

# PERFORMANCE AND ACCOUNTABILITY REPORT

FISCAL YEAR **2015**

October 1, 2014 – September 30, 2015

Submitted November 13, 2015

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

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**United States Holocaust  
Memorial Museum**

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Performance and Accountability Report  
Year ended September 30, 2015

# United States Holocaust Memorial Museum

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# United States Holocaust Memorial Museum

## Message from the Director

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November 13, 2015

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

In a world with increasing ethnic violence and ideological extremism, rising antisemitism, and continuing genocide, our work has never been more urgent. We believe that our programs for teachers and youth as well as law enforcement officers, and members of the judiciary and military help people understand their personal and professional roles in advancing American values of liberty, dignity and pluralism.

Through its onsite programs, outreach activities, and 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 high demand for our programs, the Museum will continue in Fiscal Year 2016 to bring these lessons to millions more.



Sara J. Bloomfield  
Director

# United States Holocaust Memorial Museum

## Statement of Assurance

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November 13, 2015

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

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



Sara J. Bloomfield  
Director

# United States Holocaust Memorial Museum

## Management's Discussion and Analysis (Unaudited)

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### *Introduction*

This report, Management's Discussion and Analysis, provides an overview of the financial position and results of activities of the United States Holocaust Memorial Museum (the Museum) for the fiscal years ended September 30, 2015 and 2014 (FY 2015 and FY 2014), respectively. This information is intended to assist readers of these statements to better understand the Museum's financial position and operating activities.

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

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

### *Performance Goals and Results*

Following extraordinary success in its first twenty years, the Museum has a strategic plan that provides a vision and framework for its activities through its third decade. The Museum had 65 established objectives for FY 2015 related to education, remembrance, research, and infrastructure support. The Museum met or exceeded 36 objectives, partially met one objective, and deferred the targeted completion dates on one objective.

### *Financial Statements Summary*

The Museum's financial position remained strong at September 30, 2015 and 2014, with total assets of approximately \$474.8 and \$445.4 million and total liabilities of approximately \$38.7 and \$38.1 million, respectively. Net assets, which represent the residual interest in the Museum's assets after liabilities are deducted, are \$436.1 million, a 7.1% increase from the prior fiscal year. The increase in net assets is primarily attributable to new contribution pledges.

### *Statement of Financial Position*

#### *Contributions Receivable*

The Museum has gross contributions receivable of \$71.5 million. Of these receivables, \$4.9 million are current and \$66.6 million are due after one year. The receivable amount, net of allowance for doubtful accounts and discounted to present value, is \$51.7 million.

Contributions receivable of \$25.1 million relate to the David and Fela Shapell Family Collections and Conservation Center (Shapell Collections and Conservation Center) that is currently under construction and expected to be occupied in early 2017. The Museum collection is expected to double in size over the next decade. The Shapell Collections and Conservation Center will include

# United States Holocaust Memorial Museum

## Management's Discussion and Analysis (Unaudited)

highly specialized laboratories, equipment, and climate-controlled environments to preserve the wide variety of media and artifacts in the Museum's vast collection.

### *Long-Term Investments*

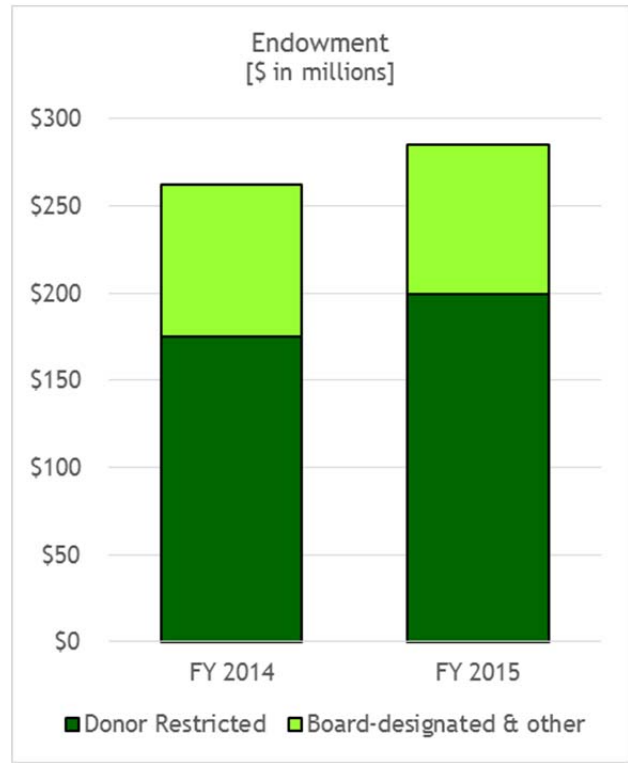
Long-term investments are the largest of the noncurrent assets and consist mainly of endowment funds intended to provide some long-term financial security for the Museum. The market value of long-term investments totals \$319.1 million, an increase of 5.9% from last fiscal year. Investment results in FY 2015 were a net loss of (\$9.8 million), which includes interest and dividend income of \$7.2 million, investment management fees of (\$1.2 million), and a (\$15.8 million) change in the market value of the portfolio.

The Museum's investment policies for endowment investments call for an asset allocation of 50 (-20/+20) percent in equities, 25 (-15/+20) percent in fixed income, 15 (-15/+25) in alternatives, and 10 (-10/+10) percent in multi-asset class. 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 the Investment Committee and 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, monitoring public sources for issues of concern, and continually assessing performance benchmarks and risk indicators.

The Museum's endowment is 89.3% of the investment balance, and consists of donor-restricted endowments and Board-designated and other unrestricted funds, which are pooled for investment purposes. As of September 30, 2015 and 2014 the donor-restricted endowment balances totaled \$199.5 million and \$174.8 million, respectively. The Board-designated and other endowment balance was \$85.7 million and \$87.6 million for FY 2015 and FY 2014, respectively.

The \$22.7 million increase in the value of the endowment from the end of FY 2014 to the end of FY 2015 was the result of \$29.6 million in new endowment contributions, \$6.8 million in interest and dividends, a decline in the market value of investments of (\$15.0 million), an addition of \$13.0 million to the Board-designated endowment, less distributions of (\$11.7 million) to support Museum activities. Distribution amounts were consistent with the Museum's spending policies, which aim to preserve capital while providing on-going support for the Museum's mission.



# United States Holocaust Memorial Museum

## Management's Discussion and Analysis (Unaudited)

### Property and Equipment

Property and equipment is \$78.6 million and consists of \$3.2 million in land, \$137.6 million in buildings and capital improvements, \$44.1 million in the permanent exhibition and other exhibitions, \$20.5 million in furniture and equipment and \$1.6 million in leasehold improvements, less accumulated depreciation and amortization of \$128.4 million.

### Liabilities

Liabilities of \$38.7 million consist primarily of accounts payable, accrued expenses, charitable gift annuity liability and unexpended appropriations.

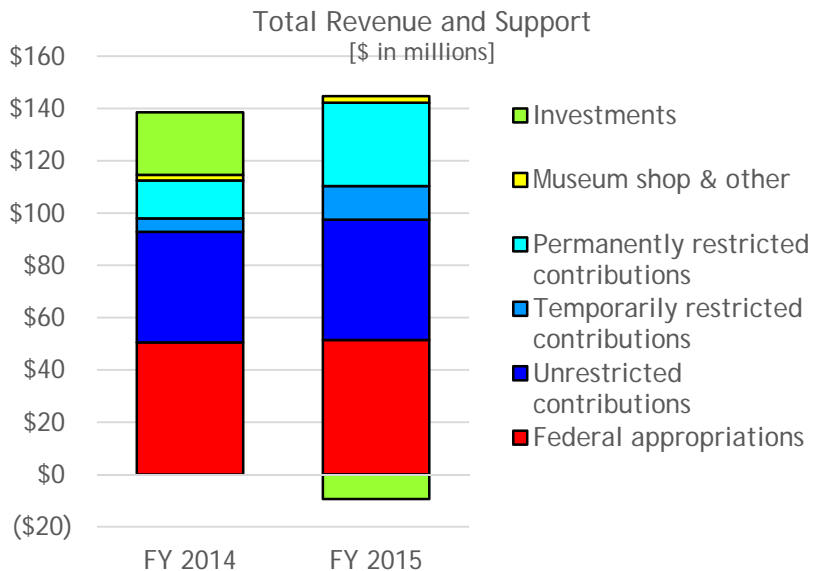
### Net Assets/Federal Equity

The Museum has total equity of \$436.1 million of which \$212.5 million is permanently restricted and \$81.7 million is temporarily restricted by donors. The Museum's equity includes investments in the Museum buildings and exhibitions in addition to the endowment.

### Statement of Activities

The Statement of Activities presents the Museum's results of financial activity and matches revenues to related expenses. The statement summarizes the annual gain/loss in equity, which was a gain of \$28.8 million in FY 2015, due primarily to new contribution pledges.

Total FY 2015 revenue and support was \$133.4 million, a decrease of \$5.2 million compared to FY 2014. The decline was caused by a (\$9.8 million) net investment loss in FY 2015 compared to a \$23.9 million net gain recorded in FY 2014. This fluctuation in investment returns masked what was otherwise a strong year with \$27.3 million of growth in contribution revenue, including a \$21.3 million increase in endowment contributions.



Nonappropriated sources in FY 2015 and FY 2014 provided 61.4% and 63.5% of total revenue and support, respectively.

Total FY 2015 expenses were \$104.6 million, up by \$2.8 million (2.7%) from FY 2014 due to higher total staff compensation and benefits costs, which account for more than half of the total expenses.

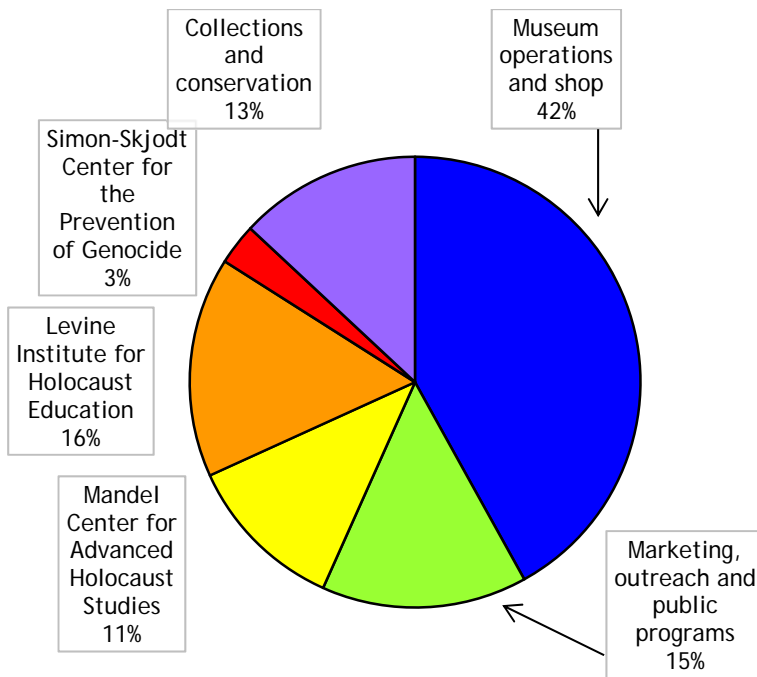
Program services consume 70.1% of total expenses (\$73.3 million) as detailed on the chart on page 8.



# United States Holocaust Memorial Museum

## Management's Discussion and Analysis (Unaudited)

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42% of our program services expenses go to Museum operations and the museum shop that we provide as a visitor service.

Another 13% is spent on the Museum's collections and conservation of the many historical artifacts, documents, photographs, films, recordings and the other evidence of the Holocaust.

The Simon-Skjodt Center for the Prevention of Genocide, 3% of the total programs expense, is dedicated to stimulating timely global action to prevent genocide and to catalyze an international response when genocide does occur.

