel-Rowan Gallery)	November 20, 2008 – Fall 2011	Detail design complete; fabrication begun FY 2008 4th quarter
Collaboration/Complicity (Kimmel-Rowan Gallery)	Spring 2012–Fall 2015	Research/concept development underway

GOAL: ENHANCE THE NATION'S MORAL DISCOURSE

Objective	FY 2008 activity planned, target or comparison baseline	Results / Status
<p>Carry out the NIHE objectives - continued</p> <p>Develop programming to increase awareness of contemporary anti-Semitism and its historical roots</p> <p>Increase capacity to deliver teacher training and resources</p> <p>Extend reach of programs for military, government, law enforcement and other leadership audiences</p> <p>Build network of medical professionals / bioethicists interested in incorporating Holocaust related material in humanities and medical ethics training</p>	<p>Expand the Voices on Anti-Semitism audio / podcast series</p> <p>Increase the number of Regional Educational Corps members emphasizing Rocky Mountain plans and Western states and community based teacher training programs.</p> <p>Increase opportunities for extended learning with current partners</p> <p>Increase usage of Holocaust related content in healthcare professions ethics curriculum to enhance existing ethics training for future leaders in medicine, public health and nursing.</p>	<p>Met: 25 podcast episodes added to the Museum's Web site.</p> <p>Met:</p> <ul style="list-style-type: none"> • 30 Regional Education Corps members, 5 in the Rocky Mountain/Western States regions. • Community based teacher training: <ul style="list-style-type: none"> Western States California—October 2007, April 2008 Oregon—April 2008 Rocky Mountains/Plains Utah—April 2008, September 2008 Kansas—June 2008 North Dakota—June 2008 Nebraska—September 2008 Southwestern States Oklahoma—October 2007 Texas—November 2007, June 2008 New Mexico—April 2008 Arizona (2) – June 2008 <p>Met:</p> <ul style="list-style-type: none"> • Government executives: 22 programs, 510 participants • Military: 39 programs, 5,895 participants • Police/Law Enforcement: 72 programs, 3,768 participants • Judges/Law students: 5 programs, 730 participants <p>Partially met: Planning a new version of Deadly Medicine: Creating the Master Race for use by universities. Target date 1st Q FY 2009 to begin touring.</p>

GOAL: SECURE THE FUTURE OF THE MEMORIAL MUSEUM

Objective	FY 2008 activity planned, target or comparison baseline	Results / Status
<p>Undertake fundraising efforts to fulfill the Strategic plan over the next decade</p>	<p>FY 2008 target: Raise \$29.3 million in annual funds and \$10 million in endowment</p> <p>Undertake targeted membership acquisition efforts to increase the number of new members by 10% to 155,000.</p>	<p>Partially met: FY 2009: Raised \$32.4 million in annual funds and \$4.9 million in endowment.</p> <p>Partially met: (achieved target count but not percentage growth):</p> <ul style="list-style-type: none"> • 2008: 162,649 • 2007: 157,387 • 2006: 138,745 (baseline) <p>Focus group research with Museum visitors to determine perceptions of the Museum and appropriate messaging for outreach efforts.</p>
<p>Increase the integration of fundraising plans with programmatic priorities</p>	<p>Develop strategies to increase the number of museum visitors who become members</p> <p>Develop regional activities through traveling exhibitions, annual events, and Museum speakers</p>	<p>Met:</p> <ul style="list-style-type: none"> • National Days of Remembrance highlights included: Over 700 people attended the dinner honoring Eric & Lore Ross and Fr. Patrick DesBois. • Eric & Lore Ross launched a third challenge for \$2 million at the DOR Dinner. • Chicago Luncheon in October featured Elie Wiesel and raised \$3.1 million. • First Phoenix Dinner in November with nearly 500 guests to honor Gerda Klein. • Launched “Washington Forum” lecture series for Wings and Founders. • Events held in Cleveland, Kansas City, Boston, New York, San Francisco, Los Angeles, Boca Raton, and Miami.
	<p>Launch endowment initiatives and other major fundraising efforts around the major programmatic themes and objectives</p>	<p>Met:</p> <ul style="list-style-type: none"> • 50 major donors traveled to Poland and Germany in October and raised over \$500,000. • Launched new Legacy of Light Founders Society for donors of \$1 million or more in their estate to the Museum’s endowment: \$24.5million in commitments made • Planned Giving added 46 new commitments made known. 22 of the 46 commitments were quantifiable, totaling \$11,608,500

GOAL: SECURE THE FUTURE OF THE MEMORIAL MUSEUM

Objective	FY 2008 activity planned, target or comparison baseline	Results / Status
<p>Enhance perception of the Museum as institution that teaches the lessons of the Holocaust and encourages leaders and citizens to confront hate, prevent genocide, promote human dignity and strengthen democracy.</p>	<p>Refine the Museum’s visual identity and ensure messages are cohesive, consistent, appropriate, and future-focused</p> <p>Undertake audience research in support of marketing efforts</p>	<p>Partially met:</p> <ul style="list-style-type: none"> Engaged design firm to develop graphic identity system. Produced series of Endowment materials as part of new messaging effort. <p>Met:</p> <ul style="list-style-type: none"> Conducted first phase of message testing and branding workshop. Membership focus groups took place. Completed Propaganda exhibition title research.
<p>Position the Museum to anticipate and benefit from opportunities that support the mission and enhance the Museum’s image</p>	<p>Generate positive press coverage around key Museum initiatives</p> <p>Enhance and promote the Web site as a fundraising, messaging, and educational tool.</p>	<p>Met:</p> <ul style="list-style-type: none"> Auschwitz SS photo album generated widespread national/global coverage, including features in the New York Times, New Yorker and on the National Geographic television network. Advertising and outreach for Nazi Olympics exhibition resulted in feature articles in Washington Post, Associated Press, German press, and others. Significant press outreach at launch of Genocide Prevention Task Force. <p>Met:</p> <ul style="list-style-type: none"> Web content for the SS album resulted in largest number of visits ever to the Web site Produced new video and distributed a web “widget” that allows online content to be easily shared by users in conjunction with Nazi Olympics Launched “World is Witness,” a geoblog for informing Google Earth users worldwide about the effect on individuals of genocide.
	<p>Work with Development on comprehensive communications strategy to support fundraising goals.</p>	<p>Partially met:</p> <ul style="list-style-type: none"> Assessed messaging and outreach efforts and staffing needs for a more comprehensive approach to communications, marketing and development strategies. Hired two additional Special Events staff to support new international travel program and significant increase in local and national fundraising events.

GOAL: SECURE THE FUTURE OF THE MEMORIAL MUSEUM

Objective	FY 2008 activity planned, target or comparison baseline	Results / Status
<p>Position the Museum to anticipate and benefit from opportunities that support the mission and enhance the Museum's image (continued)</p>	<p>Use innovative communications methods to build partnerships, connect with influencers, and steward constituencies.</p>	<ul style="list-style-type: none"> • Extensive outreach to survivor communities nationwide around the International Tracing Service archive opening and our ability to serve this community, including more than a dozen public community briefing events in key communities involving local partner organizations and in Florida, in cooperation with a Members of Congress. Outreach included two on-site leadership briefings, a national ad campaign and press strategy. • Use of listservs, the Web site and e-communications to engage the survivor community in our efforts.

