

NATIONAL GALLERY OF ART

PERFORMANCE AND ACCOUNTABILITY REPORT

for the year ended September 30, 2008

National Gallery of Art
Performance and Accountability Report
for the year ended September 30, 2008

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Director's Message

On behalf of the National Gallery of Art (the Gallery), I am submitting the Gallery's *Performance and Accountability Report* (PAR) for FY 2008. This report presents information on the Gallery's financial, management and programmatic results for the previous year. I give my assurance that the performance and financial data included in this report are complete and reliable, consistent with guidance provided by the Office of Management and Budget.

This report meets the requirements of OMB Circular A-136 and other management legislation and demonstrates the Gallery's commitment to be accountable for the results measured against the annual performance goals presented in our FY 2008 Annual Performance Plan.

The National Gallery of Art (the Gallery) serves the United States in a national role by preserving, collecting, exhibiting, and fostering the understanding by the American public of original, great works of art. This mission and standard of excellence is central to every activity of the Gallery, from caring for and strengthening the collection to presenting special exhibition to organizing public programs.

We are proud of the progress the Gallery has made in FY 2008 towards achieving our long term goals and objectives.

Performance Highlights

This PAR discusses our achievements in FY 2008 and reviews our progress towards the key annual performance goals and objectives established in our performance plan which are to:

- Provide the public with increased and continuing access to the Gallery's collection and educational materials.
- Address the backlog of deferred maintenance
- Advance the Gallery's Information Technology Strategic plan
- Maintain the Gallery's security readiness

Excellence in Financial management

The Gallery again received an unqualified opinion on its FY 2008 Financial Statements and remains committed to pursuing improvements in our business processes. We have made significant strides in improving our financial management systems and operations. We have no material weaknesses, significant deficiencies or non-compliance issues to address.

Conclusion

FY 2008 has been a very productive year enhancing and strengthening our financial management programs. Building on our accomplishments, we will continue focus on the challenges that lie ahead as we provide our visitors with an enjoyable and rewarding experience with the world's artistic heritage through the Gallery's collection and special exhibitions.

A handwritten signature in black ink, appearing to read "Earl A. Powell III". The signature is fluid and cursive, with a large initial "E" and "P".

Earl A. Powell III

Director

November 14, 2008

CFO's Message

This *Performance and Accountability Report* (PAR) discusses our achievements in FY 2008, provides performance and financial information, and reviews our progress towards the key annual performance goals and objectives established in our performance plan. As we fulfill our mission of preserving, collecting, exhibiting, interpreting and encouraging the understanding by the American public of original, great works of art, the National Gallery of Art (the Gallery) is committed to managing effectively and efficiently the government resources we are provided to fulfill that mission. We are proud of the progress the Gallery has made in FY 2008 towards achieving those long term goals and objectives.

Performance

The performance section of this report discusses the Gallery's programmatic activities conducted in FY 2008 as discussed in the Gallery's annual performance goals. The Gallery has continued to refine its new state-of-the art financial system to further enhance our governance structure and improve our planning process as the Gallery strives to provide more accurate, timely financial data for all performance goals and measures.

Excellence in Financial management

The Gallery again received an unqualified opinion on its FY 2008 Financial Statements. We have no material weaknesses, significant deficiencies or non-compliance issues to address.

Conclusion

FY 2008 has been a very productive year in our effort to enhance and strengthen our financial management programs. Building on our accomplishments, we will continue focus on the challenges that lie ahead as we search to improve efficiencies and more effective stewardship of the limited resources we have.



James E Duff
Treasurer
November 14, 2008

National Gallery of Art Management's Discussion and Analysis

The Gallery and its Mission

The Gallery

The National Gallery of Art (the Gallery) is considered one of the world's premiere art museums with a renowned collection of American and European masterworks.

The Gallery was created by a Joint Resolution of Congress in 1937. This event was the culmination of efforts by financier, Secretary of the Treasury, ambassador and art collector Andrew W. Mellon to establish an art gallery of the highest possible quality in the nation's capital for the people of the United States. The gift of his superlative collection of Old Master paintings and sculptures, as well as endowments and what is now known as the West Building, remains one of the greatest single private donations to any government.

The Gallery today consists of two landmark buildings on the National Mall and the National Gallery Sculpture Garden. The West Building, designed by John Russell Pope, opened in 1941. The East Building, designed by I.M. Pei, was a gift from Paul Mellon and Ailsa Mellon Bruce, the children of the founder, and The Andrew W. Mellon Foundation and opened in 1978. The Sculpture Garden opened in 1999; the Morris and Gwendolyn Cafritz Foundation provided funds for its construction and for several of the sculptures.

Mission

The Gallery's mission is to serve the country by preserving, collecting, exhibiting, interpreting and encouraging the understanding by the American public of original, great works of art.

Organizational Structure

The Gallery is headed by its Board of Trustees composed of the Chief Justice of the United States, the Secretary of State, the Secretary of the Treasury, and the Secretary of the Smithsonian Institution, ex officio, and five general trustees who are citizens of the United States. The general trustees are chosen by a majority vote of the general trustees for terms of ten years.

The seven Executive Officers of the Gallery oversee the execution of general operations and programs of the Gallery. The Executive Officers are the Director, Deputy Director, Dean of the Center for Advanced Study in the Visual Arts, Administrator, Treasurer, Secretary and General Counsel, and Development and External Affairs Officer.

The Gallery is funded primarily by Congressional appropriations with a full-time equivalent employment ceiling of 885.

Performance Goals, Objectives and Results

Building on fiscal year 2007 accomplishments, the Gallery continued significant progress during fiscal year 2008 in continuing to achieve its mission of preserving, collecting, exhibiting, interpreting and encouraging the understanding by the American public of original, great works of art.

The Gallery's annual performance goals reflect its mission and have been structured to support the Strategic Plan that identifies the following goals and objectives:

- The Gallery will continue to seek out the finest works of art available for donation or for purchase with private funds to strengthen the core collection donated by Andrew W. Mellon;
- In order to maintain the very highest standards, the Gallery will consistently hire and retain the best available curatorial, conservation, educational, and management staffs;
- Day-to-day operations will support the Gallery's mission through the care, maintenance, and security of the works of art and the facilities at optimum levels;
- The Gallery will serve as a model for other museums from coast to coast, offering its expertise and educational resources, including loans of works of art and special exhibitions from the collection.