The Levine Institute for Holocaust Education is 16% of the total. The Levine Institute creates our exhibitions and produces programs for students and teachers, military and civilian leaders, law enforcement and the judiciary. Our Holocaust Encyclopedia is an achievement of the Levine Institute, which is also the hub for many of our digital activities.

The Museum's Jack, Joseph and Morton Mandel Center for Advanced Holocaust Studies spends 11% of our program funds on research workshops; in-residence fellowships; seminars for college, seminary, and university faculty; graduate student research assistantships; and many more programs that help ensure the development of future generations of Holocaust studies scholars. In addition, the Mandel Center develops and coordinates a series of symposia, conferences, archival acquisition, and publication efforts.

Marketing, outreach and public programs extend the reach of all programs to audiences beyond those who visit the Museum or interact with our website.

Support services include fundraising and the administrative infrastructure for all of the Museum's activities, including technology, finance, human resources and executive leadership.

# United States Holocaust Memorial Museum

## Management's Discussion and Analysis (Unaudited)

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### *Management Integrity: Controls and Compliance*

The Museum maintains a comprehensive management control program through the activities of its internal auditor and the Audit Committee of the governing board of trustees known as the United States Holocaust Memorial Museum Council (the Council), the review and monitoring efforts of its legal staff, and ongoing proactive improvement efforts made by its management staff.

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

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

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

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

### *Investment in Fundraising*

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

### *Limitations of the Federal Financial Statements*

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

### *Future Concerns and Issues*

The demand for the Museum's programs has been growing nationally and internationally as the lessons of the Holocaust become increasingly relevant to our own times. The current level of Federal funding covers the basic operating costs of the Museum facility, but the Museum depends on substantial private support for other programs and outreach. The Museum is committed to building the institution's endowment so that our programs will continue as the Holocaust recedes in time. FY 2015 was a successful year for both our programs and for our finances. We are proud of the impact of our programs and our investment in fundraising is yielding returns that increase our confidence that the Museum will remain financially resilient.

# United States Holocaust Memorial Museum

## Government Performance and Results Act Annual Performance Plan - FY 2015

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### *Mission Statement*

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

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

### *Mission Goals from the Strategic Plan*

- Protect and strengthen the core and impact of the living memorial
  - Build the Collection of Record
  - Expand, diversify, and more effectively engage audiences
- Secure the future of the Memorial Museum

### *Relationship of Performance Plan to Mission Goals*

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

### *Relationship of Performance Plan to FY 2015 Budget Request*

Budget data is not integrated into the performance plan, but the financial and human resources available for each mission goal can be read directly from the budget tables in the Museum's budget justification document, which also provides details of the means available to carry out the FY 2015 performance plan through narrative descriptions of each budget activity. The public-private partnership adds nonappropriated sources of funding that are applied to the goals in addition to federal funds. The nonappropriated budget, however, is not determined until the year immediately preceding the budget year, so it is not included in the presentation.

# United States Holocaust Memorial Museum

## Government Performance and Results Act Annual Performance Plan - FY 2015

### SUMMARY ANNUAL PERFORMANCE REPORT

#### Consolidated status of all objectives

##### *Budget authority applied:*

	FY 2015	FY 2014
Appropriated	\$ 52,210,000	\$ 51,070,000
Nonappropriated**	49,840,000	50,960,000
Total	\$102,050,000	\$102,030,000

\*\*Nonappropriated amounts excluded unpaid orders.

##### *Status of objectives:*

	FY 2015 Results		FY 2014
No specific targets	0	0%	0%
Met or exceeded targets	36	94%	85%
Partially met targets	1	3%	11%
Deferred	1	3%	4%
Not met	0	0%	0%

##### *Major Accomplishment Highlights:*

- Started construction of the state-of-the-art facility, which will protect and conserve the Museum's collections. The new facility will be known as The David and Fela Shapell Family Collections and Conservation Center and will be built with private funds.
- Led the 2015 *Days of Remembrance* annual commemoration and national outreach effort.

# United States Holocaust Memorial Museum

## Government Performance and Results Act Annual Performance Plan - FY 2015

### SUMMARY ANNUAL PERFORMANCE REPORT

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

*Budget authority applied to this goal:*

	FY 2015	FY 2014
Federal	\$ 43,930,000	\$ 42,220,000
Nonappropriated**	22,640,000	26,240,000
<b>Total</b>	<b>\$ 66,570,000</b>	<b>\$ 68,460,000</b>

\*\*Nonappropriated amounts excluded unpaid orders.

*Status of objectives:*

	FY 2015 Results		FY 2014
No specific targets	0	0%	0%
Met or exceeded targets	29	97%	79%
Partially met targets	0	0%	16%
Deferred	1	3%	5%
Not met	0	0%	0%

*Major objectives:*

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

*Highlights:*

- Traveled five exhibitions to 16 venues in 12 states during FY 2015, which were viewed by more than 170,000 people during the course of the year.

# United States Holocaust Memorial Museum

## Government Performance and Results Act Annual Performance Plan - FY 2015

### SUMMARY ANNUAL PERFORMANCE REPORT

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

##### *Budget authority applied to this goal:*

	FY 2015	FY 2014
Appropriated	\$ 8,280,000	\$ 8,850,000
Nonappropriated**	27,200,000	24,720,000
Total	\$ 35,480,000	\$ 33,570,000

\*\*Nonappropriated amounts excluded unpaid orders.

##### *Status of objectives:*

	FY 2015 Results		FY 2014
No specific targets	0	0%	0%
Met or exceeded targets	7	88%	92%
Partially met targets	1	12%	4%
Deferred	0	0%	4%
Not met	0	0%	0%

##### *Major objectives:*

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

##### *Highlights:*

- Raised \$102 million, including \$43 million in contributions and pledges for the endowment.
- Constituent Relationship Management and Event Management platforms implemented.

# United States Holocaust Memorial Museum

## Government Performance and Results Act Annual Performance Plan - FY 2015

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

Strategy to achieve objective	FY 2015 activity planned, target or comparison baseline	FY 2015 Results / Status
<b>Visitor Services and Web Visitation</b>		
<p>General Museum visitation statistics (for general information; no specific targets are set)</p>	<p>FY 2014:</p> <ul style="list-style-type: none"> <li>• 1,477,207 visitors (Museum closed Oct. 1, 2013 through Oct. 16, 2013 because of government shutdown)                             <ul style="list-style-type: none"> <li>▪ 163,399 in groups</li> <li>▪ 519,612 to <i>Remember the Children</i></li> <li>▪ 266,680 to Kimmel-Rowan gallery</li> <li>▪ 472,894 to Wexner Center</li> </ul> </li> <li>• 30,474 volunteer hours worked</li> <li>• Web site (Google Analytics): 18.1 million sessions (visits) and 13.1 million users (visitors) as of September 30, 2014</li> </ul>	<p>FY 2015:</p> <ul style="list-style-type: none"> <li>• 1,626,674 visitors                             <ul style="list-style-type: none"> <li>▪ 163,611 in groups</li> <li>▪ 538,258 to <i>Remember the Children</i></li> <li>▪ 277,594 to Kimmel-Rowan gallery</li> <li>▪ 508,407 to Wexner Center</li> </ul> </li> <li>• 32,000 volunteer hours worked</li> <li>• Web site (Google Analytics): 21.0 million sessions (visits) and 15.0 million users (visitors) as of September 30, 2015</li> </ul>
<p>Provide placement and enrichment opportunities for volunteers and interns.  (to be compared to previous years; no specific targets are set)</p>	<p>FY 2014:</p> <ul style="list-style-type: none"> <li>• 58 newly placed volunteers</li> <li>• 101 newly placed interns</li> <li>• 38 enrichment programs offered</li> <li>• Newsletter editions produced:                             <ul style="list-style-type: none"> <li>▪ 12 Volunteers</li> <li>▪ 9 interns</li> </ul> </li> </ul>	<p>FY 2015:</p> <ul style="list-style-type: none"> <li>• 48 newly placed volunteers</li> <li>• 78 newly placed interns</li> <li>• 62 enrichment programs offered</li> <li>• Newsletter editions produced:                             <ul style="list-style-type: none"> <li>▪ 12 Volunteers</li> <li>▪ 10 Interns</li> </ul> </li> </ul>

# United States Holocaust Memorial Museum

## Government Performance and Results Act Annual Performance Plan - FY 2015

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

Strategy to achieve objective	FY 2015 activity planned, target or comparison baseline	FY 2015 Results / Status
<b>Permanent Exhibition Maintenance</b>		
Extend the impact of the Museum building and Permanent Exhibition (PE) with strong technology support and PE maintenance program.	Conversion of PE video program technology from DVD to CompactFlash.	<b>Met and ongoing:</b> <ul style="list-style-type: none"> <li>All PE video programs converted from tape masters to MPEG2: players purchased with installation in FY 2016.</li> </ul>
	Ongoing program to replace damaged and aging photomurals (including the digitization of source imagery).	<b>Met and ongoing:</b> <ul style="list-style-type: none"> <li>Contract awarded in FY 2013. This multi-year project is proceeding on schedule.</li> </ul>
	Ongoing artifact rotations to meet or exceed conservation best practices for museums and loan agreements.	<b>Met and ongoing:</b> <ul style="list-style-type: none"> <li>Completed installation of 113 new objects or document reproductions as well as outgoing/incoming loan items from the State Museum at Majdanek at Lublin, Poland (40 prisoner uniform parts, 15 Zyklon-B canisters, and 4,000 victims' shoes).</li> </ul>
Lead the nation in annual <i>Days of Remembrance (DOR)</i> commemoration.	Provide DVD, printed, and on-line content and resources to citizens and organizations nationwide engaged in DOR commemoration, with a focus on key audiences: military, law enforcement, educators, and college students.	<b>Met:</b> <ul style="list-style-type: none"> <li>Led the 2015 <i>Days of Remembrance</i> annual commemoration and national outreach effort.</li> <li>Provided both on-line content and a DVD of video resources for Holocaust Commemorations; distributed 11,600 DVDs to all 50 states, Washington D.C., Puerto Rico, and to military addresses (APOs).</li> </ul>



# United States Holocaust Memorial Museum

## Government Performance and Results Act Annual Performance Plan - FY 2015

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

Strategy to achieve objective	FY 2015 activity planned, target or comparison baseline	FY 2015 Results / Status
<b>Program Priority: Rescue the Evidence - build and preserve for posterity the fully accessible collection of record on the Holocaust</b>		
Aggressively acquire artifactual and documentary evidence from individuals, institutions, and governments worldwide, with special emphasis on filling historical gaps in the collection.	New acquisitions, particularly in priority collecting areas: <ul style="list-style-type: none"> <li>• Related to the theme "Americans and the Holocaust"</li> <li>• Stories about the relations between Jews and non-Jews across Europe</li> <li>• From non-Jewish Polish communities</li> </ul>	<b>Met:</b> <ul style="list-style-type: none"> <li>• Three acquisition curators were engaged to expand outreach in several communities and pursue acquisitions in priority collecting areas.</li> </ul> <b>Met and ongoing:</b> Acquired: <ul style="list-style-type: none"> <li>• 1,700 and other published materials</li> <li>• 10 moving images historical films)</li> <li>• 100 objects (artifact collections)</li> <li>• 270 oral histories</li> <li>• 500 photographs</li> <li>• 200 documents (archival collections)</li> </ul>
Catalog and digitize the collection in order to provide maximum accessibility worldwide.	Enhance accessibility of the collection: <ul style="list-style-type: none"> <li>• Total number of records in the Online Catalog and the annual change</li> </ul>	<b>Met and ongoing:</b> <ul style="list-style-type: none"> <li>• 250,086 records</li> <li>• 1.68% annual increase</li> </ul>
	Enhance accessibility of the collection: <ul style="list-style-type: none"> <li>• Number and percentage of collections/items with records in the Online Catalog (by format)</li> </ul>	<b>Met and ongoing:</b> Retrospective cataloging projects underway for archives, artifacts, and oral history collections. Catalogued: <ul style="list-style-type: none"> <li>• 104,500 (98%) books and other published materials</li> <li>• 9,359 (100%) documents (archival collections)</li> <li>• 4,703 (99%) moving images (historical films)</li> <li>• 14,564 (99%) objects (artifact collections)</li> <li>• 14,720 (92%) oral histories</li> <li>• 29,480 (22%) photographs (photo archives)</li> </ul>