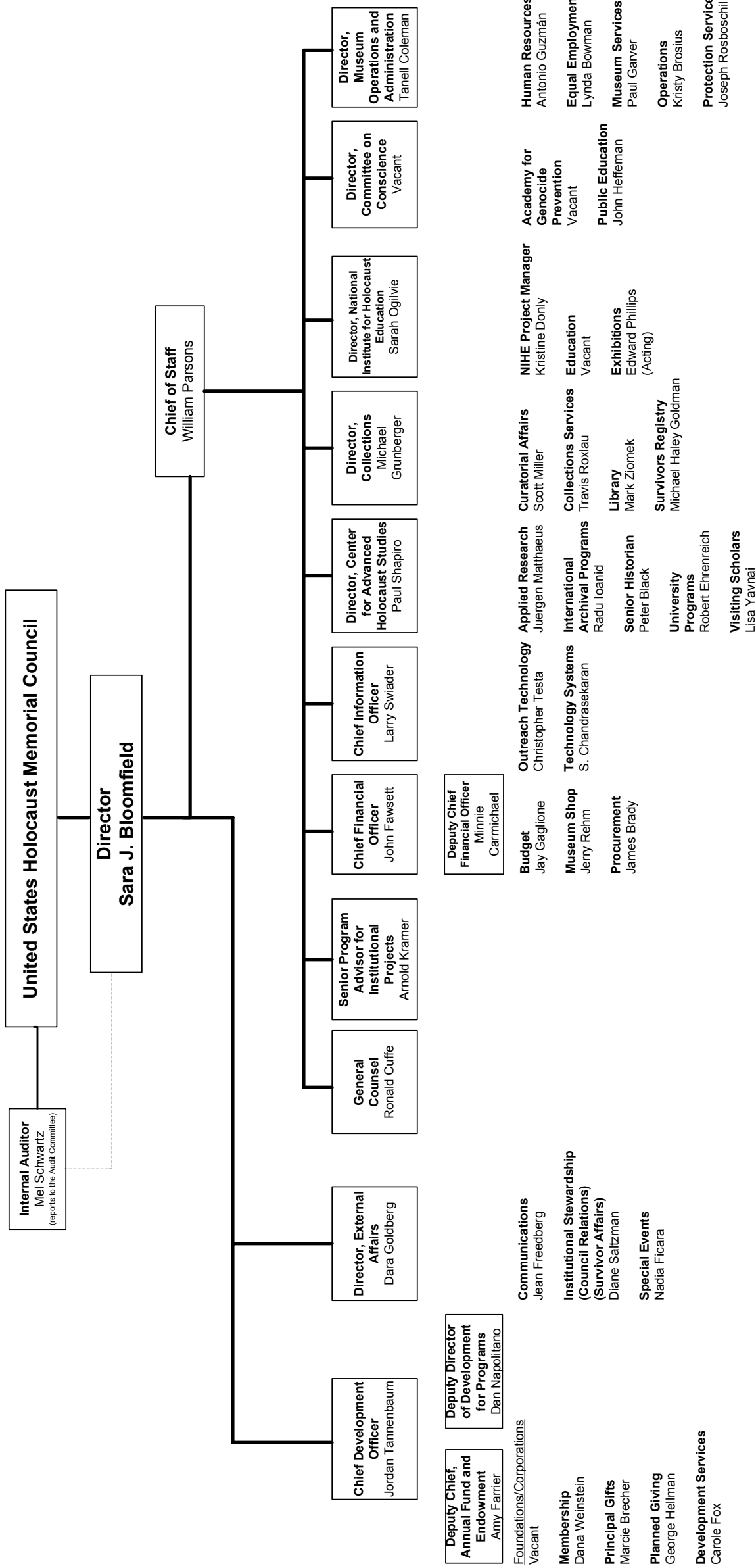
GOAL: IMPROVE MANAGEMENT AND ADMINISTRATION

Objective	FY 2008 activity planned, target or comparison baseline	Results / Status
<p>Pursue continuous improvement and excellence in financial management, human resources management, information technology support, and administration of the Museum and address relevant elements of the President's Management Agenda.</p>	<p>Relocate leased office space by December 30, 2007</p>	<p>Partially met: Leasing delays pushed date back; completed April 27, 2008</p>
	<p>Analyze development office spending and performance metrics</p>	<p>Partially met: CFO activity: focus on development services and fundraising events continuing into FY 09</p>
	<p>Implement payroll provider consolidation - The scope of this project has been expanded to include preliminary research of current personnel/payroll (instead of solely payroll) system requirements, user needs, and provider functionality. Initial findings indicate that further in depth analysis should precede attempts to consolidate payroll providers. HR and Finance will create a project team to complete research and present recommendations to senior management by the end of the FY08 second quarter.</p>	<p>Partially met: Ongoing – During the fiscal year, the Director of Human Resources, Chief Financial Officer, and Chief Information Officer, Chief Technology Officer along with other key staff members conducted meetings with representatives from Microsoft Dynamics Business Solutions and the Gardner Group to discuss system requirements for a new personnel / payroll system and its integration within the architecture of Museum's current and future IT systems. Additional meetings with the Gardner Group will take place in the first quarter of FY09, and the project teams group's recommendations to senior management will be submitted in the second quarter.</p>
	<p>Foster the proactive use of Human Resources as a management resource for Museum supervisors in accomplishing organizational goals and objectives: FY 2008 specific target: - Develop training policy and plan by mid-year</p> <p>Increase non-appropriated revenue from business activities – develop 2 additional revenue sources. FY 2007 total \$574,532</p>	<p>Met: In the second quarter, Human Resources developed a training policy and plan for team leaders, supervisors, managers, and executives. The policy and plan will be rolled out to supervisors in FY09. In addition, HR conducted the first in a series of quarterly workshops for supervisors. The first session covered the performance appraisal cycle and general performance management issues. Not met: FY 2008 revenue total of \$523,560. Decrease in revenue due primarily to lower royalty income.</p>

GOAL: SECURE THE FUTURE OF THE MEMORIAL MUSEUM

Objective	FY 2008 activity planned, target or comparison baseline	Results / Status
<p>Provide oversight for major Museum technology systems</p>	<p>Complete implementation of collections management database system with final migration and data clean-up.</p> <p>Build a content management system for the Museum's Web site.</p> <p>Grow email delivery systems by augmenting the amount of addresses in the system by 50% and variety of messages, automate credit card giving via the Web site, and add products to the online Museum Shop (e-commerce) and market those products online. Implement online event management capability as a software as service solution.</p> <p>Implement with Security, the Homeland Security requirements for new identification cards for staff.</p>	<p>Partially met:</p> <ul style="list-style-type: none"> • The collections management system is now used to record all new acquisitions (i.e., all new acquisitions for FY 2008 are recorded in the collections management system). • Location authority records now exist for all physical locations where collections, artifacts, objects are held. • Digital surrogates of collections are being re-united with the collection and item level records that describe them. • All staff in Archives, Art & Artifacts, and Collection Services use the database on a daily basis. • Final migration of Film and Video, Music, and Photo Archives data in progress and on schedule. • Digital Asset Management system integrated with EMu so that all images in the Photo Archives will be catalogued in EMu and managed in iDAM. <p>Partially met: Database development is complete. Work on front-end data entry tool in progress and will be informed by an information architecture analysis due to start in Fall 2008.</p> <p>Exceeded:</p> <ul style="list-style-type: none"> • Email list has grown by 66% YTD. • Automated credit card implementation is nearly finished. • Online Museum Shop monthly sales increased from \$800 to \$2,000 • Online marketing in Google Ads. • Event management software created for online registration for most museum events. <p>Deferred: Revised to a limited deployment of new ID cards only for key personnel. Additional details are being developed for action during fiscal year 2009.</p>