Performance Goals and Objectives

To achieve its mission, the Gallery focused in fiscal year 2008 on the following four key annual performance goals:

- Provide the public with increased and continuing access to the Gallery's collection and educational materials;

The National Gallery of Art is defined by the high quality of its collection and educational programs, which are at the core of its mission. The Gallery's national role as an educational institution includes major initiatives such as: organizing and presenting a comprehensive program of special exhibitions focusing on master works of art from all cultures and periods; an extensive program of tours, lectures and family programs; the Gallery's award-winning web site; a national summer Teacher Institute; and educational extension programs. A key goal is the continued ability to deliver these critical educational programs in order to support the Gallery's mission.

- Address the backlog of deferred maintenance:

The National Gallery of Art is committed to maintaining its buildings, equipment and grounds in excellent condition. The Gallery's Master Facilities Plan (MFP), developed in 1997, identified all crucial repair, restoration and renovation projects and created a phased approach to complete them. The most critical projects were begun in 1999. The phased plan of the MFP achieves cost efficiencies and reduces disruptions to ongoing Gallery public programs and operations.

Coincident with the repair, restoration and renovation activity of the MFP is the crucial need to sustain the Gallery's buildings and equipment at a high level of performance. The facilities maintenance program at the Gallery focuses on a solid

preventative maintenance initiative and the maintenance of the complex systems and operations necessary for the Gallery to function efficiently as an art museum open daily to the public. The West Building is 67 years old and has reached an age where the building, its systems and components have exceeded their useful life and significant repair and refurbishment is required. The East Building, now 30 years old, is already reaching the point where significant refurbishment is required due to the nature of its design and construction.

- Advance the Gallery's Information Technology (IT) Strategic Plan:

The improvement and replacement of the Gallery's aging IT infrastructure, as well as the mission critical art care, administrative and financial management systems, will advance one of the Gallery's long-term strategies. The Gallery's IT Strategic Plan identifies numerous initiatives to be addressed over the next several years in order to support the Gallery's mission of serving the American people. The IT Strategic Plan identifies the following initiatives: institute a Gallery-wide IT governance; provide a robust, reliable, available, and secure IT infrastructure; modernize the critical art care IT systems; modernize the critical IT administrative systems, including the security and financial management systems; and maintain and improve the offerings on the award-winning web site to ensure its continued responsiveness to the public, employees, and government agencies.

- Maintain the Gallery's security readiness:

The National Gallery of Art must protect its landmark buildings and grounds, its irreplaceable art collection, the staff, and millions of visitors it welcomes each year. In light of the Gallery's valuable collection and buildings and its stature in Washington, and in the international art museum community, a vulnerability assessment and threat analysis was commissioned in 2001, which identified numerous initiatives for systems, equipment, and procedures. Following the terrorist attacks of September 11, 2001, and numerous Code Orange alerts, security at the Gallery is significantly heightened.

As a result of the analysis, the Gallery developed an anti-terrorism plan which has two main components: to enhance the physical security and to upgrade the electronic security systems and programs, all designed for emergency preparedness and response and to protect the Gallery's infrastructure and key assets. The Gallery's prominent location on the National Mall at the foot of the Capitol adds even greater urgency to the need to harden security measures against a wide range of means and methods of possible attack. In addition, the Gallery participated in the 2005 Government Accountability Office Survey of Physical Security on the National Mall, which further assessed physical security enhancements.

FY 2008 Accomplishments

The Gallery's fiscal year 2008 Federal funds appropriations supported the following key annual performance goals by:

- Providing the public with increased and continuing access to the Gallery's collection and educational materials:

1. Presenting the Gallery's collection and special exhibitions using the highest standards of display, lighting, and signage and to encourage visitation by the widest audience.

Fiscal year 2008 saw a continuing rebound in visitation at the Gallery. After a period of decline in the number of visitors in the aftermath of the September 11, 2001 terrorist attacks, the Gallery welcomed 5.0 million visitors in fiscal year 2008.

Performance Measure	Visitor Count				
	2005 Results	2006 Results	2007 Results	2008 Target	2008 Results
4.5 million	4.7 million	4.1 million	Minimal acceptable: 4.0 million	5.0 million	Target Met
			Successful: 4.4 million		

2. Offer visitors the widest range of visual experience through a schedule of special exhibitions that are organized and presented by the Gallery to augment existing strengths in the collection and to provide the opportunity to focus on material of exceptional merit from other cultures and periods.

The Gallery's goal of presenting a schedule of special exhibitions that offers visitors the widest range of visual experience was achieved again this year. Special exhibitions gave visitors the opportunity to enjoy hundreds of masterpieces loaned by public and private collections throughout the world. During fiscal year 2008, the Gallery organized and presented 14 special exhibitions, meeting its target of 10-15 special exhibitions per year. Among the highlights presented in FY 2008 were: J.M.W. Turner, In the Forest of Fontainebleau: Painters and Photographers from Corot to Monet, Afghanistan, Hidden Treasures from the National Museum, Kabul, and George de Forest Brush: The Indian Paintings.

Performance Measure	Organization and presentation of between ten and fifteen special exhibitions.				
	2005 Results	2006 Results	2007 Results	2008 Target	2008 Results
17 Exhibitions	13 Exhibitions	14 Exhibitions	Minimal acceptable: 8 Exhibitions	14 Exhibitions	Target Met
			Successful: 12 Exhibitions		

3. Providing increased and continued access to the collection and educational materials.

In fiscal year 2008, over 3,000 adult tours were given accommodating over 57,000 adults, and over 26,900 students of all grade levels. The Gallery's acclaimed web site received 20.8 million visitors (over 58,600 per day) during fiscal year 2008 representing an increase of 18.2% over fiscal year 2007. The Gallery's commitment to fostering the understanding of art at the highest possible scholarly levels continued via the education resources extension programs, which provided films, videotapes and other long-distance learning materials free of charge to over 128,000 organizations, including schools, district media centers, colleges, universities, museums, health facilities, correctional facilities, and community groups with estimated viewing audiences of 28 million. The Teacher Institute has trained over 2,300 educators from every state since its inception in 1989; over 50 educators representing 22 states participated in the summer of 2008. The Gallery's Art Research Library continued its longstanding practice of facilitating the interest in and scholarly research of various topics in art and architecture by welcoming over 2,200 visitors and by facilitating over 22,300 reference inquiries.