# United States Holocaust Memorial Museum

## Government Performance and Results Act Annual Performance Plan - FY 2015

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

Strategy to achieve objective	FY 2015 activity planned, target or comparison baseline	FY 2015 Results / Status
		<ul style="list-style-type: none"> <li>100,370 new names indexed and searchable in the World Memory Project</li> </ul>
	<p>Enhance accessibility of the collection:</p> <ul style="list-style-type: none"> <li>Number and percentage of collections/items with digital surrogates/images (by format)</li> </ul>	<p><b>Met:</b></p> <ul style="list-style-type: none"> <li>Installed new mobile-friendly PDF viewer to navigate and view archival collections.</li> <li>Engaged contractor to define digital repository requirements.</li> </ul> <p><b>Met and ongoing:</b></p> <ul style="list-style-type: none"> <li>Launched rare book digitization project.</li> <li>Continued retrospective digitization project.</li> </ul> <p><b>Digitized:</b></p> <ul style="list-style-type: none"> <li>2,533 (2%) books and other published material</li> <li>189 (2%) documents (archival collections)</li> <li>4,145 (82%) moving images (historical films)</li> <li>5,100 (35%) objects (artifact collections)</li> <li>9,313 (58%) oral histories</li> <li>29,693 (22%) photographs (photo archives)</li> </ul>
	<p>Enhance accessibility of the collection:</p> <ul style="list-style-type: none"> <li>Number of searches conducted in the Online Catalog from internal and external IP addresses.</li> </ul>	<p><b>Met and ongoing:</b></p> <p>563,942 searches (sessions):</p> <ul style="list-style-type: none"> <li>541,495 external searches</li> <li>22,447 internal searches</li> </ul> <p>50+ countries/territories with 100+ sessions per quarter</p>
<p>Apply the highest standards to managing and preserving the collection, supported by building a new state-of-the-art collections facility.</p>	<p>Preparations for the safe relocation of collections to the new collections facility:</p> <ul style="list-style-type: none"> <li>Number/percentage of collections/items inventoried.</li> </ul>	<p><b>Met and ongoing:</b></p> <ul style="list-style-type: none"> <li>Engaged two firms to develop plans and specifications for relocation of the collection. Final report is pending, followed by the procurement process to hire firms to conduct the inventory, survey, transport, etc.</li> </ul>

# United States Holocaust Memorial Museum

## Government Performance and Results Act Annual Performance Plan - FY 2015

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

Strategy to achieve objective	FY 2015 activity planned, target or comparison baseline	FY 2015 Results / Status
	<ul style="list-style-type: none"> <li>Number of collections/items surveyed.</li> </ul>	<ul style="list-style-type: none"> <li>Staff are continuing preliminary work to prepare for the inventory process.</li> </ul>
	Develop easier access to information about survivors and victims of the Holocaust.	<b>Met and ongoing:</b> <ul style="list-style-type: none"> <li>Completed more than 1,500 ITS research requests.</li> </ul>
	Begin accreditation review process for American Association of Museums (AAM) 10-year reaccreditation requirement.	<b>Deferred:</b> <ul style="list-style-type: none"> <li>Postponed reaccreditation to FY 2017 due to AAM changes to the process and schedule.</li> </ul>
<b>Mandel Center for Advanced Holocaust Studies (MCAHS)</b>		
Shape the emerging field of Holocaust studies to promote excellence and vitality.	Engage 30-50 new university-based scholars in MCAHS network of research/teaching activities.	<b>Exceeded:</b> <ul style="list-style-type: none"> <li>31 research fellows</li> <li>5 graduate research assistants</li> <li>14 invited scholars</li> <li>69 new speakers at conferences, symposia, and consultations</li> <li>163 participants faculty seminars consultations</li> </ul> Total = 282 scholars
	Organize and coordinate annual seminars for faculty who teach or hope to teach the Holocaust at colleges and universities.	<b>Met:</b> <ul style="list-style-type: none"> <li>3 Faculty Seminars: Hess, Silberman, and Seminary and Religious Studies Faculty.</li> <li>30 Campus Outreach Programs and Symposia at 35 campuses in 21 states and 1 Canadian province.</li> </ul>
	Museum Fellows - Demonstrate demand for Holocaust studies fellowships and accept an increasingly diverse class of recipients.	<b>Met and ongoing:</b> <ul style="list-style-type: none"> <li>31 Fellowships awarded from 146 applications from 34 countries.</li> </ul>

# United States Holocaust Memorial Museum

## Government Performance and Results Act Annual Performance Plan - FY 2015

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

Strategy to achieve objective	FY 2015 activity planned, target or comparison baseline	FY 2015 Results / Status
	Identify a minimum of 30 fellows per year.	
<b>Effectively use the Center for the Prevention of Genocide (S-SCPG) to respond to contemporary genocide</b>		
Create exhibitions, programs, and digital outreach for a broad public audience about the threat of genocide today.	Maintain and update <i>From Memory to Action</i> exhibition and accompanying Web site.	<b>Met:</b> <ul style="list-style-type: none"> <li>Received 400,000 visitors to the Wexner Center, location of the <i>From Memory to Action</i> exhibition.</li> <li>Engaged, since 2009 inception, more than 300,000 people using the interactive pledge wall to respond to the question, "What will you do to help meet the challenge of genocide today?"</li> </ul>
	Update the exhibition entitled <i>Sudan Divided: Peoples at Risk</i> .	<b>Met:</b> <ul style="list-style-type: none"> <li>Updated and renamed this exhibit: <i>Genocide: The Threat Continues</i>. The space is devoted to bringing attention to people and places at risk today for genocide and other mass atrocities. Currently the room focuses on the deadly conflict in Syria.</li> </ul>
	Develop and launch Cambodia Justice and Accountability Initiative.	<b>Met and ongoing:</b> <ul style="list-style-type: none"> <li>Opened (May 2015) a special dual exhibit: <i>Cambodia 1975-1979</i> and <i>I Want Justice!</i> Together they explore the genocide carried out by the Khmer Rouge regime in the 1970s that took 2 million lives, and the post-Nuremberg quest for accountability for genocide and crimes against humanity.</li> <li><i>I Want Justice!</i> Has about 2,300 visitors per day. The accompanying online content is also engaging audiences with over 10,000 visits since it opened.</li> </ul>
	Hold symposia on issues related to genocide and mass atrocities.	<b>Met:</b> <ul style="list-style-type: none"> <li>Convened public and policy makers for a major public address by the UN High Commissioner for Public Rights on</li> </ul>

# United States Holocaust Memorial Museum

## Government Performance and Results Act Annual Performance Plan - FY 2015

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

Strategy to achieve objective	FY 2015 activity planned, target or comparison baseline	FY 2015 Results / Status
		<p>the connection between human rights and atrocity prevention. Over 150 people attended and an undetermined number watched the address online.</p> <p><b>Met:</b></p> <ul style="list-style-type: none"> <li>Hosted three public screenings (Washington, D.C.; San Francisco; and New York) of <i>Madina's Dream</i>, followed by a panel discussion.</li> </ul>
<p>Develop and publicize rigorous risk assessments for governments and civil society of countries threatened by genocide or mass atrocities.</p>	<p>Launch the Early Warning Project to make risk assessments publically available. The first-of-its-kind early warning system for mass atrocities, it combines sound analytical methodology with cutting edge software and technological innovations to produce global risk assessments.</p>	<p><b>Met and ongoing:</b></p> <p>The September 2015 public launch generated major press coverage, social media attention, and web activity:</p> <ul style="list-style-type: none"> <li>348 US and 69 international outlets, including major national publications and news sites, and hundreds of local newspapers.</li> <li>More than 230 new Twitter followers; impressions (times Museum's Tweets are viewed) up over 200% to 81,300.</li> <li>More than 100 new followers on Facebook, the majority are not based in the US; several are from Myanmar and Pakistan, countries considered at high risk of new episodes of mass killing.</li> </ul>
<p>Create training resources and educational materials for governments especially the U.S. government, on genocide prevention; with target audiences: diplomats. Military officers, development officials and policymakers.</p>	<p>Develop training programs to educate foreign service officers, military, and other professionals on genocide prevention.</p>	<p><b>Met:</b></p> <ul style="list-style-type: none"> <li>Launch Hate Speech and Incitement to Mass Violence Initiative to develop and disseminate specific, practical and actionable strategies and tools for detecting and countering inflammatory hate speech.</li> <li>Created the <i>Strategic Communications for Atrocity Prevention Guide</i>. The guide will provide a starting point and road map for practitioners interested in communication based interventions to prevent and mitigate the impact of hate speech.</li> </ul>

# United States Holocaust Memorial Museum

## Government Performance and Results Act Annual Performance Plan - FY 2015

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

Strategy to achieve objective	FY 2015 activity planned, target or comparison baseline	FY 2015 Results / Status
<b>Carry out the Levine Institute for Holocaust Education (LIHE) objectives</b>		
Create exhibitions on themes designed to simulate discussion about how and why the Holocaust happened and its implications (e.g., propaganda, collaboration and complicity, the American response, etc.) traveling to diverse and highly visible venues.	Present special exhibitions and associated programs at the Museum and through traveling exhibitions nationwide.	<b>Met:</b> <ul style="list-style-type: none"> <li>• The special exhibition <i>Some Were Neighbors: Collaboration &amp; Complicity in the Holocaust</i> opened on April 30, 2013. 280,980 visitors saw the exhibition in FY 2015, bringing total visitors to 710,300 as of September 30, 2015, an average of 17% of all Museum visitors during that period.</li> <li>• Traveled five exhibitions to 16 venues in 12 states. Approximately 170,000 people viewed the exhibitions during the course of the year.</li> </ul>
Develop digital and other educational resources, such as films, online exhibitions, and articles, which are currently relevant and engaging.	Launch Google ad pilot to drive traffic to Museum's Arabic language content.	<b>Exceeded:</b> <ul style="list-style-type: none"> <li>• Traffic to Museum content in target languages (Farsi, Arabic, Turkish) increased by 12% from 246,000 in FY 2014, to more than 275,000 in FY 2015.</li> </ul>

# United States Holocaust Memorial Museum

## Government Performance and Results Act Annual Performance Plan - FY 2015

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

Status report for special exhibitions:

Exhibition Title/Topic	Target Presentation Dates	Results / Status
<i>Abandoned at Srebrenica: Photographs from the Aftermath</i> (Meyerhoff Theater entry)	July 11, 2005 - October 6, 2015	Closed to prepare for installation of <i>Cambodia 1975-1979</i> (see below).
<i>The Nuremberg Trials: What Is Justice?</i> (Wexner Center, Room 2)	December 20, 2005 - February 17, 2015	Closed to prepare for installation of <i>I Want Justice</i> (below).
<i>"I Want Justice"</i> (working title; Wexner Center, Room 2)	FY 2015 Q2 - indefinitely	Open.
<i>A Dangerous Lie: The Protocols of the Elders of Zion</i> (Gonda Education Center)	April 21, 2006 - indefinitely	No change.
<i>From Memory to Action: Meeting the Challenge of Genocide</i> (Wexner Center, Room 1)	April 10, 2009 - indefinitely	No change.
<i>Sudan Divided: Peoples at Risk</i> (Wexner Center, Room 3)	April 26, 2013 - October 6, 2014	Retitled to permit rotation of video programs about peoples at risk around the world for group-targeted violence.
<u>Retitled:</u> <i>Genocide: The Threat Continues</i>	October 15, 2014 - indefinitely	
<i>Some Were Neighbors: Collaboration and Complicity in the Holocaust</i> (Kimmel-Rowan Gallery)	Spring 2013 - Fall 2017	Open.
<i>Cambodia 1975-1979</i> (Meyerhoff Theater entry)	April 3, 2015 - Fall 2017 (tentative)	Open.
Traveling Exhibitions: <ul style="list-style-type: none"> <li>• <i>Deadly Medicine: Creating the Master Race</i> (panel version)</li> <li>• <i>Fighting the Fires of Hate: America and the Nazi Book Burnings</i></li> <li>• <i>The Nazi Olympics: Berlin 1936</i></li> <li>• <i>Nazi Persecution of Homosexuals: 1933-1945</i></li> <li>• <i>State of Deception: The Power of Nazi Propaganda</i></li> </ul>	Various locations and schedules	