United States Holocaust Memorial Museum



INSTITUTIONAL GOALS

ENHANCE THE NATION'S MORAL DISCOURSE

NATIONAL INSTITUTE FOR HOLOCAUST EDUCATION

- Education
- Exhibitions
- Learning Center
- Outreach Technology

COMMITTEE ON CONSCIENCE

- Academy for Genocide Prevention
- Public Education

RESCUE THE EVIDENCE

- Collections
- International Archival Programs
- Library
- Survivors Registry

PROTECT AND STRENGTHEN THE MEMORIAL CORE

CENTER FOR ADVANCED HOLOCAUST STUDIES

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

MUSEUM BUILDING

- Museum Services
- Operations
- Protection Services

FUNDRAISING

- Annual Fund
- Endowment
- Planned Giving
- Communications Publishing
- Council Relations
- Institutional Stewardship
- Survivor Affairs
- Special Events

EXTERNAL AFFAIRS

- Finance
- Human Resources
- General Counsel
- Equal Employment
- Databases
- Technology Systems

MANAGEMENT SYSTEMS

- Finance
- Human Resources
- General Counsel
- Equal Employment
- Databases
- Technology Systems

Message from the Chief Financial Officer

I am pleased to present the United States Holocaust Memorial Museum's Fiscal Year 2008 *Performance and Accountability Report* which presents both financial and performance information on the Museum's operations in a combined report for the fiscal year ending September 30, 2008. This report satisfies the reporting requirements for the following:

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

The Museum received an unqualified opinion on its consolidated financial statements for Fiscal Year 2008. These statements fully account for both the Federal and non-appropriated funds.

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

- The refinement of operational performance metrics to ensure the operation of efficient and effective financial and procurement systems
- Increased net revenue from business activities
- Continued progress on eGov initiatives for e-travel
- The automation of the accrual process

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



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



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

Council Members

United States Holocaust Memorial Museum:

We have audited the accompanying statement of financial position of the United States Holocaust Memorial Museum (the Museum) as of September 30, 2008, and the related statements of activities, and cash flows (hereinafter referred to as "financial statements") for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of September 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in note 15 to the financial statements of the Museum, net assets as of September 30, 2007 have been restated from the Museum's previously issued financial statements, which were audited by other auditors.

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

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



In accordance with *Government Auditing Standards*, we have also issued our reports dated January 14, 2009, 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* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

January 14, 2009

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF FINANCIAL POSITION SEPTEMBER 30, 2008

	Non- appropriated Funds	Appropriated Funds	Total
Assets:			
Cash and Fund Balance with Treasury	\$ 1,275,630	\$ 11,398,519	\$ 12,674,149
Short-term investments	1,046,705	-	1,046,705
Contributions receivable, net	23,940,524	-	23,940,524
Other assets	786,140	220,507	1,006,647
Long term investments	171,838,126	-	171,838,126
Property and equipment, net	84,991,187	12,060,271	97,051,458
Collections (note 2)	-	-	-
Total Assets	<u>283,878,312</u>	<u>23,679,297</u>	<u>307,557,609</u>
Liabilities:			
Account payable and accrued expenses	6,523,341	4,748,633	11,271,974
Deferred revenue	4,500,000	-	4,500,000
Unexpended appropriations	-	8,219,606	8,219,606
Total Liabilities	<u>11,023,341</u>	<u>12,968,239</u>	<u>23,991,580</u>
Net assets:			
Unrestricted:			
Federal cumulative results of operations	-	10,711,058	10,711,058
Program and supporting activities	81,108,603	-	81,108,603
Funds functioning as endowment	44,925,004	-	44,925,004
Total unrestricted net assets	<u>126,033,607</u>	<u>10,711,058</u>	<u>136,744,665</u>
Temporarily restricted net assets	<u>34,158,674</u>	<u>-</u>	<u>34,158,674</u>
Permanently restricted net assets	<u>112,662,690</u>	<u>-</u>	<u>112,662,690</u>
Total net assets	<u>272,854,971</u>	<u>10,711,058</u>	<u>283,566,029</u>
Commitments and Contingencies			
Total liabilities and net assets	<u>\$ 283,878,312</u>	<u>\$ 23,679,297</u>	<u>\$ 307,557,609</u>

See accompanying notes to financial statements.

(Continued)

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

**STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2008**

	Non-appropriated Funds	Appropriated Funds	Total Unrestricted	Non-appropriated Funds		Total
				Temporarily Restricted	Permanently Restricted	
Support and revenues:						
Federal appropriation revenue	\$ -	\$ 45,712,768	\$ 45,712,768	\$ -	\$ -	\$ 45,712,768
Contributions	12,986,277	-	12,986,277	11,039,857	5,067,845	29,093,979
Membership revenue	10,468,822	-	10,468,822	-	-	10,468,822
Museum shop	2,337,921	-	2,337,921	-	-	2,337,921
Endowment payout	5,914,145	-	5,914,145	1,853,557	-	7,767,702
Contributed services	31,526	-	31,526	-	-	31,526
Imputed financing source	-	1,141,023	1,141,023	-	-	1,141,023
Other	339,336	-	339,336	-	-	339,336
Net assets released from restrictions:						
Expiration of time restrictions	1,466,461	-	1,466,461	(1,466,461)	-	-
Satisfaction of program restrictions	6,641,057	-	6,641,057	(6,641,057)	-	-
Total support and revenues	40,185,545	46,853,791	87,039,336	4,785,896	5,067,845	96,893,077
Expenses:						
Program services:						
Museum operations	3,847,920	21,217,063	25,064,983	-	-	25,064,983
Center for Advanced Holocaust Studies	5,025,690	2,435,638	7,461,328	-	-	7,461,328
Museum and public programs	10,326,468	10,583,583	20,910,051	-	-	20,910,051
Outreach technology	2,608,468	3,912,564	6,521,032	-	-	6,521,032
Museum shop	1,993,700	-	1,993,700	-	-	1,993,700
Total program services	23,802,246	38,148,848	61,951,094	-	-	61,951,094
Supporting services:						
Management and general	6,698,088	7,605,003	14,303,091	-	-	14,303,091
Membership development	4,928,002	-	4,928,002	-	-	4,928,002
Fundraising	7,879,881	-	7,879,881	-	-	7,879,881
Total supporting services	19,505,971	7,605,003	27,110,974	-	-	27,110,974
Total expenses	43,308,217	45,753,851	89,062,068	-	-	89,062,068
Support and revenues over (under)						
Expenses	(3,122,672)	1,099,940	(2,022,732)	4,785,896	5,067,845	7,831,009
Investment return in excess of endowment payout	(33,324,060)	-	(33,324,060)	(7,241,494)	770,790	(39,794,764)
Increase (decrease) in net assets	(36,446,732)	1,099,940	(35,346,792)	(2,455,598)	5,838,635	(31,963,755)
Net assets—beginning of year, as restated (note 15)	162,480,339	9,611,118	172,091,457	36,614,272	106,824,055	315,529,784
Net assets—end of year	\$ 126,033,607	\$ 10,711,058	\$ 136,744,665	\$ 34,158,674	\$ 112,662,690	\$ 283,566,029

See accompanying notes to financial statements.