Performance Measure	Gallery Web Site Visits				
2005 Results	2006 Results	2007 Results	2008 Target	2008 Results	Assessment
39,000 visitors per day	43,000 visitors per day	48,000 visitors per day	Minimal acceptable: 30,000 visitors per day	58,600 visitors per day	Target Met
			Successful: 53,000 visitors per day		

Performance Measure	Adult Tours				
2005 Results	2006 Results	2007 Results	2008 Target	2008 Results	Assessment
3,200 tours; 49,000 adults	3,400 tours; 50,000 adults	4,200 tours; 44,000 adults	Minimal acceptable: 3,400 tours annually; 40,000 attendees annually	3,000 tours; 57,000 adults	Not met target on number of tours
			Successful: 4,200 tours annually; 63,000 attendees annually		

Performance Measure	Student Programs				
2005 Results	2006 Results	2007 Results	2008 Target	2008 Results	Assessment
2,600 programs	1,600 programs	1,900 programs	Minimal acceptable: 2,300 programs annually; 33,000 attendees annually	2,200 programs; 26,900 attendees annually	Improved over prior year but target not met
			Successful: 3,000 programs annually; 43,000 attendees annually		

Performance Measure	Family Programs				
2005 Results	2006 Results	2007 Results	2008 Target	2008 Results	Assessment
97 programs	103 programs	100 programs	Minimal acceptable: 104 programs annually; 11,700 attendees annually	119 programs	Target Met
			Successful: 130 programs annually; 28,000 attendees annually		

Performance Measure	Education Resource Extension Programs				
2005 Results	2006 Results	2007 Results	2008 Target	2008 Results	Assessment
15 million audience	20 million audience	24 million audience	Minimal acceptable: 103,000 showings annually; 15 million audiences	128,000 showings annually; 28 million audience	Target met for audience – not met for showings
			Successful: 130,000 showings annually; 18 million audiences		

Performance Measure	Teacher Institute Program				
2005 Results	2006 Results	2007 Results	2008 Target	2008 Results	Assessment
Not available	Not available	Not available	Minimal acceptable:75% of attendees rate program Above Average	Not available	N/A
			Successful: 75% of attendees rate program Superior		

Performance Measure	Library References Provided to the General Public				
2005 Results	2006 Results	2007 Results	2008 Target	2008 Results	Assessment
22,500 questions	21,900 questions	23,500 questions	Minimal acceptable: 20,000 questions annually	23,300 questions	Target Met
			Successful: 22,000 questions annually		

4. *Maintaining an active program of conservation and protection of the works of art in the Gallery's collection including art displayed in the sculpture garden.*

Preserving the Gallery's outstanding collection for future generations remains one of the Gallery's critical responsibilities and the primary concern of its conservators and scientific researchers. In fiscal year 2008, the Gallery's painting, object, paper, and textile conservators and scientific researchers undertook over 10,130 major and minor treatments and examinations. In addition, new technologies were studied and devised that further the Gallery's mission of preserving the works of art with which it is entrusted.

Performance Measure	Conservation treatments				
	2005 Results	2006 Results	2007 Results	2008 Target	2008 Results
7,000 treatments	10,063 treatments	10,128 treatments	Minimal acceptable: 7,400 treatments annually	10,130 treatments	Target Met
			Successful: 8,000 treatments or more annually		

- Addressing the backlog of deferred maintenance:

1. Continuing to maintain the West Building, East Building, Sculpture Garden and the grounds at the highest operational effectiveness and efficiency.

The Gallery's MFP was developed as an integrated approach towards reducing the growing backlog of deferred maintenance to prevent the continued degradation of the physical plant.

The maintenance of the Gallery's landmark buildings and grounds at the highest level remains a priority. During the year we continued to make progress on our comprehensive repair, restoration, and renovation program.

The Gallery's program of facilities improvements also included funding for annual maintenance and repairs and preventive maintenance contracts in fiscal year 2008, intended to optimize the life, performance, and efficiency of the buildings and equipment.

Performance Measure	Continue to implement preventative maintenance				
2005 Results	2006 Results	2007 Results	2008 Target	2008 Results	Assessment
Completed 100% of goals set	Completed 100% of goals set	Completed 100% of goals set	Minimal: continue to implement the preventative maintenance plan initiatives	Completed 100% of goals set	Target Met
			Successful: complete 100% of the goals set in FY 2008		

- Advancing the Gallery's Information Technology (IT) Strategic Plan:

1. Maintaining superior IT systems to handle collection management, financial data, and the Gallery's web site by implementing the Gallery's IT Strategic Plan.

Crucial funding supported the ongoing implementation activity for the replacement of the mission-critical Collection Management System (CMS) which went operational in FY2008. In addition, the Gallery completed the implementation of its digital imaging strategy by developing new workflow processes and implemented an automated system to support these workflows. The digital imaging strategy will safeguard and maintain the collection images for future generations and will support the database for the CMS.

Performance Measure	Continue to implement the IT Strategic Plan initiatives				
2005 Results	2006 Results	2007 Results	2008 Target	2008 Results	Assessment
Completed 100% of goals set	Completed 100% of goals set	Completed 100% of goals set	Minimal: continue to implement the IT Strategic Plan initiatives	Completed 100% of goals set	Target Met
			Successful: complete 100% of the goals set in FY 2008		

- Maintain the Gallery's security readiness:

1. Protecting the valuable collection and national/international loans entrusted to the Gallery's care as well as to ensure and to enhance protection of employees and visitors.

In fiscal year 2008, the Gallery continued to implement aspects of its anti-terrorism plan, which is based on the Vulnerability Assessment and Threat Analysis commissioned in 2001, by continuing to enhance physical security. In addition, security procedures, occupational health, safety, fire protection services, and security officer training programs were assessed for their efficiency and effectiveness.

Performance Measure	Maintain security readiness				
2005 Results	2006 Results	2007 Results	2008 Target	2008 Results	Assessment
Completed 100% of goals set	Completed 100% of goals set	Completed 100% of goals set	Minimal: continue to maintain security readiness initiatives	Completed 100% of goals set	Target Met
			Successful: complete 100% of the goals set in FY 2008		

Financial Statements

The accompanying financial statements summarize the Gallery's federal financial position, the net cost of operations and changes in net position and provide information on budgetary resources and financing for the years ended September 30, 2008 and 2007. These financial statements summarize the federal financial activity and position of the Gallery. Highlights of the financial information presented in the principal statements are provided below.