# United States Holocaust Memorial Museum

## Government Performance and Results Act Annual Performance Plan - FY 2015

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

Strategy to achieve objective	FY 2015 activity planned, target or comparison baseline	Results / Status
<b>Carry out the LIHE objectives - continued</b>		
Sponsor fellowships and “train the trainer” programs for secondary educators and leaders in Holocaust education in all 50 states.	Increase the number of Museum Teacher Fellows trained to implement Museum education programming.	<p>Met:</p> <ul style="list-style-type: none"> <li>• Trained 921 additional educators in 25 programs.</li> </ul>
Implement “train the trainer” programs for professors and staff of the key in-service training arms of the military and law enforcement; provide direct training for members of the judiciary and other select professions.	<p>Refine and implement plans for working with targeted audiences (justice, military, religious leaders, etc.) for achieving greatest impact: train military and judicial leadership; implement and strengthen the leadership development component of the program for youth.</p> <p>Strengthen the critical thinking skills of current high school ambassadors.</p>	<p>Met:</p> <p><b>Served more than:</b></p> <ul style="list-style-type: none"> <li>• 3,000 U.S. military officers in training, active duty and command level as well as 1,000 international military officers in programs dealing with human rights and genocide prevention.</li> <li>• 1,300 members of the judiciary in 13 programs.</li> <li>• 4,000 law enforcement officials in 83 programs; and in partnership with the FBI LEAS reached chiefs and commanders in law enforcement from 11 different countries.</li> <li>• 240 federal employees.</li> <li>• The Museum’s work with police was replicated through training of trainers in Los Angeles; St. Petersburg, FL; and Nassau County, NY; bringing the total number of cities with this program to five.</li> </ul> <p><b>Met and ongoing:</b></p> <p>Through the <i>Bringing the Lessons Home</i> (BTLH) and <i>Stephen Tyrone Johns Summer Youth Leadership Program</i>:</p> <ul style="list-style-type: none"> <li>• 4,000 local youth participated in an immersive study of the Holocaust through seminars and internships; 60 local youth participated in a 6 weeks program and provided outreach to 70 youth leaders from MS, AL, TN, NC, and FL.</li> <li>• BTLH ambassadors also engaged over 363,000 individuals globally through Twitter on the relevance of the</li> </ul>



# United States Holocaust Memorial Museum

## Government Performance and Results Act Annual Performance Plan - FY 2015

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

Strategy to achieve objective	FY 2015 activity planned, target or comparison baseline	Results / Status
		Holocaust. <ul style="list-style-type: none"> <li>• Held 20<sup>th</sup> anniversary event to reengage network of more than 600 BTLH ambassador alums. They became lifetime Museum members.</li> </ul>
Create resources for the professions, educators, students, and the public, such as case studies, curricular units, multimedia materials and films based on original research and Museum collections.	In FY 2014 created <i>Path to Nazi Genocide</i> , a 38-minute film to enhance off-site trainings about ethics.	<b>Met and ongoing:</b> <ul style="list-style-type: none"> <li>• 1,260 validations</li> <li>• 15 adoptions</li> </ul>

# United States Holocaust Memorial Museum

## Government Performance and Results Act Annual Performance Plan - FY 2015

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

Strategy to achieve objective	FY 2015 Activity planned, target or comparison baseline	Results / Status
<b>Fundraising Activities</b>		
Undertake fundraising efforts to fulfill the Strategic plan over the next decade.	FY 2015 target \$40.1 million annual fund, \$5.5 million endowment, and \$12.5 million capital campaign for a combined total of \$58.1 million.	<p><b>Exceeded:</b></p> <ul style="list-style-type: none"> <li>• During FY 2015, raised \$102.3 million (in major gifts, membership, planned gifts, and endowment contributions), including \$43.2 million in contributions and pledges for the endowment, surpassing the \$58.1 million goal. Note: Restricted gifts may only be spent as the donor stipulates, and endowment income may be spent, but not the principal.</li> </ul>
<p>Improve stewardship of key constituencies (survivors, donors, Council, former Council, Congress, staff).</p> <p>Increase visibility and involvement of survivors in advancing Museum's programmatic priorities.</p>	<p>Maintain audience size at survivor presentations of between 30,000 and 45,000 visitors annually.</p> <p>Maintain number of survivor presentations at 300.</p>	<p><b>Exceeded:</b></p> <ul style="list-style-type: none"> <li>• More than 50,000 attended survivor presentations.</li> <li>• More than 350 presentations were given.</li> </ul>
	Enhance the role of Council and committee members in supporting programmatic priorities.	<p><b>Partially met:</b></p> <ul style="list-style-type: none"> <li>• Updated revisions to Council orientation program; continued to work with Development and Marketing to ensure Council's awareness of/management in key programs at Museum and their regions.</li> <li>• Deferred a larger Council stewardship effort due pressing priorities such as the strategic plan.</li> </ul>
Pursue continuous improvement and excellence in financial management; human resource management; information technology support; and administration of the Museum.	Strengthen administrative processes and enhance effectiveness by identifying improvement opportunities in key areas with related metrics.	<p><b>Met and ongoing:</b></p> <ul style="list-style-type: none"> <li>• Identified five priority areas for assessment. Implementation of revised processes underway.</li> </ul>

# United States Holocaust Memorial Museum

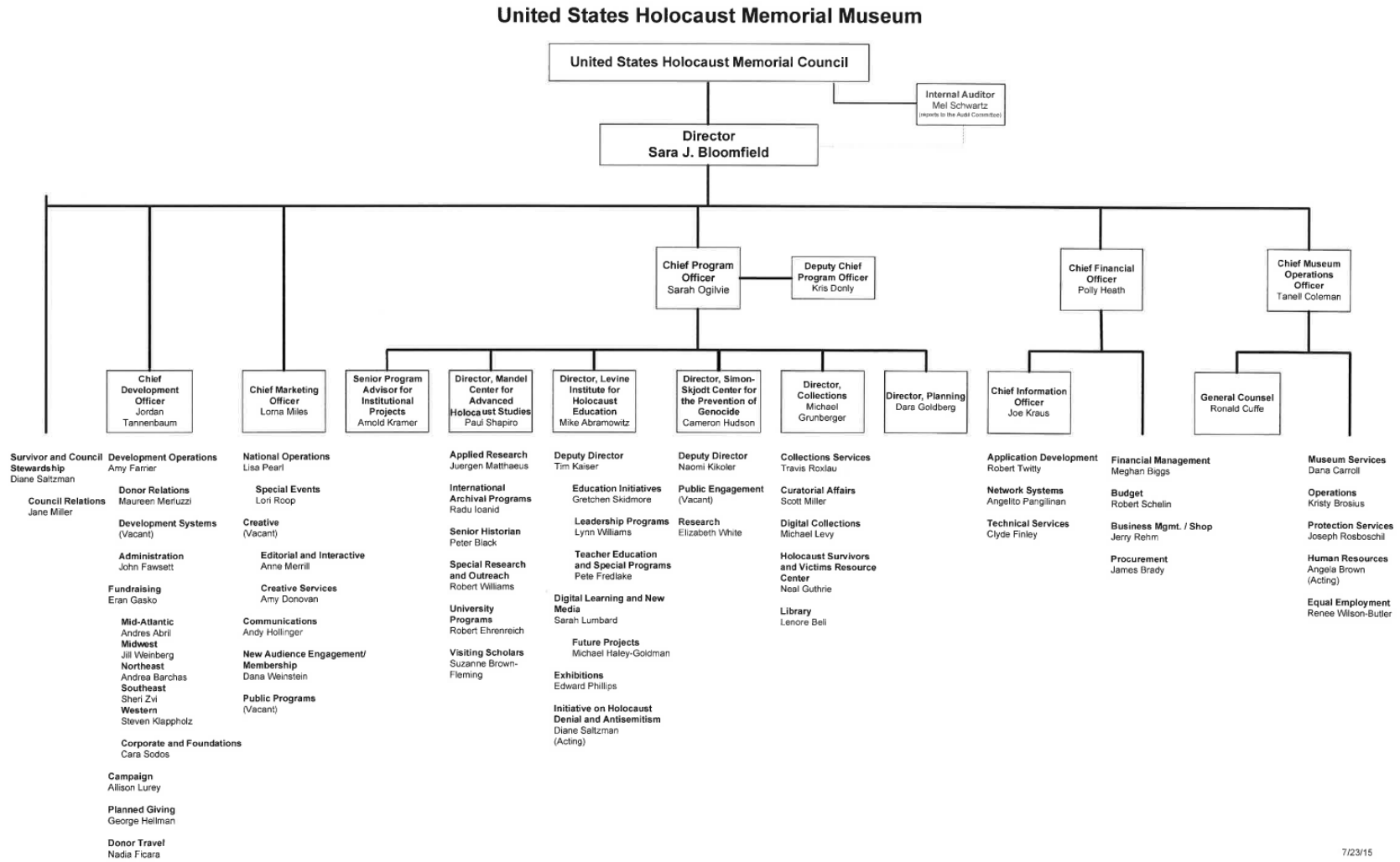
## Government Performance and Results Act Annual Performance Plan - FY 2015

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

Strategy to achieve objective	FY 2015 Activity planned, target or comparison baseline	Results / Status
Enhance the Museum's ability to engage with its constituents, be they fund raisers, educators, scholars, council members and the general public.	Implement an institution wide Constituent Relationship Management (CRM) and Event Management platform.	<b>Met and ongoing:</b> <ul style="list-style-type: none"> <li>Implementation of CRM system complete, and system deployed in October 2015.</li> </ul>
Provide oversight for major Museum technology systems.	Upgrade the AV systems in theaters.	<b>Met and ongoing:</b> <ul style="list-style-type: none"> <li>Major replacement of all of the AV systems in Meyerhoff Theater completed in September 2015.</li> </ul>
	Enhance performance of the data center, storage, and server infrastructure through server/storage platform virtualization.  Develop design for exhibition hardware replacement.	<b>Met and ongoing:</b> <ul style="list-style-type: none"> <li>90% of servers virtualized.</li> </ul> <b>Met:</b> <ul style="list-style-type: none"> <li>Developed a design to replace all of the Museum's back-end exhibition hardware in FY 2015. Equipment has been procured and will be installed in FY 2016.</li> </ul>

# United States Holocaust Memorial Museum

## Museum Organization Chart



November 13, 2015

I am pleased to present the United States Holocaust Memorial Museum's Fiscal Year 2015 *Performance and Accountability Report* which presents both financial and performance information on the Museum's operations in a combined report for the fiscal year ended September 30, 2015. This report satisfies the reporting requirements for the following:

- *Accountability of Tax Dollars Act of 2002*
- *Reports Consolidation Act of 2000*
- *Government Management Reform Act of 1994*
- *Government Performance and Results Act of 1993*
- *Chief Financial Officers Act of 1990*
- *Federal Managers' Financial Act of 1982*
- *Section 2308 of the Museum's authorizing legislation (36 USC 2302)*

The Museum received an unmodified opinion on its financial statements for Fiscal Year 2015. These statements fully account for both the federal appropriated and nonappropriated funds. The auditors did not identify any deficiencies in internal controls that they considered to be material weaknesses.