(Continued)

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

**STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2008**

	Total Non- Appropriated Funds	Appropriated Funds	Total
Cash flows from operating activities:			
Receipts from Federal appropriation	\$ -	\$ 45,496,000	\$ 45,496,000
Payments for Federal rescissions	-	(709,737)	(709,737)
Cancelled appropriation return to U.S. Treasury	-	(556,326)	(556,326)
Receipts from contributions	26,699,199	-	26,699,199
Receipts from membership activities	10,468,822	-	10,468,822
Receipts from investments	6,564,908	-	6,564,908
Receipts from museum shop, royalties, miscellaneous receipts	2,546,952	-	2,546,952
Payments for wages and benefits	(17,798,206)	(21,919,773)	(39,717,979)
Payments for consultants, advisors, and others	(19,823,325)	(19,970,376)	(39,793,701)
Payments for stipends, honoraria and grants	(1,069,310)	-	(1,069,310)
Payments for collections	(43,315)	-	(43,315)
Net cash provided by operating activities	<u>7,545,725</u>	<u>2,339,788</u>	<u>9,885,513</u>
Cash flows from investing activities:			
Capital expenditures	(2,798,555)	(3,267,312)	(6,065,867)
Purchase of investments	(46,200,817)	-	(46,200,817)
Sale of investments	37,924,056	-	37,924,056
Net cash used in investing activities	<u>(11,075,316)</u>	<u>(3,267,312)</u>	<u>(14,342,628)</u>
Cash flows from financing activities:			
Permanently restricted contributions	1,188,487	-	1,188,487
Net cash provided by financing activities	<u>1,188,487</u>	<u>-</u>	<u>1,188,487</u>
Net decrease in cash	(2,341,104)	(927,524)	(3,268,628)
Cash and Fund Balance with Treasury—beginning of year	<u>3,616,734</u>	<u>12,326,043</u>	<u>15,942,777</u>
Cash and Fund Balance with Treasury—end of year	<u>\$ 1,275,630</u>	<u>\$ 11,398,519</u>	<u>\$ 12,674,149</u>

See accompanying notes to financial statements.

(Continued)

UNITED STATES HOLOCAUST MEMORIAL MUSEUM

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2008

	Total Non- Appropriated Funds	Appropriated Funds	Total
Reconciliation of change in net assets to net cash provided by operating activities			
Increase (decrease) in net assets	\$ (33,063,695)	\$ 1,099,940	\$ (31,963,755)
Adjustments to reconcile net income to net cash provided by operating activities:			
Museum depreciation	2,724,057	1,310,679	4,034,736
Equipment depreciation	87,062	196,793	283,855
Exhibition amortization	943,394	489,101	1,432,495
Realized/unrealized losses on investments	36,947,123	-	36,947,123
Contributions of permanently restricted net assets	(1,188,487)	-	(1,188,487)
Change in assets and liabilities:			
Decrease in contributions receivable, net	(4,459,673)	-	(4,459,673)
Decrease (increase) in other assets	(109,990)	1,812	(108,178)
Decrease in unexpended appropriation		(1,482,832)	(1,482,832)
Increase in accounts payable and accrued liabilities	1,165,934	724,295	1,890,229
Increase in deferred revenues	4,500,000	-	4,500,000
Net cash provided by operating activities	<u>\$ 7,545,725</u>	<u>\$ 2,339,788</u>	<u>\$ 9,885,513</u>

See accompanying notes to financial statements.

(Continued)

United States Holocaust Memorial Museum
Notes to Financial Statements
September 30, 2008

1. ORGANIZATION AND PURPOSE

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

The Museum is governed by 65 voting members and three nonvoting *ex officio* members (the “Members”). Fifty-five voting Members are appointed by the President of the United States, five are appointed by the Speaker of the U. S. House of Representatives from among Members of the U. S. House of Representatives, and five are appointed by the President Pro Tempore of the U. S. Senate, upon the recommendation of the majority and minority leaders, from among Members of the U. S. Senate. One non-voting Member is appointed by each of the Secretaries of the Interior, State, and Education departments. Members serve a term of five years or, in the case of Members of Congress, until the end of the term of Congress.

The Museum receives an annual Federal appropriation (see Appropriated Funds — Note 8) and was authorized by statute (36 U.S.C. Section 2307) to raise private funds (the “Non-appropriated Funds”) to aid or facilitate the operation and maintenance of the Museum. These financial statements present the financial position, activities, and cash flows of both the Appropriated Funds and the Non-appropriated Funds of the Museum.

Tax-Exempt Status — The Museum is exempt from Federal taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”) of 1986 and, further, is a publicly supported entity as defined by the Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Museum’s financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*.

Significant accounting policies followed are summarized below:

Cash and Fund Balance with Treasury — Cash for Non-appropriated 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 Treasury.

Investments — Investments are reported at fair value, with gains and losses included in the statement of activities. Short and long-term investments represent donated securities and the investment of endowment funds.

(Continued)

United States Holocaust Memorial Museum
Notes to Financial Statements
September 30, 2008

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 non-current assets, as they are restricted or intended to be held for long-term purposes.

The whole endowment, consisting of the board-designated and real endowments, is pooled for investment purposes. The endowment pays out an amount for annual support of operations and an amount allowed to be spent for specific purposes based on the trailing 12-quarter fair market value averages as calculated using data through June 30th of the preceding year. The difference between the total return on the endowment (i.e., dividends, interest, and net gain or loss) and the current payout is reported as non-operating income or loss in the statement of activities as investment return (loss) adjusted for the endowment payout.

At September 30, 2008, the Museum reported approximately 63% of investments including short term investments and gift annuities at fair value based on quoted market prices. The remaining investments are reported at estimated fair values as determined by management based upon various valuation techniques developed by general partners or investment managers.

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

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

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

Membership – Membership dues are considered contributions and are recognized as revenue in the period received. As such, total fundraising costs include both membership development and fundraising expenses.

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

(Continued)

United States Holocaust Memorial Museum
Notes to Financial Statements
September 30, 2008

Contribution revenue is recognized at the date the Museum first knows of the trust. The receivable is adjusted during the term of the trust for the accretion of discounts, revaluation of the present value of the estimated future payments to the current beneficiary, and changes in life expectancies, and the change in split interest is recorded as contribution revenue.

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

An allowance for uncollectible contributions is provided based on management's evaluation of potential uncollectible contributions receivable at year-end. The allowance is based on historical data and is applied as a percentage of new receivables. Changes in the allowance for uncollectible contributions are charged to the provision for bad debt expense.

Other Assets — Other assets consist primarily of prepayments and inventory from the Museum bookstore (the "Museum Shop"). The Museum Shop sells Holocaust-related educational materials, such as books and videotapes, to the public. The Museum Shop's inventory was \$199,439 as of September 30, 2008 and is valued at the lower of cost or market using the first-in, first-out inventory valuation method.

Property and Equipment — Furniture and equipment are stated at cost. Depreciation is computed using the straight-line method. Estimated useful lives are three years for computer equipment and five years for furniture and other equipment. The threshold for capitalization is \$25,000.

The Museum opened to the public on April 26, 1993. All costs associated with the construction of the Museum, including payments to construction contractors, architect's fees, excavation costs, direct materials and labor, Museum construction management, and interest were capitalized. All interest incurred on borrowed funds through April 26, 1993, was capitalized because the funds were specifically borrowed for the construction of the Museum. On April 26, 1993, depreciation on the Museum commenced and is computed on the straight line basis over 40 years. The Exhibitions include the cost to design and construct the permanent exhibition and temporary exhibitions. The permanent exhibition is being depreciated on the straight line basis over 30 or 40 years and the temporary exhibitions are amortized on a straight line basis over the life of the exhibition. Renovations and improvements are recorded and depreciated on a straight line basis over 10 years.