Operating Results

The Gallery is funded primarily by two Congressional appropriations: one appropriation covers the Gallery's salaries, benefits and expenses, a portion of which is designated for special exhibitions, and the second appropriation provides the crucial funds necessary for the repair, restoration and renovation of the Gallery's buildings. The appropriation received for salaries, benefits and expenses is a one-year appropriation that must be obligated by the end of the fiscal year, with the exception of that portion of the appropriation designated for special exhibitions expenses, which is available until it is expended. The appropriation for the repair, restoration, and renovation of the Gallery's buildings is available until expended.

The total of the Gallery's appropriations for fiscal year 2008 was \$119.7 million (\$8.0 million higher than the fiscal year 2007 appropriation of \$111.7 million), including \$98.4 million for salaries, benefits and expenses, \$3.3 million for special exhibitions, and \$18.0 million for the repair, restoration and renovation of the buildings.

The net cost of operations totaled \$115.6 million for the year ended September 30, 2008, \$1.0 million (.9%) higher than the \$114.5 million, as adjusted for the prior year. Most of the increase in fiscal year 2008 was the result of increased federal support for salaries and benefits, repairs and maintenance, and information technology improvements. Program costs represented \$88.0 million of the \$115.6 million, with the remaining \$27.6 million in "costs not assigned to programs" primarily representing general and administrative expenses. As reflected in the Statement of Net Cost, the Gallery continued its educational mission by presenting fourteen special exhibitions in fiscal year 2008.

Balance Sheet

The Gallery's total assets as of September 30, 2008 were \$154.6 million, representing an increase of \$9.6 million or 6.6% over total assets of \$145.0 million as of September 30, 2007, as adjusted. This increase is largely attributable to the increase in property, plant and equipment resulting from renovation funds spent on the Gallery's comprehensive Master Facilities Plan (MFP).

Total liabilities as of September 30, 2008 were \$44.9 million, which was \$1.7 million or 3.8% higher than September 30, 2007, as adjusted. Of the \$44.9 million of liabilities, \$19.1 million represented estimated environmental clean-up liability, \$8.0 million represented accounts payable (compared with \$8.3 million in accounts payable for the prior year), \$3.8 million represented accrued annual leave (compared with \$3.5 million for the prior year), \$1.7 million represented a capital lease obligation (compared with \$1.9 million for the prior year). All of these liabilities, with the exception of environmental clean-up liability, accrued annual leave and the capital lease obligation, were covered by budgetary resources.

The total net position of the Gallery as of September 30, 2008 was \$109.7 million, \$8.0 million (or 7.8%) higher than at September 30, 2007, as adjusted. This total net position was comprised of \$20.2 million in unexpended appropriations and \$89.5 million in cumulative results of operations, compared with \$23.7 million and \$78.0 million, respectively, for the prior year.

Analysis of Entity's Systems, Controls and Legal Compliance

Management Assurance

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires each executive agency to establish internal accounting and administrative controls in accordance with standards prescribed by the Comptroller General (CG). The CG standards require that such systems of internal control shall be designed to provide reasonable assurance that:

- (i) obligations and costs are in compliance with applicable law;
- (ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- (iii) revenues and expenditures applicable to agency operations are properly recorded and account for to permit the preparation of accounts and reliable financial and statistical reports to maintain accountability over the assets.

The FMFIA also requires that the head of each agency, on the basis of an evaluation conducted in accordance with OMB and CG guidelines, prepare an annual statement:

that the agency's systems of internal accounting and administrative control fully comply with the requirements described above; or
that such systems do not fully comply with such requirements.

The Gallery's management is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations.

Section 2 of the FMFIA requires that, in the event material weaknesses in the agency's systems of internal accounting and administrative control are identified, the agency head shall report the plans and schedule for correcting any such weaknesses. I am pleased to state that the Gallery has no material weaknesses to report.

Section 4 of the FMFIA requires that I include in this statement, a separate report on whether the agency's accounting system conforms to the principles, standards, and related requirements prescribed by the CG. Based on our evaluation of the Gallery's internal controls and accounting system, the Gallery's accounting system conforms to the principles, standards, and related requirement prescribed by the Comptroller General.



Earl A. Powell III
Director
November 14, 2008

Possible Future Effects of Existing Events and Conditions

There are a number of significant demands, risks, uncertainties, events, conditions, and trends that may affect the future operations of the Gallery:

Security Activities

After September 11, 2001, the Gallery assessed its vulnerabilities and risk factors facing the collection, buildings and grounds, and its staff and visitors. The Gallery instituted immediate measures to help harden security from the impact of an imminent terrorist attack.

Due to the Gallery's location on the National Mall near the Capitol Building, as well as its prominence as the nation's art gallery, the Gallery has implemented increased security measures to correspond with varying elevations established by the Department of Homeland Security.

Current Status of the Gallery's IT Environment

The Gallery depends heavily on its IT systems to support its interaction with the public and its staff. The Gallery's IT environment is a complex infrastructure consisting of 10 major IT systems serving the multi-faceted requirements of the Gallery including acquisition, care, protection and display of works of art, special exhibitions and educational programs, as well as financial and administrative management. The basic daily operations, beginning with opening the Gallery to the public each morning, require a variety of systems such as those for security, building automation, collections management, education, financial management and retail operations.

IT support is also central to the Gallery's risk management strategy as many of the systems require a sophisticated IT network with numerous safeguards to protect the integrity and security of data. These systems handle advanced climate control, security for the collection, library services, and financial management. The failure of any of these mission critical systems would jeopardize the security and safety of the works of art.

Auditor's Report on the Gallery's Financial Statements

The Gallery received an unqualified audit opinion on its FY2008 financial statements. The auditor reported no material weaknesses.

Limitations of the Financial Statements

The principal financial statements have been prepared only to report the federal financial position and results of operation of the Gallery, pursuant to the requirement of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the Gallery in accordance with general accepted accounting principles (GAAP) for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports the Gallery used to monitor and control budgetary resources which are prepared from the same books and records.

These statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Deferred Maintenance

The Gallery occupies two landmark buildings at one location. It uses a condition assessment survey method to evaluate the asset's condition, and determine the repair and maintenance requirements for its buildings.