In a separate letter to management, the auditors noted three internal control deficiencies involving maintenance of appropriate documentation for the value of certain contributions receivable, improving accuracy in fixed assets records, and ensuring that expired Federal appropriations are promptly removed from the books. Management will implement procedural changes to correct these issues going forward.

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

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



Polly Povejsil Heath  
Chief Financial Officer  
United States Holocaust Memorial Museum



## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the **United States Holocaust Memorial Museum** (the Museum), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States Holocaust Memorial Museum as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

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

#### *Report on Summarized Comparative Information*

We have previously audited the Museum's 2014 financial statements, and our report dated November 14, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent in all material respects, with the audited financial statements from which it has been derived.

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 13, 2015, on our consideration of the Museum's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control over financial reporting and compliance.

BDO USA, LLP

November 13, 2015

## Financial Statements

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# United States Holocaust Memorial Museum

## Statement of Financial Position

As of September 30, 2015

(with summarized information as of September 30, 2014)

	Nonappropriated Funds	Appropriated Funds	2015 Total	2014 Total
<b>Assets:</b>				
Cash and fund balance with Treasury	\$ 3,551,033	\$ 20,198,833	\$ 23,749,866	\$ 20,801,057
Short-term investments	18,347	-	18,347	383,286
Contributions receivable, net	51,689,819	-	51,689,819	45,229,340
Other assets	1,243,671	285,438	1,529,109	1,768,696
Long-term investments	319,143,841	-	319,143,841	301,442,589
Property and equipment, net	66,361,600	12,277,276	78,638,876	75,781,923
Collections	-	-	-	-
<b>Total assets</b>	<b>\$ 442,008,311</b>	<b>\$ 32,761,547</b>	<b>\$ 474,769,858</b>	<b>\$ 445,406,891</b>
<b>Liabilities and net assets</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 5,252,887	\$ 5,093,574	\$ 10,346,461	\$ 12,234,820
Charitable gift annuity liability	11,459,338	-	11,459,338	11,249,866
Unexpended appropriations	-	16,575,168	16,575,168	14,615,159
Interest rate swap liability	306,450	-	306,450	-
<b>Total liabilities</b>	<b>17,018,675</b>	<b>21,668,742</b>	<b>38,687,417</b>	<b>38,099,845</b>
<b>Net assets:</b>				
Unrestricted:				
Federal cumulative results of operations	-	11,092,805	11,092,805	11,106,136
Programming and supporting activities	71,223,446	-	71,223,446	89,829,173
Funds functioning as endowment	59,529,857	-	59,529,857	52,832,026
<b>Total unrestricted</b>	<b>130,753,303</b>	<b>11,092,805</b>	<b>141,846,108</b>	<b>153,767,335</b>
Temporarily restricted	81,743,927	-	81,743,927	69,293,011
Permanently restricted	212,492,406	-	212,492,406	184,246,700
<b>Total net assets</b>	<b>424,989,636</b>	<b>11,092,805</b>	<b>436,082,441</b>	<b>407,307,046</b>
<b>Commitments and contingencies</b>				
<b>Total liabilities and net assets</b>	<b>\$ 442,008,311</b>	<b>\$ 32,761,547</b>	<b>\$ 474,769,858</b>	<b>\$ 445,406,891</b>

*See accompanying notes to financial statements.*

# United States Holocaust Memorial Museum

## Statement of Activities Year Ended September 30, 2015 (with summarized information for the year ended September 30, 2014)

	Nonappropriated Funds	Appropriated Funds	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
<b>Support and revenues:</b>							
Federal appropriation revenue	\$ -	\$ 50,256,807	\$ 50,256,807	\$ -	\$ -	\$ 50,256,807	\$ 49,134,640
Contributions	23,152,270	-	23,152,270	23,695,724	31,856,695	78,704,689	51,444,419
Membership revenue	10,509,130	-	10,509,130	-	-	10,509,130	10,517,750
Museum shop	1,917,265	-	1,917,265	-	-	1,917,265	1,754,844
Investment (loss) income, net	(6,765,211)	-	(6,765,211)	606,590	(3,610,989)	(9,769,610)	23,905,803
Contributed services	278,853	-	278,853	-	-	278,853	39,160
Imputed financing source	-	1,182,467	1,182,467	-	-	1,182,467	1,392,250
Other	286,397	-	286,397	-	-	286,397	338,646
Net assets released from restrictions:							
Expiration of time restrictions	772,465	-	772,465	(772,465)	-	-	-
Satisfaction of program restrictions	11,078,933	-	11,078,933	(11,078,933)	-	-	-
<b>Total support and revenues</b>	<b>41,230,102</b>	<b>51,439,274</b>	<b>92,669,376</b>	<b>12,450,916</b>	<b>28,245,706</b>	<b>133,365,998</b>	<b>138,527,512</b>
<b>Expenses:</b>							
Program services							
Museum operations	3,991,619	25,114,859	29,106,478	-	-	29,106,478	28,068,035
Mandel Ctr for Advanced Holocaust Studies	5,399,849	3,012,661	8,412,510	-	-	8,412,510	8,216,132
Levine Institute for Holocaust Education	7,097,390	4,482,179	11,579,569	-	-	11,579,569	11,583,648
Collections	3,602,648	5,933,845	9,536,493	-	-	9,536,493	9,671,565
Simon-Skjodt Ctr for the Prevention of Genocide	2,151,989	-	2,151,989	-	-	2,151,989	1,926,697
Marketing	5,847,708	920,094	6,767,802	-	-	6,767,802	6,411,352
Museum shop	1,762,729	-	1,762,729	-	-	1,762,729	1,579,680
Other outreach programs	1,520,415	2,488,058	4,008,473	-	-	4,008,473	2,401,229
<b>Total program services</b>	<b>31,374,347</b>	<b>41,951,696</b>	<b>73,326,043</b>	<b>-</b>	<b>-</b>	<b>73,326,043</b>	<b>69,858,338</b>
Supporting services							
Management and general	7,271,352	9,500,909	16,772,261	-	-	16,772,261	18,713,253
Membership development	5,232,628	-	5,232,628	-	-	5,232,628	4,783,595
Fundraising	9,259,671	-	9,259,671	-	-	9,259,671	8,465,570
<b>Total supporting services</b>	<b>21,763,651</b>	<b>9,500,909</b>	<b>31,264,560</b>	<b>-</b>	<b>-</b>	<b>31,264,560</b>	<b>31,962,418</b>
<b>Total expenses</b>	<b>53,137,998</b>	<b>51,452,605</b>	<b>104,590,603</b>	<b>-</b>	<b>-</b>	<b>104,590,603</b>	<b>101,820,756</b>
<b>Change in net assets</b>	<b>(11,907,896)</b>	<b>(13,331)</b>	<b>(11,921,227)</b>	<b>12,450,916</b>	<b>28,245,706</b>	<b>28,775,395</b>	<b>36,706,756</b>
<b>Net assets - beginning of year</b>	<b>142,661,199</b>	<b>11,106,136</b>	<b>153,767,335</b>	<b>69,293,011</b>	<b>184,246,700</b>	<b>407,307,046</b>	<b>370,600,290</b>
<b>Net assets - end of year</b>	<b>\$ 130,753,303</b>	<b>\$ 11,092,805</b>	<b>\$ 141,846,108</b>	<b>\$ 81,743,927</b>	<b>\$ 212,492,406</b>	<b>\$ 436,082,441</b>	<b>\$ 407,307,046</b>

*See accompanying notes to financial statements.*

# United States Holocaust Memorial Museum

## Statement of Cash Flows Year Ended September 30, 2015

(with summarized information for the year ended September 30, 2014)

	Nonappropriated Funds	Appropriated Funds	2015 Total	2014 Total
<b>Reconciliation of change in net assets to net cash (used in) provided by operating activities:</b>				
Change in net assets	\$ 28,788,726	\$ (13,331)	\$ 28,775,395	\$ 36,706,756
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:				
Museum depreciation	2,724,056	1,180,280	3,904,336	3,900,541
Equipment depreciation	21,410	756,201	777,611	702,571
Exhibit amortization	949,923	926,253	1,876,176	1,876,223
Realized/unrealized losses (gains) on investments	15,781,652	-	15,781,652	(18,717,471)
Change in allowance for doubtful accounts	736,970	-	736,970	1,162,800
Change in discount to present value of contributions receivable	11,536,118	-	11,536,118	92,468
Contributions of permanently restricted net assets	(29,587,355)	-	(29,587,355)	(8,266,283)
Changes in assets and liabilities:				
Decrease (increase) in:				
Contributions receivable	(18,733,567)	-	(18,733,567)	(9,958,249)
Other assets	229,279	10,308	239,587	(229,260)
Increase (decrease) in:				
Accounts payable and accrued expenses	(807,273)	(1,081,086)	(1,888,359)	1,743,314
Charitable gift annuity liability	209,472	-	209,472	239,826
Unexpended appropriations	-	1,960,009	1,960,009	2,988,841
Interest rate swap liability	306,450	-	306,450	-
<b>Net cash provided by operating activities</b>	<b>12,155,861</b>	<b>3,738,634</b>	<b>15,894,495</b>	<b>12,242,077</b>
<b>Cash flows from investing activities:</b>				
Capital expenditures	(6,789,384)	(2,625,692)	(9,415,076)	(5,109,352)
Purchases of investments	(87,192,037)	-	(87,192,037)	(69,472,910)
Proceeds from sale of investments	54,074,072	-	54,074,072	56,249,222
<b>Net cash used in investing activities</b>	<b>(39,907,349)</b>	<b>(2,625,692)</b>	<b>(42,533,041)</b>	<b>(18,333,040)</b>
<b>Cash flows from financing activities:</b>				
Permanently restricted contributions	29,587,355	-	29,587,355	8,266,283
<b>Net cash provided by financing activities</b>	<b>29,587,355</b>	<b>-</b>	<b>29,587,355</b>	<b>8,266,283</b>
<b>Net increase in cash and fund balance with Treasury</b>	<b>1,835,867</b>	<b>1,112,942</b>	<b>2,948,809</b>	<b>2,175,320</b>
<b>Cash and fund balance with Treasury - beginning of year</b>	<b>1,715,166</b>	<b>19,085,891</b>	<b>20,801,057</b>	<b>18,625,737</b>
<b>Cash and fund balance with Treasury - end of year</b>	<b>\$ 3,551,033</b>	<b>\$ 20,198,833</b>	<b>\$ 23,749,866</b>	<b>\$ 20,801,057</b>
<b>Supplemental data:</b>				
Gifts of securities	\$ 19,223,583	\$ -	\$ 19,223,583	\$ 1,457,737

*See accompanying notes to financial statements.*

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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### 1. Organization and Purpose

#### *Organization and Governance*

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

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

The Museum receives an annual Federal appropriation (see Appropriated Funds - note 9) and was authorized by statute (36 U.S.C. Section 2307) to raise private funds (the nonappropriated funds) to aid or facilitate the operation and maintenance of the Museum. These financial statements present the financial position, activities, and cash flows of both the appropriated funds and the nonappropriated funds of the Museum.

#### *Tax-Exempt Status*

The Museum is exempt from income taxation, except for its unrelated business income, under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Museum recognizes the effect of income tax positions only if those positions are more likely than not to be sustained.

Under Financial Accounting Standards Board (FASB), *Accounting for Uncertainty in Income Taxes* Accounting Standards Codification (ASC) 740-10, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The Museum does not believe there are any material uncertain tax positions, and accordingly, it will not recognize any liability for unrecognized tax benefits. The Museum has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Museum has filed Internal Revenue Service (IRS) Form 990 and Form 990-T tax returns as required and all other applicable returns in those jurisdictions where it is required. The Museum believes that it is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2012. For the years ended September 30, 2015 and 2014, there were no interest or penalties recorded or included in the statement of activities related to uncertain tax positions.