The land on which the Museum has been constructed as well as an administrative building are titled in the name of the U.S. Government and is 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.

Collections – The Museum acquires its collections, which include works of art, artifacts, archives, film and video, oral history, 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.

(Continued)

United States Holocaust Memorial Museum
Notes to Financial Statements
September 30, 2008

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

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

Net Assets — The Museum classifies Non-appropriated net assets into three categories: unrestricted, temporarily restricted, or permanently restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by time. Temporarily restricted net assets are contributions with temporary, donor-imposed time and/or program restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a later period. Temporarily restricted net assets become unrestricted when the time restrictions expire and/or the funds are used for their restricted purposes and are reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets represent donor-restricted endowments to be held in perpetuity. 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.

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.

Non-appropriated Funds — The Non-appropriated Funds reflect the receipts and expenditures of funds obtained from private sources through various fundraising and membership efforts, investment income, and certain revenue-producing activities related to the operations of the Museum.

Imputed Financing Source — The Museum recognizes the cost of pensions and Federal retirement benefits for its Federal employees during their active years of service, even though these costs will ultimately be paid by the Office of Personnel Management. An imputed financing source is recognized equal to this imputed cost in the Statement of Activities.

Financial Instruments — The Museum's financial instruments as of September 30, 2008 consist of cash, contributions receivable, investments, accounts payable, and accrued liabilities. The carrying amounts of these financial instruments approximated their fair values as of September 30, 2008.

Use of Estimates — The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

United States Holocaust Memorial Museum
Notes to Financial Statements
September 30, 2008

3. FUND BALANCE WITH TREASURY

Fund Balance:	
General Funds	\$ 11,398,519
Status of Fund Balance with Treasury:	
Unobligated Balance	
Available	\$ 2,807,411
Unavailable	\$ 1,094,707
Obligated not yet disbursed	<u>\$ 7,496,401</u>
Total	<u><u>\$ 11,398,519</u></u>

4. INVESTMENTS

The fair value of long-term investments at September 30, 2008, consisted of the following:

Portfolio cash	\$ 12,229,128
Domestic equities	56,100,975
International equities	24,576,368
Global equities	10,529,381
Fixed income	42,282,809
Multi-strategies/hedge funds	16,792,313
Distressed securities funds	3,261,293
Other mutual funds	2,883,645
Treasury securities	1,132,672
State of Israel bonds	<u>2,049,542</u>
	<u><u>\$ 171,838,126</u></u>

The Museum is obligated under the terms of certain limited partnership agreements to remit additional funding periodically as capital calls are exercised. At September 30, 2008, the Museum had uncalled commitments of approximately \$4.6 million. In addition, approximately 2% of the long-term investments are subject to redemption or lockup restrictions of three to six years.

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.

(Continued)

United States Holocaust Memorial Museum
Notes to Financial Statements
September 30, 2008

Short-term investments, at fair value at September 30, 2008 consist of the following:

Money market funds	\$ 1,046,687
Donated stock	<u>18</u>
	<u>\$ 1,046,705</u>

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

Total operating and non-operating investment losses for the year ended September 30, 2008 is summarized below:

Interest and dividends	\$ 4,920,062
Net realized loss	(2,203,707)
Net unrealized loss	(34,147,019)
Investment management fees	<u>(596,398)</u>
Net investment loss	<u>\$ (32,027,062)</u>
Endowment payout	\$ 7,767,702
Investment return in excess of endowment payout	<u>(39,794,764)</u>
Net investment loss	<u>\$ (32,027,062)</u>

During the year ended September 30, 2008, certain donor-restricted endowment funds incurred losses which reduced the fair value below the historic dollar value of such gifts of approximately \$1,600,000. The Museum previously adopted the District of Columbia law, the Uniform Management of Institutional Funds Act (“UMIFA”), which required the restoration of these endowment funds to the historic dollar value using accumulated earnings.

5. SPLIT-INTEREST AGREEMENTS

Included in the mutual funds amount is approximately \$2.9 million for charitable gift annuities in 2008. These investments are recognized at fair value using quoted market prices. An annuity liability for approximately \$1,807,000 in 2008 is reflected as long term liabilities and represents the present value of future cash flows expected to be paid to the donor or the donor’s designee. The revenue and change in value of split-interest agreements recognized for charitable gift annuities was \$137,859 and (\$180,737) in 2008.

(Continued)

**United States Holocaust Memorial Museum
Notes to Financial Statements
September 30, 2008**

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable in the accompanying statement of financial position as of September 30, 2008 included the following unconditional promises to give:

Amounts due in:	
Less than one year	\$ 9,106,888
One to five years	15,929,124
More than five years	<u>1,071,617</u>
Subtotal	26,107,629
Less:	
Allowance for doubtful accounts	(1,233,458)
Discount to present value (1.0%–4.9%)	<u>(933,647)</u>
	<u>\$23,940,524</u>

7. PROPERTY AND EQUIPMENT

At September 30, 2008 property and equipment consist of the following:

	Non- Appropriated Funds	Appropriated Funds	Total
Buildings and capital improvement	\$ 108,896,449	\$ 14,843,832	\$ 123,740,281
Furniture and equipment	6,700,515	8,698,593	15,399,108
Exhibitions	28,604,747	9,117,404	37,722,151
Leasehold improvements	<u>1,574,110</u>	<u>63,505</u>	<u>1,637,615</u>
Total	145,775,821	32,723,334	178,499,155
Less accumulated depreciation	<u>(60,784,634)</u>	<u>(20,663,063)</u>	<u>(81,447,697)</u>
Total property and equipment	<u>\$ 84,991,187</u>	<u>\$ 12,060,271</u>	<u>\$ 97,051,458</u>

8. APPROPRIATED FUNDS

The fiscal year 2008 Federal appropriations, net of rescissions, totaled \$44,786,263, which includes appropriations of \$1,244,282 for exhibition development and production and \$1,870,360 for building repair and rehabilitation, to be used by the Museum until expended. Beginning in fiscal year 2008, the Museum received additional funding for a three year appropriation in the amount of \$506,966 to be used for equipment replacement.

(Continued)

**United States Holocaust Memorial Museum
Notes to Financial Statements
September 30, 2008**

Below is a reconciliation of the fiscal year 2008 Federal appropriations received to Federal appropriations expended:

Federal appropriation	\$ 44,786,263
Unexpended appropriation — current year	(5,252,880)
Amounts obligated in previous years — expended in current year	<u>6,179,385</u>
Federal appropriation revenue	<u>\$ 45,712,768</u>

Below is a reconciliation of the spending of the fiscal year 2008 appropriations:

Total expenses	\$ 45,753,851
Depreciation and amortization	(1,996,573)
Unpaid vacation and other unfunded expenses	(1,311,823)
Unexpended appropriation — current year	5,252,880
Amounts obligated in previous years — expended in current year	(6,179,385)
Capital expenditures	<u>3,267,312</u>
Federal appropriation	<u>\$ 44,786,262</u>

9. COMMITMENTS AND CONTINGENCIES

The Museum has leases for regional offices, warehouses, and additional office space. These leases expire at various dates through 2017. Annual minimum lease payments due under operating leases in effect at September 30, 2008 are summarized as follows:

2009	\$ 1,053,349
2010	1,050,368
2011	875,328
2012	857,551
2013	835,345
Thereafter	<u>3,231,743</u>
	<u>\$ 7,903,684</u>

Rent expense for fiscal year 2008 was \$3,012,836. This amount was comprised of appropriated funds and non-appropriated funds of \$2,468,774 and \$544,062, respectively.