SFFAS No. 6, *Accounting for Property, Plant and Equipment*, requires that deferred maintenance (measured using the condition survey method) and the description of the requirements or standards for acceptable operating condition be disclosed. Fundamentally, the Gallery considers its facilities to be in an "acceptable condition" in that they serve their required mission. Adopting standard criteria for a classification of acceptable condition is difficult due to the complex environment in which the Gallery operates.

As a result, the Gallery has identified a current maintenance and repair backlog of \$39.7 million for its buildings and facilities-related equipment. This figure is more than the \$30 million reported for 2007. The current estimate is a realistic measure of the maintenance and repair work that must be done to buildings and equipment in order to bring them to where the Gallery believes they should be.

NATIONAL GALLERY OF ART

BALANCE SHEETS

as of September 30, 2008 and 2007

	<u>2008</u>	<u>Adjusted 2007</u>
Assets:		
Intragovernmental:		
Fund balance with Treasury (Note 2)	\$ 29,816,769	\$ 30,036,016
Total intragovernmental	<u>29,816,769</u>	<u>30,036,016</u>
Accounts receivable, net (Note 3)	-	1,948,783
General property, plant and equipment, net (Note 4)	<u>124,763,347</u>	<u>112,976,502</u>
Total assets	<u>\$ 154,580,116</u>	<u>\$ 144,961,301</u>
Liabilities:		
Intragovernmental:		
Other	\$ 8,032,355	\$ 7,389,360
Total Intragovernmental	<u>8,032,355</u>	<u>7,389,360</u>
Accounts payable	1,739,378	1,406,172
Environmental liability (Note 12)	19,149,837	19,368,200
Other	<u>15,935,435</u>	<u>15,043,294</u>
Total liabilities	<u>44,857,005</u>	<u>43,207,026</u>
Commitments and contingencies (Note 11)		
Net position:		
Unexpended appropriations – other funds (Note 6)	20,210,312	23,709,745
Cumulative results of operations – other funds (Note 8)	<u>89,512,799</u>	<u>78,044,530</u>
Total net position	<u>109,723,111</u>	<u>101,754,275</u>
Total liabilities and net position	<u>\$ 154,580,116</u>	<u>\$ 144,961,301</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL GALLERY OF ART

STATEMENTS OF NET COST

for the years ended September 30, 2008 and 2007

	<u>2008</u>	<u>Adjusted 2007</u>
Program costs:		
Collections	\$ 38,643,994	\$ 40,170,857
Special exhibitions	17,102,139	16,374,269
Education	25,975,251	24,590,680
Editorial and photography	3,513,685	3,541,383
Other	<u>2,771,211</u>	<u>2,924,814</u>
Total program costs	88,006,280	87,602,003
Costs not assigned to programs	<u>27,544,588</u>	<u>26,903,549</u>
Net cost of operations	<u>\$ 115,550,868</u>	<u>\$ 114,505,552</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL GALLERY OF ART
STATEMENTS OF CHANGES IN NET POSITION
for the years ended September 30, 2008 and 2007

	2008 Cumulative Results of Operations	2008 Unexpended Appropriations	Adjusted 2007 Cumulative Results of Operations	2007 Unexpended Appropriations
Beginning Balances	\$ 78,044,530	\$ 23,709,745	\$ 95,319,203	\$ 20,026,014
Adjustments:				
Change in accounting principle (Note 12)		-	(17,942,498)	-
Beginning Balance, as adjusted	78,044,530	23,709,745	77,376,705	20,026,014
Budgetary Financing Sources:				
Appropriations received	-	119,735,000	-	111,728,105
Other adjustments	-	(2,154,553)	-	(208,759)
Appropriations used	121,079,880	(121,079,880)	107,835,615	(107,835,615)
Other Financing Sources:				
Imputed financing from costs absorbed by others	5,939,257	-	6,381,223	-
Total Financing Sources	127,019,137	(3,499,433)	114,216,838	3,683,731
Net Cost of Operations	(115,550,868)	-	(113,549,013)	-
Net Change	11,468,269	(3,499,433)	667,825	3,683,731
Ending Balances	\$ 89,512,799	\$ 20,210,312	\$ 78,044,530	\$ 23,709,745

The accompanying notes are an integral part of these financial statements.

NATIONAL GALLERY OF ART
STATEMENTS OF BUDGETARY RESOURCES
for the years ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
	<u>Budgetary</u>	<u>Budgetary</u>
Budgetary Resources:		
Budget authority:		
Appropriations received	\$ 119,735,000	\$ 111,728,105
Unobligated balances:		
Beginning of period	2,985,055	1,353,522
Spending authority from offsetting collections:		
Earned		
Collected	<u>(1,948,783)</u>	<u>1,948,783</u>
Subtotal	120,771,272	115,030,410
Permanently not available	<u>(2,154,553)</u>	<u>(208,759)</u>
Total Budgetary Resources	<u>\$ 118,616,719</u>	<u>\$ 114,821,651</u>
Status of Budgetary Resources:		
Obligations incurred:		
Direct	<u>\$ 112,095,189</u>	<u>\$ 111,836,596</u>
Subtotal	112,095,189	111,836,596
Unobligated balance:		
Apportioned	5,966,729	2,447,503
Unobligated balance not available	<u>554,801</u>	<u>537,552</u>
Total status of Budgetary Resources	<u>\$ 118,616,719</u>	<u>\$ 114,821,651</u>
Relationship of Obligations to Outlays:		
Obligations incurred	\$ 112,095,189	\$ 111,836,596
Less: Offsetting collections	<u>(1,948,783)</u>	<u>1,948,783</u>
Subtotal	114,043,972	109,887,813
Obligated balance, net, beginning of year	27,050,961	26,384,851
Obligated balance, net, end of year:		
Accounts receivable	-	(1,948,783)
Undelivered orders	13,688,782	20,724,690
Accounts payable	<u>9,606,456</u>	<u>8,275,054</u>
Subtotal	<u>23,295,238</u>	<u>27,050,961</u>
Total outlays	<u>\$ 117,799,695</u>	<u>\$ 109,221,703</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL GALLERY OF ART
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Reporting entity

The National Gallery of Art (the Gallery) was created for the people of the United States in 1937 by a joint resolution of Congress. The Gallery receives an annual appropriation to cover its core program as part of the budget approved annually by Congress and signed by the President.