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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### 2. Summary of Significant Accounting Policies

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

The statement of activities includes certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Museum's financial statements for the year ended September 30, 2014, from which the summarized information was derived.

#### *Significant Accounting Policies*

Significant accounting policies followed are summarized below:

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

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

The Museum maintains cash balances with federally insured institutions, which are insured by the Federal Deposit Insurance Corporation up to \$250,000 on interest-bearing accounts per bank at September 30, 2015 and 2014. The Museum has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and fund balance with Treasury.

##### *(b) Investments*

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

Short-term investments include money market funds and government securities with maturities of less than one year, consistent with the cash management policy of the Museum. Certain liquid investments are considered noncurrent assets, as they are restricted or intended to be held for long-term purposes.

The whole endowment, consisting of the board-designated and real endowments, is pooled for investment purposes. The endowment pays out an amount for annual support of operations and an amount allowed to be spent for specific purposes based on the trailing 12-quarter fair value averages as calculated using data through June 30th of the preceding year.

##### *(c) Financial Instruments and Credit Risk*

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

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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

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

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

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

### *(e) Contributions Receivable*

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

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

### *(f) Other Assets*

Other assets consist primarily of prepayments and inventory from the Museum bookstore (the Museum Shop). The Museum Shop sells Holocaust-related educational materials, such as books and DVDs, to the public. The Museum Shop's inventory was \$384,905 and \$411,473 as of September 30, 2015 and 2014, respectively, and is valued at the lower of cost or market using the first-in, first-out inventory valuation method.

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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### *(g) Property and Equipment*

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

Renovations and improvements are recorded, and depreciated and/or amortized, on a straight-line basis over 10 years.

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

Museum exhibitions include the cost to design and construct the permanent exhibition and temporary exhibitions. The permanent exhibition is being amortized on the straight-line basis over 30 or 40 years and temporary exhibitions are amortized on a straight-line basis over the life of the specific exhibition.

Furniture and equipment are stated at cost. The Museum capitalizes all property and equipment having a useful life of one year or more and an acquisition cost of \$5,000 or more per unit. Depreciation is computed using the straight-line method. Estimated useful lives are three years for computer equipment and five years for furniture and other equipment.

### *(h) Impairment of Long-Lived Assets*

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

### *(i) Collections*

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

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

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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### *(j) Accrued Vacation*

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

### *(k) Net Assets*

The Museum classifies nonappropriated net assets into three categories: unrestricted, temporarily restricted, or permanently restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by time.

Temporarily restricted net assets are contributions with temporary, donor-imposed time and/or program restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a later period. Temporarily restricted net assets become unrestricted when the time restrictions expire and/or the funds are used for their restricted purposes and are reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets represent donor-restricted endowments to be held in perpetuity. Some donors require the Museum to reinvest all income earned on investments in the permanently restricted endowment fund, with only the payout, based on the Museum's payout policy, available for expenditure.

### *(l) Contributions*

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

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

Permanently restricted contributions are contributions restricted by donors for the Museum's real endowment that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Museum, and are recorded as permanently restricted support in the year received in the accompanying statement of activities.

### *(m) Membership Revenue*

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



# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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### *(n) Appropriated Funds*

The Museum receives an annual appropriation from Congress. Appropriations are used to fund certain Museum expenditures, as determined by the Museum and implemented by management, in conformity with the Museum's congressional mandate. Federal appropriation revenues are classified as unrestricted and are recognized as revenue as expenditures are incurred.

### *(o) Nonappropriated Funds*

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

### *(p) Imputed Financing Source*

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

### *(q) Expenses*

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

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

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

Fundraising costs include both membership development and fundraising expenses.

### *(r) Use of Estimates*

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

### *(s) Fair Value of Financial Instruments*

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

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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

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

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

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

### *Recent Accounting Pronouncements*

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

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

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

### 3. Cash and Fund Balance with Treasury

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

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

	2015	2014
Status of fund balance with Treasury:		
Unobligated balance:		
Available	\$ 6,817,201	\$ 6,774,350
Unavailable	600,371	1,133,915
Obligated not yet disbursed	12,781,261	11,177,626
Total appropriated fund balance with Treasury	\$ 20,198,833	\$ 19,085,891

### 4. Investments and Fair Value Measurements

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

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

	2015	2014
Money market funds	\$ -	\$ 264,748
Donated stock	18,347	118,538
Total	\$ 18,347	\$ 383,286

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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

	2015	2014
Investments:		
Portfolio cash equivalents	\$ 39,459,002	\$ 21,059,272
U.S. large cap equities	81,424,818	81,865,040
U.S. small to mid-cap equities	20,212,585	21,513,601
International markets equities	23,034,580	24,595,581
Emerging markets equities	9,119,006	12,051,492
Fixed income mutual funds	26,547,981	27,045,146
Multi-strategy mutual funds	24,791,830	26,603,305
High yield corporate bond funds	11,088,287	11,336,957
Bank loan fund	11,145,960	11,326,250
Equity long/short hedge funds	19,159,484	11,580,089
Event driven hedge funds	32,401,925	30,563,130
Multi-strategy hedge funds	708,271	1,008,097
State of Israel bonds	175,859	156,228
Gift annuity program investments:		
Portfolio cash equivalents	340,719	307,524
Domestic equities and fixed income	19,533,534	20,430,877
<b>Total</b>	<b>\$ 319,143,841</b>	<b>\$ 301,442,589</b>

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

	2015	2014
Interest and dividends	\$ 7,208,365	\$ 6,296,568
Net realized and unrealized (losses)/gains	(15,781,652)	18,717,471
Investment management fees	(1,196,323)	(1,108,236)
<b>Net investment (loss)/income</b>	<b>\$ (9,769,610)</b>	<b>\$ 23,905,803</b>

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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

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

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

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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

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

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

The following table presents financial instruments that are measured at fair value on a recurring basis at September 30, 2014:

	Level 1	Level 2	Level 3	Total
Short-term investments:				
Money market funds	\$ 264,748	\$ -	\$ -	\$ 264,748
Donated stock	118,538	-	-	118,538
Short-term investments subtotal	383,286	-	-	383,286
Long-term investments:				
Portfolio cash equivalents	21,059,272	-	-	21,059,272
U.S. large cap equities	32,896,421	48,968,619	-	81,865,040
U.S. small to mid-cap equities	21,513,601	-	-	21,513,601
International markets equities	-	24,595,581	-	24,595,581
Emerging markets equities	-	12,051,492	-	12,051,492
Fixed income mutual funds	27,045,146	-	-	27,045,146
Multi-strategy mutual funds	21,224,783	-	5,378,522	26,603,305
High yield corporate bond funds	11,336,957	-	-	11,336,957
Bank loan fund	-	-	11,326,250	11,326,250
Equity long/short hedge funds	-	-	11,580,089	11,580,089
Event driven hedge funds	-	-	30,563,130	30,563,130
Multi-strategy hedge funds	-	-	1,008,097	1,008,097
State of Israel bonds	156,228	-	-	156,228
Gifts annuity program investments:				
Portfolio cash equivalents	307,524	-	-	307,524
Domestic equities and fixed income	-	20,430,877	-	20,430,877
Long-term investments subtotal	135,539,932	106,046,569	59,856,088	301,442,589
Interest in charitable trusts - included in contributions receivable				
	-	-	1,396,801	1,396,801
Total	\$ 135,923,218	\$ 106,046,569	\$ 61,252,889	\$ 303,222,676

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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

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

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

The following table presents the Museum's activity for Level 3 assets measured at fair value on a recurring basis for the year ended September 30, 2014:

	Beginning balance October 1, 2013	Dividend and interest income	Realized gains/ (losses)	Unrealized gains/ (losses)	Purchases	Sales	Ending balance September 30, 2014
Global equities	\$ 7,942,943	\$ 43,818	\$ 2,527,309	\$(2,396,101)	\$ -	\$(8,117,969)	\$ -
Multi-strategy mutual funds	5,014,890	-	-	363,632	-	-	5,378,522
Bank loan fund	10,884,239	531,942	202	(90,129)	-	(4)	11,326,250
Equity long/short hedge funds	10,771,135	-	-	808,954	-	-	11,580,089
Event driven hedge funds	28,047,847	1,186,857	319,606	1,038,876	500,000	(530,056)	30,563,130
Multi-strategy hedge funds	1,060,602	2	-	54,889	-	(107,396)	1,008,097
Interest in charitable trusts	1,411,801	-	-	-	-	(15,000)	1,396,801
<b>Total</b>	<b>\$ 65,133,457</b>	<b>\$ 1,762,619</b>	<b>\$ 2,847,117</b>	<b>\$ (219,879)</b>	<b>\$ 500,000</b>	<b>\$(8,770,425)</b>	<b>\$ 61,252,889</b>

There were no issuances or settlements during the year ended September 30, 2014.



# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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### Quantitative Information

Quantitative information as of September 30, 2015, with respect to assets measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) follows:

#### *Investments*

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

#### *Interest in Charitable Trusts*

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

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### Level 3 Valuation Process

#### *Investments*

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

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

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

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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Investment Committee and reports the performance of the funds. There were no changes in valuation techniques noted for these funds for 2015 and 2014.

### *Interest in Charitable Trusts*

For interest in charitable trusts, the Museum gathers as much information as possible for each instrument, including the initial and current trust value, the amount allocated to the Museum, the date of birth of any other beneficiaries and payout amounts. The Museum uses a standard charitable gift calculation model using these inputs and a standard discount rate reset each year based on current IRS discount rates. For any input not readily available, management develops a best estimate for use in the calculation. There were no changes in valuation techniques for these receivables for 2015 and 2014.

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

#### *Investments*

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

#### *Interest in Charitable Trusts*

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

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

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

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The estimated fair values of the Museum's financial instruments that are not measured at fair value on a recurring basis as of September 30, 2014 are as follows:

	Carrying Amount	Fair Value
Contributions receivable	\$ 45,229,340	\$ 44,476,659
Charitable gift annuity liability	\$ 11,249,866	\$ 11,341,591

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Estimates of fair value at September 30, 2015 and 2014, were determined in accordance with ASC 820. ASC 820 defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. Consistent with ASC 820, the disclosure excludes non-financial assets and liabilities.

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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

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

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

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

### Net Asset Value (NAV) Per Share

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

The following table presents the nature and risk of assets with fair values estimated using NAV as a practical expedient held at September 30, 2015:

	Fair Value	Unfunded commitments	Redemption Frequency	Redemption notice period
U.S. large cap equities	\$ 49,305,997	\$ -	daily to monthly	none to 10 days
International markets equities	23,034,580	-	daily to monthly	none to 6 days
Emerging markets equities	9,119,006	-	daily to quarterly	none to 10 days
Multi-strategy mutual funds	5,788,413	-	quarterly	30 days
Bank loan fund	11,145,960	-	quarterly	90 days
Equity long/short hedge funds	19,159,484	-	quarterly	45 to 60 days
Event driven hedge funds	32,401,925	3,059,000	quarterly to at maturity	none to 90 days
Multi-strategy hedge funds	708,271	-	annually	N/A
<b>Total</b>	<b>\$ 150,663,636</b>	<b>\$ 3,059,000</b>		

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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

Emerging markets equities include investment in two funds. One is a mutual fund with a value set on a daily basis. The other one is an investment in a limited partnership with reported values based on closing market prices. Multi-strategy mutual funds are invested in one fund which is estimated at fair values using NAV per share. For all funds where the NAV is used as a basis for estimating fair value not validated by active markets, the Museum obtains independent audited statements as of the funds' year-end and reconciles the audited balance to the Museum's reported balance.

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

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

In the event driven hedge funds, one investment, totaling \$9.0 million restricts the withdrawals to 25% in non-consecutive quarters and an investment of \$0.7 million in a multi-strategy hedge fund is in the process of liquidating the remaining side pocket investment. The remaining hedge fund investments provide for quarterly redemption.