10. RETIREMENT PLANS

Although the Museum funds a portion of the pension benefits for its Appropriated Fund employees under the Civil Service Retirement System and the Federal Employees Retirement System (the Systems) and makes the necessary payroll withholdings from them, the Museum is not required to disclose the Systems' assets or the actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct

(Continued)

United States Holocaust Memorial Museum
Notes to Financial Statements
September 30, 2008

responsibility of the United States Office of Personnel Management (OPM). The Museum's expense for these Appropriated plans in fiscal year 2008 was \$2,569,818.

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 2008, the Museum, utilizing OPM's cost factors, recognized \$177,741 of pension expenses, \$960,480 of post-retirement health benefits expenses, and \$2,802 of post-retirement life insurance expenses, beyond amounts actually paid. The Museum recognized offsetting revenue of \$1,141,023 as an imputed financing source to the extent these intragovernmental expenses will be paid by OPM.

The Museum sponsors a defined contribution salary deferral 403(b) plan for its Non-appropriated Fund employees. Starting January 1, 2007, the Museum contributes 8% of annual pay for each eligible employee. In addition, the Museum matches 100 percent of the participant contributions up to 4% of annual pay. The Museum's expense for the 403(b) plan in 2008 was \$1,408,347.

11. FEDERAL EMPLOYEES' COMPENSATION ACT ACTUARIAL LIABILITY

The Department of Labor (DOL) provided the Museum with the calculation model and ratios to determine this liability as of September 30, 2008. 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 2008. The fiscal year 2008 Appropriated actuarial liability is \$65,522, and the fiscal year 2008 Non-appropriated actuarial liability is \$357,330.

The FECA actuarial liability is recorded for financial reporting purposes only. This liability constitutes an extended future estimate of cost which will not be obligated against budgetary resources until the fiscal 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 appropriations and Non-appropriated funds will be used to reimburse DOL for appropriate payments. The fiscal year unfunded liability for the Museum's Appropriated and Non-appropriated fund employees is \$4,230 and \$200 respectively.

(Continued)

**United States Holocaust Memorial Museum
Notes to Financial Statements
September 30, 2008**

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2008 are available for the following programs or periods:

Contributions to be received in future periods — for general use	\$ 4,080,448
Secure the Future	4,007,828
National Institute for Holocaust Education	9,235,408
Rescue the Evidence	6,417,265
Center for Advanced Holocaust Studies	8,907,725
Committee on Conscience	<u>1,510,000</u>
Total temporarily restricted net assets	\$ <u>34,158,674</u>

13. PERMANENTLY RESTRICTED NET ASSETS

At September 30, 2008 permanently restricted net assets are restricted in perpetuity, the income from which is expendable to support the following purposes:

Secure the Future	\$ 79,324,704
National Institute for Holocaust Education	10,363,670
Rescue the Evidence	1,757,234
Center for Advanced Holocaust Studies	18,650,557
Committee on Conscience	<u>2,566,525</u>
Total permanently restricted net assets	\$ <u>112,662,690</u>

14. CONTRIBUTED SERVICES

In-kind contributions of goods and services totaling \$31,526 were received by the Museum during the fiscal year ended September 30, 2008. This amount has been recognized as revenue and expense in the accompanying statement of activities. In addition to the contributed services recognized in the financial statements, the Museum has more than 500 volunteers, including 89 Holocaust survivors, donating more than 23,000 hours annually. The value of these contributions is not susceptible to objective measurement and does not meet the criteria for recognition of in-kind contributions and, accordingly, is not recognized in the financial statements.

15. RESTATEMENT

The Museum restated its October 1, 2007 beginning net asset balances to properly present its permanent exhibition, other program development costs, and collections balances (inexhaustible assets). During 2008, management determined that approximately \$32,800,000 of the amounts reported in the inexhaustible assets were costs incurred in the construction of the exhibits and building improvements and, therefore, are not works of art or historical treasures and do not meet the definition of a collection under generally accepting accounting principles. However, these amounts do meet the definition of a depreciable asset and therefore, the Museum will reclassify the

(Continued)

United States Holocaust Memorial Museum
Notes to Financial Statements
September 30, 2008

amounts to Exhibitions in the Property and Equipment and recognize the accumulated depreciation since 1993 in the restatement adjustment below.

Included within inexhaustible assets was approximately \$2,300,000 of actual collections, historical treasures, that are worthy of preserving in perpetuity, that were capitalized at cost during the construction of the Museum. However, the Museum's policy since the completion of the Museum and the adoption of Statement of Financial Accounting Standards (SFAS) 116, *Accounting for Contributions Received and Contributions Made*, has been to not capitalize the cost or donated value of collections. As such, the collections capitalized should have been removed at the adoption of SFAS 116. Although not tracked for financial reporting purposes, the Museum curator maintains a collections tracking system in accordance with Code of Ethics standards adopted by the American Association of Museums.

The Museum also restated its October 1, 2007 beginning net asset balances to properly present its permanently restricted, temporarily restricted, and unrestricted net assets. During 2008, management determined that approximately \$39,000,000 of the amounts reported in permanently restricted net assets related to income earned on the endowment which the donors stipulated for unrestricted or temporarily restricted purposes. The Museum will reclassify the income earned to the appropriate net assets category in accordance with the donors' intent.

The Museum previously presented in one set of financial statements its appropriated activities under Federal Accounting Standards Advisory Board (FASAB) reporting principles and its non-appropriated activities using Financial Accounting Standards Board (FASB) reporting principles. In 2008, the Museum with the permission of OMB, applied the FASB reporting principles to both its appropriated and non-appropriated activities. One impact of presenting its statement of financial position and changes in net assets under FASB is to reclassify the unexpended appropriation balance of approximately \$9,700,000 from federal equity to liabilities and to report its federal equity in the unrestricted net assets balance.

(Continued)

**United States Holocaust Memorial Museum
Notes to Financial Statements
September 30, 2008**

Below is a summary of the adjustments made by the Museum to the October 1, 2007 beginning balances:

	<u>NON-APPROPRIATED FUNDS</u>			<u>APPROPRIATED FUNDS</u>		<u>Total Net Assets</u>
	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Unexpended Appropriations, Federal equity</u>	<u>Expended Federal Equity</u>	
October 1, 2007, previously reported balances:	\$ 153,800,433	20,820,434	145,755,341	9,702,438	11,507,092	\$ 341,585,738
Adjustments to restate beginning balances for the following:						
To recognize depreciation on assets that have a determinate useful life:	(12,394,287)	-	-	-	(1,689,250)	(14,083,537)
To remove cost of collections improperly capitalized by the Museum at inception:	(2,063,255)	-	-	-	(206,724)	(2,269,979)
To correct classification of endowment income in accordance with donor intent:	23,137,448	15,793,838	(38,931,286)	-	-	-
To recognize federal appropriation in accordance with not-for-profit accounting principles:	-	-	-	(9,702,438)	-	(9,702,438)
October 1, 2007, restated balances: \$	<u>162,480,339</u>	<u>36,614,272</u>	<u>106,824,055</u>	<u>-</u>	<u>9,611,118</u>	<u>\$ 315,529,784</u>

16. RISKS AND UNCERTAINTIES

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

(Continued)

United States Holocaust Memorial Museum
Notes to Financial Statements
September 30, 2008

17. UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT AND IMPLEMENTATION OF FAS 117-1

Through September 30, 2008, the United States Holocaust Memorial Museum's management and investment of donor-restricted endowment funds was carried out in a manner intended to conform to the Uniform Management of Institutional Funds Act ("UMIFA"). As an independent establishment of the United States Government created by federal law and carrying out the obligations of the United States, the Museum enjoys the constitutional immunity of the United States from regulation by states as conferred by the Supremacy Clause of the Constitution. In essence, the states (including the District of Columbia) may not interfere with or regulate federal operations unless Congress affirmatively declares its instrumentalities and property subject to state regulation, which it has not done with respect to UMIFA. Consequently, the Museum is not subject to UMIFA. However, the Museum long ago adopted practices with regard to the management and investment of donor-restricted endowment funds that are generally consistent with the UMIFA standards.