Basis of presentation

The financial statements present the financial position, net cost of operations, changes in net position and budgetary resources of the Gallery, in accordance with accounting principles generally accepted in the United States of America and the form and content requirement of OMB Circular A-136. They have been prepared from the books and records of the Gallery and include only the accounts of federal funds under the control of the Gallery. These financial statements are therefore different from the financial statements also prepared by the Gallery that are used to monitor and control the finances of the Gallery.

The accompanying financial statements have been prepared on the accrual method of accounting in addition to recognizing certain budgetary transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls that guide the use of federal funds.

Budget authority

Congress annually passes appropriations that provide the Gallery with authority to obligate funds for necessary expenses and to carry out its program activities. These funds include “one-year” and “no-year” federal appropriations. One-year federal appropriations which are not obligated or expended are retained by the Gallery in accordance with federal guidelines. No-year federal appropriations are retained until used for special exhibitions, emergency response, and for the repair, renovation and restoration of the Gallery’s buildings.

NATIONAL GALLERY OF ART
NOTES TO THE FINANCIAL STATEMENTS

Fund balance with Treasury

Cash receipts and disbursements are processed by the U.S. Treasury. Fund Balances with Treasury consists of appropriated funds that are available to pay current liabilities and finance authorized purchase commitments of the Gallery. The Gallery's fund balances with Treasury are carried forward until such time as goods or services are received and payments are made, or until the funds are returned to the Treasury.

Accounts receivable

Accounts receivable consists of amounts due from governmental agencies, private organizations and individuals. The Gallery establishes an allowance for accounts for receivables that are deemed uncollectible but regards amounts due from other federal agencies as fully collectible.

Property and equipment

The land occupied by the Gallery's buildings was appropriated and reserved by the Congress of the United States for that purpose. The Gallery does not consider its buildings to be Heritage Assets. No value has been assigned in the accompanying financial statements. Buildings are depreciated over the estimated useful life of fifty years. Building improvements, equipment, furniture and computer software are depreciated over estimated useful lives ranging from five to twenty-five years. Upon retirement of fixed assets, the related cost and accumulated depreciation are removed from the accounts.

Property with a cost of \$5,000 or more is capitalized at cost and depreciated using the straight-line method over the useful life of the assets. Other property items are expensed when purchased. Normal repairs and maintenance are charged to expense as incurred.

Accounts payable

Accounts payable consists of liabilities to commercial vendors and contractors.

NATIONAL GALLERY OF ART
NOTES TO THE FINANCIAL STATEMENTS

Accrued leave

Annual leave is accrued as it is earned by employees and paid when the leave is taken. An unfunded liability as of the date of the financial statements is recognized for earned but unused annual leave by employees since this annual leave will be paid from future appropriations when the leave is used by employees. At year end, the balance in the accrued leave account is adjusted to reflect the liability at current pay rates and leave balances. Since accrued annual leave is paid from future funding sources, it is reflected as a liability not covered by budgetary resources. Sick and other types of non-vested leave are expensed when taken.

Employee benefits

The Gallery recognizes the cost of pensions and other retirement benefits during the employee's active years of service. The pension expense recognized in the Gallery's financial statements is equal to the current service cost for the Gallery's employees for the accounting period less the amount contributed by the employees. The measurement of the pension service cost requires the use of an actuarial cost method and assumptions with factors applied by the Gallery. These factors are supplied by the Office of Personnel Management (OPM), the agency that administers the plan. The excess of the recognized pension expense over the amount contributed by the Gallery represents the amount being financed directly through the Civil Service Retirement and Disability Fund administered by OPM. This amount is considered imputed financing by the Gallery.

All permanent employees of the Gallery hired subsequent to January 1, 1984 participate in both the Social Security Retirement System and the Federal Employees' Retirement System (FERS). Employees hired prior to January 1, 1984 had the option of remaining under the Civil Service Retirement System (CSRS) or electing FERS. All employees have the option to make tax-deferred contributions to a Thrift Savings Plan and, in some instances, receive a matching portion from the Gallery. The Gallery funds all retirement contributions on a current basis, and accordingly there are no unfunded retirement costs (see Note 8).

The Gallery also recognizes a current-period expense for the future cost of post-retirement health benefits and life insurance for its employees while they are still working. The Gallery accounts for and reports this expense in its financial statements in a manner similar to that used for pension expense, with the exception that employees and the Gallery do not make current contributions to fund these future benefits.

NATIONAL GALLERY OF ART
NOTES TO THE FINANCIAL STATEMENTS

Imputed financing sources

In certain cases, the operating costs of the Gallery are paid out of funds appropriated to other Federal agencies. As an example, the law requires certain costs of retirement programs to be paid by OPM and certain legal judgments against the Gallery be paid from the Judgment Fund maintained by Treasury. Costs that are identifiable to the Gallery and directly attributable to the Gallery's operation are paid by these Federal agencies.

Estimates

The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reporting amount of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of support and revenue and expenses at the date financial statements and during the reporting period. Actual results could differ from these estimates.

Reclassification

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

2. Fund Balance with Treasury

As of September 30, 2008 and 2007, fund balance with Treasury consisted of the following:

	2008	2007
Appropriated funds	\$ 29,816,769	\$ 30,036,016
 Status of Fund Balance with Treasury		
Unobligated Balance		
Available	\$ 5,966,729	\$ 2,447,503
Unavailable	554,801	537,552
Obligated balance not yet disbursed	23,295,239	27,050,961
Total	\$ 29,816,769	\$ 30,036,016

NATIONAL GALLERY OF ART
NOTES TO THE FINANCIAL STATEMENTS

3. Accounts Receivable, net

As of September 30, 2007, the Gallery had \$1,948,783 in accounts receivable. There was no allowance recorded as of September 30, 2007, as the entire amount was deemed to be fully collectible.