### 5. Split-Interest Agreements

Split-interest agreements include charitable gift annuities and interests in charitable trusts. The charitable gift annuities are valued at approximately \$19.9 million and \$20.7 million in 2015 and 2014, respectively. These investments are recognized at fair value using quoted market prices. An annuity liability for approximately \$11.5 million and \$11.2 million in 2015 and 2014, respectively, is reported in charitable gift annuity liability and represents the present value of future cash flows expected to be paid to the donor or the donor's designee. The revenue and change in value of split-interest agreements recognized for charitable gift annuities was \$464,743 and \$(487,915), respectively, in 2015 and \$421,686 and (\$424,775), respectively, in 2014 and is included in contributions revenue.

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

### 6. Contributions Receivable

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

	2015	2014
<b>Amounts due in:</b>		
Less than one year	\$ 4,949,982	\$ 2,987,561
One to five years	44,202,108	39,259,547
More than five years	22,355,385	10,526,800
<b>Subtotal</b>	<b>71,507,475</b>	<b>52,773,908</b>
<b>Less:</b>		
Allowance for doubtful accounts	(2,929,896)	(2,192,926)
Discount to present value (2.5% - 3.9%)	(16,887,760)	(5,351,642)
<b>Total</b>	<b>\$ 51,689,819</b>	<b>\$ 45,229,340</b>

### 7. Property and Equipment

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

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

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

At September 30, 2014, property and equipment consisted of the following:

	Nonappropriated funds	Appropriated funds	Total
Buildings and capital improvement	\$ 111,360,473	\$ 21,750,747	\$133,111,220
Furniture and equipment	6,718,185	13,180,559	19,898,744
Exhibitions	30,440,056	13,471,248	43,911,304
Leasehold improvements	1,562,428	63,505	1,625,933
Total property and equipment	150,081,142	48,466,059	198,547,201
Less accumulated depreciation and amortization	(86,813,537)	(35,951,741)	(122,765,278)
Total property and equipment, net	\$ 63,267,605	\$ 12,514,318	\$ 75,781,923

Depreciation and amortization expense for the years ended September 30, 2015 and 2014 was \$6,558,123 and \$6,479,335, respectively. The Museum wrote off \$922,695 and \$243,899 of fully depreciated assets during the years ended September 30, 2015 and 2014, respectively.

## 8. Debt

### *Term Loan*

On August 13, 2014, the Museum entered into a drawdown term loan agreement in the principal amount of up to \$50.0 million to finance the purchase of land and construction of a Collections and Conservation Center. As of September 30, 2015, the Museum has not made any drawdowns from this loan.

### *Interest Rate Swap*

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

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

The interest rate swap liability as of September 30, 2015 and loss on interest rate swap during the year amounted to \$306,450.

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

### 9. Appropriated Funds

The fiscal year 2015 and 2014 Federal appropriations totaled \$52,385,000 for each year, which includes appropriations of \$1,264,000 for exhibition design and production, and \$1,900,000 for building repair and rehabilitation for each year, to be used by the Museum until fully expended. The Federal appropriations also include additional funding for a three year appropriation in the amount of \$515,000 for each year, to be used for equipment replacement.

Below is a reconciliation of the fiscal year 2015 and 2014 Federal appropriations received to Federal appropriations expended and recognized as revenue:

	2015	2014
Federal appropriation received	\$ 52,385,000	\$ 52,385,000
Unexpended appropriation - current year	(8,478,961)	(8,335,267)
Amounts obligated in previous years - expended in current year	6,350,768	5,084,907
Federal appropriation revenue	\$ 50,256,807	\$ 49,134,640

Below is a reconciliation of the spending of the fiscal year 2015 and 2014 Federal appropriations:

	2015	2014
Total expenses	\$ 51,452,605	\$ 50,694,289
Depreciation and amortization	(2,862,734)	(2,657,792)
Unpaid vacation and other unfunded expenses	(948,448)	(1,389,044)
Prepayments and others	(10,308)	24,229
Unexpended appropriation - current year	8,478,961	8,335,267
Amounts obligated in previous years - expended in current year	(6,350,768)	(5,084,907)
Capital expenditures	2,625,692	2,462,958
Federal appropriation	\$ 52,385,000	\$ 52,385,000

### 10. Commitments and Contingencies

The Museum has leases for regional offices, warehouses, and additional office space. These leases expire at various dates through 2024. Annual minimum lease payments due under operating leases in effect at September 30, 2015, by year and in the aggregate, are summarized as follows:

2016	\$	2,905,140
2017		2,923,473
2018		1,396,231
2019		384,362
2020		135,758
Thereafter		317,644
Total	\$	8,062,608

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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Rent expense for fiscal years 2015 and 2014 was \$2,943,288 and \$3,351,435, respectively. This amount was composed of appropriated funds and nonappropriated funds of \$2,544,798 and \$398,490, and \$2,703,851 and \$647,584 in 2015 and 2014, respectively.

### 11. Retirement Plans

Although the Museum funds a portion of the pension benefits for its appropriated fund employees under the Civil Service Retirement System and the Federal Employees Retirement System (the Systems) and makes the necessary payroll withholdings, the Museum is not required to disclose the Systems' assets or the actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of the United States Office of Personnel Management (OPM). The Museum's expense for these appropriated plans in fiscal year 2015 and 2014 was \$3,187,370 and \$3,266,182, respectively.

The Museum recognizes the cost of pensions and other retirement benefits during its employees' active years of service. OPM determines pension cost factors by calculating the value of pension benefits expected to be paid in the future, and communicates these factors to the Museum for current period expense reporting. OPM also provides cost factors regarding the full cost of health and life insurance benefits. In fiscal year 2015 and 2014, the Museum, utilizing OPM's cost factors, recognized \$293,668 and \$536,477 of pension expenses, \$885,978 and \$852,885 of postretirement health benefits expenses, \$2,821 and \$2,887, respectively, of postretirement life insurance expenses, beyond amounts actually paid. The Museum recognized offsetting revenue of \$1,182,467 and \$1,392,250 in 2015 and 2014, respectively, as an imputed financing source to the extent these intergovernmental expenses will be paid by OPM.

The Museum sponsors a defined contribution salary deferral 403(b) plan for its nonappropriated fund employees. Starting January 1, 2007, the Museum contributes 8% of annual pay for each eligible employee. In addition, the Museum matches 100% of the participant contributions up to 3% and 50% of contributions for the next 2% of annual pay. The Museum's expense for the 403(b) plan in 2015 and 2014 was \$2,497,356 and \$2,257,221, respectively.

### 12. Federal Employees' Compensation Act Actuarial Liability

The Department of Labor (DOL) provided the Museum with the calculation model and ratios to determine this liability as of September 30, 2015 and 2014. 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 2015 and 2014. The fiscal year 2015 and 2014 appropriated actuarial liability is \$385 and \$231,574, respectively, and the fiscal year 2015 and 2014 nonappropriated actuarial liability is \$1,750 and \$395,722, respectively.



# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

The FECA actuarial liability, included in the accounts payable and accrued expenses in the statement of financial position, is recorded for financial reporting purposes only. This liability constitutes an extended future estimate of cost which will not be obligated against budgetary resources until the fiscal year in which DOL actually bills the cost to the Museum. The cost associated with this liability cannot be met by the Museum without further appropriation action.

An unfunded liability is recorded for future payments to be made for workers' compensation pursuant to FECA. The liability consists of the un-reimbursed cost paid by DOL for compensation paid to recipients under FECA. The costs incurred are reflected as a liability because the Museum will reimburse DOL two years after the payment of expenses by DOL. Future Museum appropriated and nonappropriated funds will be used to reimburse DOL for appropriate payments. The fiscal year unfunded liability for the Museum's appropriated employees is \$423 and \$516 in 2015 and 2014, respectively. The fiscal year unfunded liability for the Museum's nonappropriated employees is \$0 and \$476 for 2015 and 2014, respectively.

### 13. Temporarily Restricted Net Assets

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

	2015	2014
Contributions to be received in future periods - for general use	\$ 8,970,247	\$ 7,464,936
Secure the Future	1,900,677	2,658,414
Levine Institute for Holocaust Education	13,097,078	13,319,239
Rescue the Evidence	38,664,382	25,864,010
Mandel Center for Advanced Holocaust Studies	14,475,176	14,621,240
Simon-Skjodt Center for the Prevention of Genocide	4,636,367	5,365,172
Total temporarily restricted net assets	\$ 81,743,927	\$ 69,293,011

### 14. Permanently Restricted Net Assets

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

	2015	2014
Secure the Future	\$ 108,736,628	\$ 121,554,683
Levine Institute for Holocaust Education	41,390,835	19,447,609
Rescue the Evidence	2,239,181	2,214,181
Mandel Center for Advanced Holocaust Studies	37,428,451	37,092,916
Simon-Skjodt Center for the Prevention of Genocide	22,697,311	3,937,311
Total permanently restricted net assets	\$ 212,492,406	\$ 184,246,700

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

### 15. Contributed Services

In-kind contributions of goods and services totaling \$278,853 and \$39,160 were received by the Museum during the fiscal years ended September 30, 2015 and 2014, respectively. This amount has been recognized as revenue and expense in the accompanying statement of activities based on the amount reported by the independent third-party providers. In addition to the contributed services recognized in the financial statements, the Museum has more than 425 volunteers, including 83 Holocaust survivors, donating more than 32,000 hours annually. The value of these contributions cannot be objectively measured and do not meet the criteria for recognition of in-kind contributions, and accordingly, are not recognized in the financial statements.

### 16. Endowment

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

The Museum's endowment consists of 80 individual funds established for a variety of purposes including donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. In accordance with U.S. GAAP, the Museum discloses the activities related to the donor-restricted and board-designated (funds functioning as endowment) endowment funds.

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

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

Endowment net assets consist of the following at September 30, 2014:

	Unrestricted	Temporarily restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 34,810,905	\$ 10,737,584	\$ 164,052,456	\$ 209,600,945
Funds functioning as endowment	52,832,026	-	-	52,832,026
Total	\$ 87,642,931	\$ 10,737,584	\$ 164,052,456	\$ 262,432,971

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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

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

Changes in endowment net assets for the year ended September 30, 2014 are as follows:

	Unrestricted	Temporarily restricted	Permanently Restricted	Total
Endowment net assets, October 1, 2013	\$ 87,412,233	\$ 10,562,855	\$152,757,386	\$ 250,732,474
Investment return:				
Investment income	4,259,837	791,445	783,141	5,834,423
Net appreciation/ depreciation	11,823,254	2,151,733	2,165,221	16,140,208
Total investment return	16,083,091	2,943,178	2,948,362	21,974,631
Contributions	-	-	8,266,283	8,266,283
Payout of endowment assets for expenditures	(7,870,504)	(2,768,449)	-	(10,638,953)
Reductions to Board Designated	(7,901,464)	-	-	(7,901,464)
Underwater adjustment	(80,425)	-	80,425	-
Endowment net assets, September 30, 2014	\$ 87,642,931	\$ 10,737,584	\$164,052,456	\$ 262,432,971

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or U.S. GAAP requires the Museum to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$1,211,312 and \$80,425 as of September 30, 2015 and 2014, respectively. These

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Museum's Council. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

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

To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places emphasis on investments in equities, fixed income, alternative investment and multi-asset class funds in a 50, 25, 15 and 10% ratio to achieve its long-term return objectives within prudent risk constraints.

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

### 17. Risks and Uncertainties

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

In the normal course of business, the Museum is from time to time a party to various claims and lawsuits. If management determines, based on the underlying facts and circumstances, that it is probable a loss will result from a litigation contingency and the amount of the loss can be reasonably estimated, the estimated loss is accrued for. Management does not expect any adverse financial impact from open litigation matters occurring in the normal course of business as of September 30, 2015.

# United States Holocaust Memorial Museum

## Notes to Financial Statements

As of and for the Year Ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

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### 18. Related Party Transactions

There were no related party transactions that require disclosure during the years ended September 30, 2015 and 2014.