In 2006, the National Conference of Commissioners on Uniform State Laws ("NCCUSL") approved a revised model act, the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") that serves states as a guideline to use in enacting legislation. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar value threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending.

On January 23, 2008, the District of Columbia adopted UPMIFA, the provisions of which apply to funds existing on or established after that date and to decisions made and actions taken after that date. Like UMIFA, UPMIFA is a District of Columbia law that is inapplicable to the Museum/United States Government because of the Supremacy Clause of the United States Constitution.

In August 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds* ("FSP"). The guidance is effective for fiscal years ending after December 15, 2008. A key component of that FSP is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. The General Counsel intends to recommend to the Museum's governing Council that the Council adopt policies consistent with the UPMIFA for the year ending September 30, 2009. Upon such adoption of UPMIFA and the FSP, the Museum will be required to reflect a retrospective reclassification of net assets from unrestricted to temporarily restricted of approximately \$5,700,000. The Museum does not believe this net asset reclassification will be operationally significant. Another key component of that FSP is a requirement for expanded disclosures for all endowment funds.

(Continued)

United States Holocaust Memorial Museum
Notes to Financial Statements
September 30, 2008

18. SUBSEQUENT EVENT

Recent market conditions have resulted in an unusually high degree of volatility and increased the risks and short term liquidity associated with certain investments held by the Museum which could impact the value of investments after the date of financial statements. Subsequent to year-end, consistent with declines in the financial markets, the Museum's investments have experienced significant losses. The ultimate impact on the financial statements will be determined based on market conditions in effect at September 30, 2009.

SUPPLEMENTARY INFORMATION

**SCHEDULE 1
UNITED STATES HOLOCAUST MEMORIAL MUSEUM**

**SCHEDULE OF BUDGETARY RESOURCES - APPROPRIATED FUNDS
YEAR ENDED SEPTEMBER 30, 2008**

BUDGETARY RESOURCES AVAILABLE TO THE MUSEUM

Unobligated balance, brought forward, October 1	\$ 3,839,026
Recoveries of prior year unpaid obligations	401,674
Budgetary authority: appropriations received	45,496,000
Spending authority from offsetting collections - collected	4,673
Rescission - permanently not available	(709,737)
Canceled appropriation - permanently not available	(556,326)
Total Budgetary Resources	<u><u>48,475,310</u></u>

STATUS OF BUDGETARY RESOURCES

Obligations incurred	44,573,193
Unobligated balance - available Apportioned	2,807,411
Unobligated balance not available	1,094,706
Status of Budgetary Resources	<u><u>48,475,310</u></u>

CHANGE IN OBLIGATED BALANCE

Obligated balances, net	
Unpaid obligations, brought forward, October 1	8,487,017
Obligations incurred net	44,573,193
Less: gross outlays	(45,162,135)
Less: recoveries of prior year unpaid obligations, actual	(401,674)
Obligated balances, net, end of period	<u><u>7,496,401</u></u>

NET OUTLAYS

Gross Outlays	45,162,135
Less: Offsetting collections	(4,673)
Net Outlays	<u><u>\$ 45,157,462</u></u>

(Continued)

SCHEDULE 2
UNITED STATES HOLOCAUST MEMORIAL MUSEUM

SCHEDULE OF NET COST - APPROPRIATED FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	<u>Intra- governmental</u>	<u>Public</u>	<u>Total</u>
PROGRAM COSTS			
Museum operations	\$ 4,209,965	\$ 17,007,098	\$ 21,217,063
Center for Advanced Holocaust Studies	414,586	2,021,052	2,435,638
Museum and public programs	2,077,761	8,505,822	10,583,583
Outreach technology	439,016	3,473,548	3,912,564
Management and general	1,612,672	5,992,331	7,605,003
NET COST OF OPERATIONS	<u>\$ 8,754,000</u>	<u>\$ 36,999,851</u>	<u>\$ 45,753,851</u>

(Continued)

SCHEDULE 3
UNITED STATES HOLOCAUST MEMORIAL MUSEUM

SCHEDULE OF CHANGES IN NET POSITION - APPROPRIATED FUNDS
YEAR ENDED SEPTEMBER 30, 2008

	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>
Beginning balances, as restated	\$ 9,611,118	\$ 9,702,437
Budgetary financing sources:		
Appropriations received (current period)	-	45,496,000
Rescissions	-	(709,737)
Canceled appropriations	-	(556,326)
Appropriations used	<u>45,712,768</u>	<u>(45,712,768)</u>
Other financing resources:		
Imputed financing from costs absorbed by others	1,141,023	-
Total financing sources	<u>46,853,791</u>	<u>(1,482,831)</u>
Total	56,464,909	8,219,606
Net cost of operations	<u>45,753,851</u>	<u>-</u>
Ending balances	<u>\$ 10,711,058</u>	<u>\$ 8,219,606</u>

(Continued)

SCHEDULE 4
UNITED STATES HOLOCAUST MEMORIAL MUSEUM

SCHEDULE RECONCILING NET COST OF OPERATIONS TO BUDGET
YEAR ENDED SEPTEMBER 30, 2008

Total resources used to finance activities:		
Obligations, offsetting receipts, imputed financing sources	\$	45,307,869
Change in budgetary resources obligated for goods and services		1,544,269
Resources that finance the acquisition of capital assets		<u>(3,267,312)</u>
Total resources used to finance the net cost of operations		43,584,826
Components requiring or generating resources in future periods:		
Annual leave liability increase		155,532
Unfunded FECA, Non-Budgetary Receivables, Actuarial FECA		16,920
Components not requiring or generating resources:		
Depreciation and amortization		<u>1,996,573</u>
Total components of the net cost of operations that will not require or generate resources in the current period		<u>2,169,025</u>
Net cost of operations	\$	<u><u>45,753,851</u></u>

SCHEDULE 5
UNITED STATES HOLOCAUST MEMORIAL MUSEUM

SCHEDULE OF CLAIMS CONFERENCE PAYMENTS
YEAR ENDED SEPTEMBER 30, 2008

<u>Grant Award</u>	<u>Payments</u>
112-30448-7	\$ 31
162-30448-9	6,946
192-30448-11	4,685
192-30448-14	94,950
SWVLP-30448-15	22,057
222-30448-16	287,919
172-30448-10 & SWVLP-30448-13	11,067
SWVLP-30448-17	432,470
252-30448-18	310,969
SWVLP-7669-20	58,108
SWVLP-7832	250,000
SWVLP-8135	137,444
Fiscal Year 2008 Payments to USHMM	<u>\$ 1,616,647</u>

**INDEPENDENT AUDITORS' REPORTS ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS**



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Internal Control Over Financial Reporting

Council Members

United States Holocaust Memorial Museum:

We have audited the statement of financial position of the United States Holocaust Memorial Museum (the Museum) as of September 30, 2008, and the related statements of activities, and cash flows (hereinafter referred to as "financial statements") for the year then ended, and have issued our report thereon dated January 14, 2009. As described in note 15 to the financial statements of the Museum, net assets as of September 30, 2007 have been restated from the Museum's previously issued financial statements, which were audited by other auditors.