4. General Property, Plant and Equipment, net

As of September 30, 2008 and 2007, general property, plant and equipment, net consisted of the following:

Asset Class	Service Lives	Acquisition Values	Accumulated Depreciation and Amortization	2008 Net Book Value	Adjusted 2007 Net Book Value
Buildings and improvements	25-50 Years	\$ 116,124,434	\$ 36,038,676	\$ 80,085,758	\$ 83,077,266
Equipment	5-25 Years	45,689,265	28,943,503	16,745,762	17,233,960
Construction in Progress	N/A	25,743,154	-	25,743,154	10,354,618
Equipment under capital lease	25 Years	<u>2,962,381</u>	<u>773,708</u>	<u>2,188,673</u>	<u>2,310,658</u>
Total		<u>\$ 190,519,234</u>	<u>\$ 65,755,887</u>	<u>\$ 124,763,347</u>	<u>\$ 112,976,502</u>

Depreciation and amortization expense was \$6,044,272 and \$5,000,008 for fiscal years 2008 and 2007 respectively.

5. Liabilities Not Covered by Budget Resources

As of September 30, 2008 and 2007, liabilities not covered by budget resources consisted of the following:

	2008	Adjusted 2007
Intragovernmental:		
Other	\$ 1,715,908	\$ 1,883,955
Total Intragovernmental	<u>1,715,908</u>	<u>1,883,955</u>
Federal employee benefits payable	7,602,255	7,017,317
Environmental liability	19,149,837	19,368,700
Other	<u>6,782,548</u>	<u>6,662,500</u>
Total liabilities not covered by budgetary resources	35,250,548	34,931,972
Total liabilities covered by budgetary resources	<u>9,606,457</u>	<u>8,275,054</u>
Total liabilities	<u>\$ 44,857,005</u>	<u>\$ 43,207,026</u>

NATIONAL GALLERY OF ART
NOTES TO THE FINANCIAL STATEMENTS

6. Unexpended Appropriations – other funds

As of September 30, 2008 and 2007, unexpended appropriations consisted of the following:

	<u>2008</u>	<u>2007</u>
Unobligated	\$ 6,521,530	\$ 2,985,055
Undelivered orders	<u>13,688,782</u>	<u>20,724,690</u>
	<u>\$ 20,210,312</u>	<u>\$ 23,709,745</u>

7. Reconciliation of Net Cost of Operations to Budget

For the years ended September 30, 2008 and 2007, net cost of operations consisted of the following:

	<u>2008</u>	<u>2007</u>
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations incurred	\$ 112,095,189	\$ 111,836,596
Less: Spending authority from offsetting collections	<u>1,948,783</u>	<u>1,948,783</u>
Obligations net of offsetting collections	<u>114,043,972</u>	<u>109,887,813</u>
Other Resources		
Imputed financing from costs absorbed by others	<u>5,939,257</u>	<u>6,381,223</u>
Net other resources used to finance activities	<u>5,939,257</u>	<u>6,381,223</u>
Total resources used to finance activities	<u>119,983,229</u>	<u>116,269,036</u>
Total resources used to finance items not part of the net cost of operations	<u>(10,711,111)</u>	<u>(14,777,424)</u>
Total resources used to finance the net cost of operations	<u>109,272,118</u>	<u>101,491,612</u>
Total components of net cost of operations that will not require or generate resources in the current period	<u>6,278,750</u>	<u>13,013,940</u>
Net Cost of Operations	<u>\$ 115,550,868</u>	<u>\$ 114,505,552</u>

NATIONAL GALLERY OF ART
NOTES TO THE FINANCIAL STATEMENTS

8. Employee benefits

Total pension expense recognized in the Gallery's financial statements was \$5,083,635 and \$4,734,058 for the years ended September 30, 2008 and 2007, respectively. These amounts do not include pension expense financed by OPM and imputed to the Gallery of \$1,452,462 and \$1,426,738, respectively. To the extent that Gallery employees are covered by the Thrift Saving Plan component of FERS, the Gallery's payments to the plan are recorded as operating expenses. The Gallery's cost associated with the Thrift Savings Plan component of FERS for the years ended September 30, 2008 and 2007, was \$1,478,823 and \$1,366,271, respectively.

In addition, the Gallery makes matching contributions for all employees who are eligible for current health and life insurance benefits. The Gallery's contributions for active employees are recognized as operating expenses. During fiscal years 2008 and 2007, the Gallery contributed \$3,863,981 and \$3,739,527, respectively. Using cost factors supplied by OPM, the Gallery has recognized as an expense in its financial statements the future cost of post-retirement health benefits and life insurance for its employees. These costs amounted to approximately \$4,486,795 and \$4,536,585 during fiscal years 2008 and 2007 respectively, and are financed by OPM and imputed to the Gallery.

NATIONAL GALLERY OF ART
NOTES TO THE FINANCIAL STATEMENTS

9. Income taxes

The Gallery as an independent trust establishment of the United States and as an organization described in sections 509(a)(1) and 170(b)(1)(A) of the Internal Revenue Code is not subject to federal, state or local income taxes and accordingly, no provision for income taxes has been recorded.

10. Leases

The Gallery has entered into a capital lease obligation in connection with the installation of equipment. The Gallery has also entered into several operational leases for warehouse and office space which continue through January 31, 2013. The terms of these operating leases include additional rent for operating expenses, real estate taxes, utilities and maintenance. Future minimum lease payments under these leases for fiscal years ending September 30 are as follows:

	<u>Capital Lease</u>	<u>Operating Leases</u>
2009	\$ 341,004	\$ 2,822,469
2010	341,597	2,634,852
2011	342,208	2,696,813
2012	342,837	2,760,301
2013	343,485	859,820
Thereafter	<u>688,991</u>	<u>-</u>
Total minimum lease payments	2,400,122	<u>\$ 11,774,255</u>
Less amount representing interest	<u>(516,167)</u>	
Present value of minimum capital lease payments	<u>\$ 1,883,955</u>	

Rental expense was approximately \$4,023,599 and \$3,826,401 for the years ended September 30, 2008 and 2007, respectively.

11. Commitments and Contingencies

The Gallery has entered into agreements involving financial obligations. The Gallery is committed to pay for goods and services that have been ordered but have not yet been delivered.

The Gallery is a party to various legal actions and claims brought against it. In the opinion of Gallery management and legal counsel, the ultimate resolution of the actions and claims will not materially affect the financial position or operations of the Gallery. The Gallery recognizes a contingency in the financial statements when claims are expected to result in a material loss involving the Gallery's appropriations and the payment amounts can be reasonably estimated.