### 19. Subsequent Events

Management has performed an evaluation of subsequent events through November 13, 2015, which is the date that the financial statements were available to be issued, noting no events which affect the financial statements as of September 30, 2015.

## Supplementary Schedules

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# United States Holocaust Memorial Museum

## Schedule of Budgetary Resources - Appropriated Funds Years ended September 30, 2015 and 2014

<i>For the years ended September 30,</i>	2015	2014
<b>Budgetary resources:</b>		
Unobligated balance, brought forward, October 1	\$ 7,908,265	\$ 5,326,071
Recoveries of prior year unpaid obligations	1,493,191	1,617,974
Budgetary authority appropriations received	52,385,000	52,385,000
Spending authority from offsetting collections	8,762	14,172
Canceled appropriation - permanently not available	(168,184)	(261,519)
<b>Total budgetary resources</b>	<b>\$ 61,627,034</b>	<b>\$ 59,081,698</b>

<i>For the years ended September 30,</i>	2015	2014
<b>Status of budgetary resources:</b>		
Obligations incurred, net	\$ 54,209,462	\$ 51,173,433
Unobligated balance - available apportioned	6,817,201	6,774,350
Unobligated balance not available	600,371	1,133,915
<b>Status of budgetary resources</b>	<b>\$ 61,627,034</b>	<b>\$ 59,081,698</b>

<i>For the years ended September 30,</i>	2015	2014
<b>Change in obligation balance:</b>		
<b>Obligated balances, net:</b>		
Unpaid obligations, bought forward, October 1	\$ 11,177,626	\$ 10,419,640
Obligations incurred, net	54,209,462	51,173,433
Less: gross outlays	(51,112,636)	(48,797,473)
Less: recoveries of prior year unpaid obligations, actual	(1,493,191)	(1,617,974)
<b>Obligated balances, net, end of year</b>	<b>\$ 12,781,261</b>	<b>\$ 11,177,626</b>

<i>For the years ended September 30,</i>	2015	2014
<b>Outlays:</b>		
Gross outlays	\$ 51,112,636	\$ 48,797,473
Less: offsetting collections	(8,762)	(14,172)
<b>Net outlays</b>	<b>\$ 51,103,874</b>	<b>\$ 48,783,301</b>

*See accompanying independent auditor's report.*

# United States Holocaust Memorial Museum

## Schedule of Net Cost - Appropriated Funds Years ended September 30, 2015 and 2014

	For the year ended 2015		
	Intra- government	Public	Total
Museum operations	\$ 4,989,298	\$ 20,125,561	\$ 25,114,859
Mandel Center for Advanced Holocaust Studies	616,583	2,396,078	3,012,661
Levine Institute for Holocaust Education	673,993	3,808,186	4,482,179
Collections	1,202,796	4,731,049	5,933,845
Marketing	240,325	679,769	920,094
Other outreach programs	334,596	2,153,462	2,488,058
Management and general	1,199,756	8,301,153	9,500,909
<b>Net cost of operations</b>	<b>\$ 9,257,347</b>	<b>\$ 42,195,258</b>	<b>\$ 51,452,605</b>

*See accompanying independent auditor's report.*

	For the year ended 2014		
	Intra- government	Public	Total
Museum operations	\$ 5,033,691	\$ 19,253,686	\$ 24,287,377
Mandel Center for Advanced Holocaust Studies	542,276	2,287,521	2,829,797
Levine Institute for Holocaust Education	754,306	3,917,090	4,671,396
Collections	1,130,152	4,645,975	5,776,127
Marketing	164,322	707,114	871,436
Other outreach programs	152,865	896,371	1,049,236
Management and general	1,661,246	9,547,674	11,208,920
<b>Net cost of operations</b>	<b>\$ 9,438,858</b>	<b>\$ 41,255,431</b>	<b>\$ 50,694,289</b>

*See accompanying independent auditor's report.*



# United States Holocaust Memorial Museum

## Schedule of Changes in Net Position - Appropriated Funds Years Ended September 30, 2015 and 2014

<i>For the years ended September 30,</i>	2015		2014	
	Cumulative results of operations	Unexpended appropriations	Cumulative results of operations	Unexpended appropriations
Beginning balances	\$ 11,106,136	\$ 14,615,159	\$ 11,273,535	\$ 11,626,318
Budgetary financing sources:				
Appropriations received (current period)	-	52,385,000	-	52,385,000
Canceled or expired appropriations	-	(168,184)	-	(261,519)
Appropriations used	50,256,807	(50,256,807)	49,134,640	(49,134,640)
Other financing resources:				
Imputed financing from costs absorbed by others	1,182,467	-	1,392,250	-
<b>Total financing sources</b>	<b>51,439,274</b>	<b>1,960,009</b>	<b>50,526,890</b>	<b>2,988,841</b>
<b>Total</b>	<b>62,545,410</b>	<b>16,575,168</b>	<b>61,800,425</b>	<b>14,615,159</b>
<b>Net cost of operations</b>	<b>(51,452,605)</b>	<b>-</b>	<b>(50,694,289)</b>	<b>-</b>
<b>Ending balances</b>	<b>\$ 11,092,805</b>	<b>\$ 16,575,168</b>	<b>\$ 11,106,136</b>	<b>\$ 14,615,159</b>

*See accompanying independent auditor's report.*

# United States Holocaust Memorial Museum

## Schedule Reconciling Net Cost of Operations to Budget - Appropriated Funds Years ended September 30, 2015 and 2014

<i>For the year ended September 30,</i>	2015	2014
Total resources used to finance activities:		
Obligations, offsetting receipts, imputed financing sources	\$ 53,947,550	\$ 50,279,741
Change in budgetary resources obligated for goods and services	(2,508,275)	237,931
Resources that finance the acquisition of capital assets	(2,625,692)	(2,462,958)
	48,813,583	48,054,714
Components requiring or generating resources in future periods:		
Annual leave liability increase	(4,104)	(3,306)
Unfunded FECA, NonBudgetary Receivables, Actuarial FECA	(219,608)	(14,911)
Components not requiring or generating resources in current period:		
Depreciation and amortization	2,862,734	2,657,792
	2,639,022	2,639,575
Total components of the net cost of operations that will not require or generate resources	2,639,022	2,639,575
Net cost of operations	\$ 51,452,605	\$ 50,694,289

*See accompanying independent auditor's report.*

# United States Holocaust Memorial Museum

## Schedule of Claims Conference Payments Year ended September 30, 2015

Grant Award	2015
132-30448-8	\$ 2,582
162-30448-9	9,862
SWVLP-30448-13	344
S028-7730-24	7,028
SWVLP-8442-27	24,115
Fund SO35/App. 11380	13,462
Fund SO38/App. 12870	17,466
Fund SO39/App. 13299	112,133
Fund SO39/App. 13298	222,000
Fund SO40/App. 14021	110,952
Fund SO40/App. 14022	42,828
Fund SO42/App.	101,578
14312Fund SO42/App. 14665	113,396
Fund SWVLP/App. 15217	47,456
Fund SO43/App. 15048	99,733
Fund SO43/App. 15019	487,595
Fund SO45/App. 15988	34,408
Fiscal year 2015 payments to United States Holocaust Memorial Museum	\$ 1,446,938

*See accompanying independent auditor's report.*

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the United States Holocaust Memorial Museum (the Museum), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Museum's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control. Further, we did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies. See items 2015-001 and 2015-002.



### Museum's Response to Findings

The Museum's response to the findings identified in our audit is described in the accompanying schedule of findings. The Museum's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

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

November 13, 2015

BDO USA, LLP



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the **United States Holocaust Memorial Museum** (the Museum) as of and for the years ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2015.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Museum's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 15-02. We limited tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts and grant agreements applicable to the Museum. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests described in the preceding paragraph of this report disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02.

### **Purpose of this Report**

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

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

*BDO USA, LLP*

November 13, 2015

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# United States Holocaust Memorial Museum

## Schedule of Findings

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### 2015-001 - Support of Charitable Remainder Trusts

**Criteria:** When a donor specifies that the remaining assets of a charitable remainder trust are to be distributed to an organization, the organization should recognize, as restricted contribution revenue and as a beneficial interest, the fair value of the beneficial interest. Adjustments to the beneficial interest to reflect changes in the fair value should be measured using the same valuation technique as was used to measure the asset initially and recognized as changes in the value of the agreements.

**Condition:** We noted the following:

- New charitable remainder trusts were recorded at the carrying value of the underlying trust rather than at fair value of the receivable as required under generally accepted accounting principles in the United States of America (U.S. GAAP).
- Previously recorded charitable remainder trust receivable amounts were not adjusted based on changes to the input assumptions as required by U.S. GAAP.
- Previously recorded charitable remainder trust receivable amounts were not supported by appropriate documentation.

**Context:** While performing procedures to confirm assets held in investments, we noted confirmation of a charitable remainder trust recorded as a contribution receivable at the full trust value. We performed further procedures to investigate the nature of other existing charitable remainder trusts recorded in contributions receivable, and noted a lack of support for the current values.

**Effect:** Charitable remainder trust receivable amounts were overstated in the current year.

**Cause:** Existing policies governing the recognition and adjustment of charitable remainder trusts were not adhered to.

**Recommendation:** We recommend that management review existing policies for the recognition and adjustment of charitable remainder trusts and similar instruments. Proper and sufficient documentation should support any instrument recognized in future periods, and review should be made at least annually for necessary adjustments to recorded values due to changes in underlying values of each trust and changes in other assumptions.

***Views of responsible officials and planned corrective action:***

The Museum concurs with the recommendation. Management will formalize policies that ensure that charitable remainder trusts are recorded at fair market value and that appropriate documentation be maintained to support valuations. Management will add valuation of the charitable remainder trusts to the step in the Museum's year end close process when reviewing long term pledge receivables, which also must be discounted to reflect the time value of money.



# United States Holocaust Memorial Museum

## Schedule of Findings

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### 2015-002 - Monitoring of Property and Equipment

**Criteria:** Organizations should apply the guidance in FASB ASC 360, Property, Plant, and Equipment when recognizing purchases, disposals, construction, leases, certain contributions, and other adjustments to property and equipment.

**Condition:** We noted the following:

- Certain assets were improperly recoded as expense rather than capitalized.
- Certain purchases were improperly capitalized rather than expensed.
- Certain capital assets in progress were not assigned appropriate in-service dates.
- Certain capital assets were not assigned appropriate useful lives.

**Context:** While performing procedures to assess adherence to the Museum's stated capitalization and depreciation policies, we noted several capital asset projects were completed and ready for use during the year, for which an in-service date had not yet been assigned and for which depreciation expense had not been calculated. We also noted that in general all invoices are first recorded as expenses, and adjusting journal entries are made to capitalize assets at a later date.

**Effect:** Lack of controls in this area could result in application of depreciation expense in incorrect periods, as well as an incorrect or incomplete record of capital assets on hand. Depreciation and other expenses were understated in the current year.

**Cause:** Existing policies governing the recognition and adjustment of property and equipment were not adhered to or were not sufficiently detailed.

**Recommendation:** We recommend that management develop and implement policies to monitor changes in property and equipment balances, including maintaining a list of Museum employees in charge of the purchase and maintenance of capital assets and contacting them on a scheduled basis to ensure complete and accurate records of capital projects are made timely. We also recommend that management develop and implement a policy for review of invoices to determine the nature of the expenditure (i.e. expense or capital) before recording in the general ledger.

***Views of responsible officials and planned corrective action:***

The Museum concurs with the recommendation. Management will formalize policies that ensure that capital purchases are correctly identified and booked as capital assets and that regular reviews are conducted to determine when capital assets are placed into service.

The Museum agrees that controls on the front-end of the process are preferable to later reclassifications, and management expects to substantially overhaul the capital purchase process so that transactions are recorded correctly from the beginning.