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

The management of the Museum is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2008 audit, we considered the Museum's internal control over financial reporting by obtaining an understanding of the Museum's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. To achieve this purpose, we did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of the Museum's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Museum's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Museum's financial statements that is more than inconsequential will not be prevented or detected by the Museum's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Museum's internal control.



In our fiscal year 2008 audit, we consider the deficiency, described in Exhibit I, to be a material weakness in internal control over financial reporting.

The Museum's response to the finding identified in our audit is presented in Exhibit I. We did not audit the Museum's response and, accordingly, we express no opinion on it.

We noted certain additional matters that we have reported to management of the Museum in a separate letter dated January 14, 2009.

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

KPMG LLP

January 14, 2009

**Independent Auditors' Report
on Internal Control Over Financial Reporting
Exhibit I – Material Weakness**

FINANCIAL REPORTING

During our fiscal year 2008 audit engagement, we noted certain deficiencies in the United States Holocaust Memorial Museum's (the Museum) internal controls over financial reporting that affected its ability to ensure that transactions are properly recorded and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles.

Permanent Exhibitions, Other Program Development Costs, and Collections

During fiscal year 2008, it was determined that a significant portion of the amounts reported in inexhaustible assets were costs incurred during the construction of the exhibits and internal building improvements. These costs were not related to works of art or historical treasures and did not meet the definition of a collection under U.S. generally accepting accounting principles. However, these costs did meet the definition of a depreciable assets and therefore, in fiscal year 2008, the Museum reclassified these amounts to property and equipment and recognized the accumulated depreciation on the assets that had been in service since 1993 as part of a restatement to the beginning net assets balances.

Also included within inexhaustible assets were actual collections and historical treasures worthy of preserving in perpetuity, which were capitalized at cost during the construction of the Museum. However, the Museum's policy since the completion of the Museum and the adoption of Statement of Financial Account Standards (SFAS) 116, *Accounting for Contributions Received and Contributions Made*, has been to not capitalize the cost or donated value of collections. As such, the collections capitalized should have been removed at the adoption of SFAS 116. Although not tracked for financial reporting purposes, the Museum curator maintains a collections tracking system in accordance with Code of Ethics adopted by the American Association of Museums.

Permanently Restricted Assets

The Museum has historically recorded endowment investment income in excess of the payout rate in permanently restricted net assets. In reviewing a sample of gift agreements and other documentation, we noted the donor documentation in many instances did not support the permanent restriction of the investment income. Management performed a review of the entire endowment population to evaluate the proper classification of investment income. As a result, a significant adjustment was required to reclassify investment income previously reported as permanently restricted income to temporarily or unrestricted net assets.

Furthermore, we noted several instances where endowment balances were underwater at September 30, 2008 as the current value of the accounts were less than the original corpus of the gifts. In several instances, payouts were made on these underwater endowments at the end of fiscal year 2008. We proposed adjustments to restore the permanently restricted net asset balances to the original corpus amounts by reclassifying the losses to unrestricted net assets in accordance with relevant accounting principles.

Federal Equity

The Museum has an unusual operating structure because it is an independent Federally established not-for-profit that is exempt from Federal taxes under Section 501c(3) of the Internal Revenue code that receives approximately 50% of its funding through an annual Federal appropriation.

Prior to fiscal year 2008, in order to meet the needs of both non-for-profit accounting and federal reporting requirements, management presented financial statements using elements of Financial Accounting Standard

Board (FASB) pronouncements, Federal Accounting Standards Advisory Board pronouncements and OMB Circular A-136. However, the financial statements did not completely comply with either set of pronouncements. Compliance with generally accepted accounting principles requires fulfilling one of the pronouncements, although additional information would be permitted.

In fiscal year 2008, the Museum with the permission of OMB, applied the FASB reporting principles to both its appropriated and non-appropriated activities.

Cause and Effect

The permanent exhibitions and collections errors occurred because the Museum did not consistently apply its policies and procedures related to collections and the capitalization of assets. In addition, the Museum did not have sufficient policies and procedures in place to ensure that earnings related to endowments were properly reported. The practice of presenting its financial statements using elements of both FASB and FASAB pronouncements resulted from the Museum's challenge of meeting the reporting needs of both the federal agencies and the non-Federal constituents.

As a result of the errors related to the permanent exhibitions and collections, total net assets were overstated by approximately \$16.3 million. In addition, permanently restricted assets were overstated by approximately \$39 million as a result of the errors related to the endowment. The Museum restated its beginning net assets balances during fiscal year 2008 to correct these errors.

One impact of presenting its statement of financial position and changes in net assets under FASB was to reclassify the unexpended appropriation balance of approximately \$9.7 million from federal equity to liabilities and to report its federal equity in the unrestricted net assets balance.

Recommendations

We recommend the Museum strengthen its understanding of relevant accounting principles especially in the areas of not-for-profit specific standards including contributions, endowments, collections, and financial presentation. We recommend the Museum design and implement internal controls to ensure the accounting and reporting of contributions, endowment activity, and collections provide accurate and timely financial information in accordance with generally accepted accounting principles. We also recommend the Museum develop a written manual that documents all significant and relevant accounting policies and procedures to ensure the Museum's policies and practices are a formal permanent record that serves as a resource to both current Museum staff as well as future staff in the event of staff turnover.

Management Response

We concur with the recommendations. The Museum will strengthen its understanding of relevant accounting policies by reviewing Financial Accounting Standards Board (FASB) pronouncements and taking on-line training courses for not-for-profit organizations. The Museum will implement internal controls to ensure the accounting and reporting of contributions and endowment activities are in accordance with general accepted accounting principles. The Museum has hired a Senior Investment Officer, whose primary duties are to manage the endowment activities and to keep abreast of new policies that affect the accounting treatment of endowments. The Museum has also hired a Director of Development Services who will be working closely with the Finance Office to establish procedures to improve the accounting for contributions. The Museum is in the process of updating the capitalization policy to state that the Museum does not capitalize collections. The Acting Chief Financial Officer has started a formal permanent file on the Museum's significant policies and practices.



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Compliance and Other Matters

Council Members
United States Holocaust Memorial Museum:

We have audited the statement of financial position of the United States Holocaust Memorial Museum (the Museum) as of September 30, 2008, and the related statements of activities, and cash flows (hereinafter referred to as "financial statements") for the year then ended, and have issued our report thereon dated January 14, 2009. As described in note 15 to the financial statements of the Museum, net assets as of September 30, 2007 have been restated from the Museum's previously issued financial statements, which were audited by other auditors.

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

The management of the Museum is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Museum. As part of obtaining reasonable assurance about whether the Museum's fiscal year 2008 financial statements are free of material misstatement, we performed tests of the Museum's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Museum. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance described in the preceding paragraph of this report disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

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

KPMG LLP

January 14, 2009