NATIONAL GALLERY OF ART
NOTES TO THE FINANCIAL STATEMENTS

12. Change in Accounting Principle

FASAB Technical Bulletin 2006-1 *Recognition and Measurement – Asbestos-Related Cleanup Costs* was issued in September 2006. This technical bulletin provides clarification with respect to the timing of liability recognition for legal obligations associated with the retirement of tangible long-lived assets when the timing and/or method of settlement of the obligation is conditional on a future event. This technical bulletin requires that the fair value of a liability for a conditional asset retirement obligation be recognized in the period in which it occurred if a reasonable estimate of fair value can be given. Upon adoption of technical bulletin 2006-1 at September 30, 2008, the Gallery recognized asset retirement obligations related to asbestos and other hazardous materials in buildings and recorded a non-cash transition impact of \$17,942,498 which is reported as a cumulative effect of a change in accounting principle in the statement of changes in net position, and a liability for conditional asset retirement obligations of \$19,149,837.

Comparative financial statements of prior years have been adjusted to apply the new method retrospectively. Summarized impacts of the changes in accounting principle are as follows:

Statement of Net Cost

	2008 As Originally Reported	2008 As Adjusted	2008 Effect of Change
Program Costs:			
Collections	\$ 38,235,218	\$ 38,643,994	\$ 408,776
Special Exhibitions	16,942,617	17,102,139	159,522
Education	25,735,968	25,975,251	239,283
Editorial and photography	3,503,715	3,513,685	9,970
Other	2,731,331	2,771,211	39,880
Total program costs	87,148,849	88,006,280	857,431
Costs not assigned to programs	27,405,004	27,544,588	139,584
Net cost of operations	\$ 114,553,853	\$ 115,550,868	\$ 997,015

NATIONAL GALLERY OF ART
NOTES TO THE FINANCIAL STATEMENTS

Statement of Net Cost

	2007 As Originally Reported	2007 As Adjusted	2007 Effect of Change
Program Costs:			
Collections	\$ 39,778,677	\$ 40,170,857	\$ 392,180
Special Exhibitions	16,221,223	16,374,269	153,046
Education	24,361,110	24,590,680	229,570
Editorial and photography	3,531,818	3,541,383	9,565
Other	<u>2,886,553</u>	<u>2,924,814</u>	<u>38,261</u>
Total program costs	86,779,381	87,602,003	822,622
Costs not assigned to programs	<u>26,769,632</u>	<u>26,903,549</u>	<u>133,917</u>
Net cost of operations	<u>\$ 113,549,013</u>	<u>\$ 114,505,552</u>	<u>\$ 956,539</u>

Balance Sheet
September 30, 2008

	2008 As Originally Reported	2008 As Adjusted	2008 Effect of Change
Assets:			
Intragovernmental:			
Fund balance with Treasury	\$ 29,816,769	\$ 29,816,769	\$ -
Total intragovernmental	29,816,769	29,816,769	-
Accounts receivable	-	-	-
General property, plant and equipment	<u>123,400,234</u>	<u>124,763,347</u>	<u>1,363,113</u>
Total Assets	<u>\$ 153,217,003</u>	<u>\$ 154,580,116</u>	<u>\$ 1,363,113</u>
Liabilities:			
Intragovernmental:			
Other	\$ 8,032,355	\$ 8,032,355	\$ -
Total intragovernmental	8,032,355	8,032,355	-
Accounts Payable	1,739,378	1,739,378	-
Environmental Liability	-	19,149,837	19,149,837
Other	<u>15,935,435</u>	<u>15,935,435</u>	<u>-</u>
Total Liabilities	<u>25,707,168</u>	<u>44,857,005</u>	<u>19,149,837</u>
Net Position:			
Unexpended appropriations	20,210,312	20,210,312	-
Cumulative results of operations	<u>107,299,523</u>	<u>89,512,799</u>	<u>(17,786,724)</u>
Total net position	<u>127,509,835</u>	<u>109,723,111</u>	<u>(17,786,724)</u>
Total liabilities and net position	<u>\$ 153,217,003</u>	<u>\$ 154,580,116</u>	<u>\$ 1,363,113</u>

NATIONAL GALLERY OF ART
NOTES TO THE FINANCIAL STATEMENTS

Balance Sheet
September 30, 2007

	2007 As Originally Reported	2007 As Adjusted	2007 Effect of Change
Assets:			
Intragovernmental:			
Fund balance with Treasury	\$ 30,036,016	\$ 30,036,016	\$ -
Total intragovernmental	<u>30,036,016</u>	<u>30,036,016</u>	<u>-</u>
Accounts Receivable	1,948,783	1,948,783	-
General property, plant and equipment	<u>111,550,800</u>	<u>112,976,502</u>	<u>1,425,702</u>
Total Assets	<u>\$ 143,535,599</u>	<u>\$ 144,961,301</u>	<u>\$ 1,425,702</u>
Liabilities:			
Intragovernmental:			
Other	\$ 7,389,360	\$ 7,389,360	\$ -
Total Intragovernmental	<u>7,389,360</u>	<u>7,389,360</u>	<u>-</u>
Accounts Payable	1,406,172	1,406,172	-
Environmental Liability	-	19,368,200	19,368,200
Other	<u>15,043,294</u>	<u>15,043,294</u>	<u>-</u>
Total Liabilities	<u>23,838,826</u>	<u>43,207,026</u>	<u>19,368,200</u>
Net Position:			
Unexpended appropriations	23,709,745	23,709,745	-
Cumulative results of operations	<u>95,987,028</u>	<u>78,044,530</u>	<u>(17,942,498)</u>
Total net position	<u>119,696,773</u>	<u>101,754,275</u>	<u>(17,942,498)</u>
Total liabilities and net position	<u>\$ 143,535,599</u>	<u>\$ 144,961,301</u>	<u>\$ 1,425,702</u>

Other Accompanying Information

Summary of Financial Statement Audit and Management Assurances

Table 1
Summary of Financial Statement Audit

Audit Opinion	Unqualified
Restatement	No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
None	0	0	0	0	0

Table 2
Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)	
Statement of Assurance	Statement of no assurance

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)	
Statement of Assurance	Statement of no assurance

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0

Conformance with financial management system requirements (FMFIA § 4)	
Statement of Assurance	Systems conform to financial management system requirements

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA)	
	Agency
Overall Substantial Compliance	Yes
1. System Requirements	Yes
2. Accounting Standards	Yes
3. USSGL at Transaction Level	Yes