

Consolidated Financial Report

*The National World War II Museum, Inc.
and Subsidiaries*

June 30, 2018



THE NATIONAL
WWII MUSEUM
NEW ORLEANS

Consolidated Financial Report

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
The National World War II Museum, Inc. and Subsidiaries,
New Orleans, Louisiana.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The National World War II Museum, Inc. and Subsidiaries (a nonprofit organization) (the "Museum"), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

The Museum's management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Museum's preparation and fair presentation of the consolidated 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 Museum'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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The National World War II Museum, Inc. and Subsidiaries as of June 30, 2018, 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.

Report on Summarized Comparative Information

We have previously audited The National World War II Museum, Inc. and Subsidiaries' consolidated financial statements, and our report dated October 31, 2017, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information Schedule 1 (Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer), as required by Louisiana revised Statute 24:513(a)(3) is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2018, on our consideration of The National World War II Museum, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The National World War II Museum, Inc. and Subsidiaries' internal control over financial reporting and compliance.



New Orleans, Louisiana,
October 19, 2018.

Certified Public Accountants.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**The National World War II Museum, Inc. and Subsidiaries**
New Orleans, LouisianaJune 30, 2018
(with comparative totals for 2017)

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 52,304,314	\$ 44,842,627
Investments	20,890,402	20,400,820
Unconditional promises to give:		
Capital Campaign, net of allowances	13,301,268	17,090,815
Endowment, net of allowances	3,446,064	2,390,165
Other, net of allowances	1,638,699	1,228,676
Notes receivable	13,138,530	12,819,876
Gift shop inventory	834,643	665,041
Other assets	7,039,557	3,929,352
Property and equipment, net of accumulated depreciation	194,226,125	173,872,030
Collections	13,062,884	12,564,559
	<u>\$ 319,882,486</u>	<u>\$ 289,803,961</u>
	<u>LIABILITIES</u>	
Accounts payable trade	\$ 2,813,187	\$ 1,928,478
Construction projects payable	3,788,423	1,599,750
Accrued expenses	2,959,782	1,795,102
Deferred revenue	6,810,277	3,018,614
Lines of credit	1,908,672	3,652,185
Notes payable	22,341,652	17,586,341
	<u>40,621,993</u>	<u>29,580,470</u>
	<u>NET ASSETS</u>	
Unrestricted:		
Board designated	29,217,653	7,969,350
Undesignated	210,644,525	212,259,179
	<u>239,862,178</u>	<u>220,228,529</u>
Temporarily restricted	20,465,199	23,173,597
Permanently restricted	18,933,116	16,821,365
	<u>279,260,493</u>	<u>260,223,491</u>
	<u>\$ 319,882,486</u>	<u>\$ 289,803,961</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**The National World War II Museum, Inc. and Subsidiaries**
New Orleans, LouisianaFor the year ended June 30, 2018
(with comparative totals for 2017)

	2018			Totals	2017 Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenues					
Grants	\$ 237,433	\$ 4,724,191	\$ -	\$ 4,961,624	\$ 16,055,825
Contributions:					
Capital Campaign	-	12,607,609	-	12,607,609	18,936,081
Endowment	1,000,000	-	2,111,751	3,111,751	322,673
Other	3,395,007	910,023	-	4,305,030	3,988,792
Tax credit incentives	500,000	-	-	500,000	6,636
Memberships	10,709,142	-	-	10,709,142	10,213,245
Admissions	18,309,062	-	-	18,309,062	15,874,388
Facilities and property rental	1,634,685	-	-	1,634,685	2,485,884
Sponsored events and conferences	12,818,490	968,058	-	13,786,548	5,728,710
Gift shop	3,709,640	-	-	3,709,640	3,375,510
Investment income	1,912,544	620,694	-	2,533,238	3,426,031
Sponsorships	207,280	-	-	207,280	267,250
Miscellaneous	1,099,581	-	-	1,099,581	1,063,995
Net assets released from restrictions	22,538,973	(22,538,973)	-	-	-
Total support and revenues	78,071,837	(2,708,398)	2,111,751	77,475,190	81,745,020
Expenses					
Capital Campaign fundraising and other	1,822,577	-	-	1,822,577	1,928,280
Depreciation	8,139,025	-	-	8,139,025	7,728,044
Fundraising	2,605,931	-	-	2,605,931	3,060,967
General and administrative	4,279,765	-	-	4,279,765	3,727,369
Gift shop merchandise sold	1,890,682	-	-	1,890,682	1,702,676
Interest - amortized	271,221	-	-	271,221	271,221
Interest - other	474,356	-	-	474,356	559,235
Museum expansion	1,196,654	-	-	1,196,654	1,140,301
Programs and operations - personnel costs	13,748,571	-	-	13,748,571	11,379,761
Programs and operations - other costs	24,009,406	-	-	24,009,406	16,386,938
Total expenses	58,438,188	-	-	58,438,188	47,884,792
Changes in Net Assets	19,633,649	(2,708,398)	2,111,751	19,037,002	33,860,228
Net Assets					
Beginning of year	220,228,529	23,173,597	16,821,365	260,223,491	226,363,263
End of year	\$ 239,862,178	\$ 20,465,199	\$ 18,933,116	\$ 279,260,493	\$ 260,223,491

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS**The National World War II Museum, Inc. and Subsidiaries**
New Orleans, LouisianaFor the year ended June 30, 2018
(with comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 19,037,002	\$ 33,860,228
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,139,025	7,728,044
Amortization of note payable discount	271,221	271,221
(Gain) loss on disposal of equipment	(200)	588
Interest on notes receivable	(318,654)	(295,493)
Forgiveness of debt	-	(10,000,000)
Realized and unrealized gain on investments	(1,544,215)	(2,708,233)
(Increase) decrease in operating assets:		
Other unconditional promises to give, net	(410,023)	635,860
Gift shop inventory	(169,602)	(10,445)
Other assets	(3,110,205)	(884,639)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	2,049,389	305,387
Deferred revenue	3,791,663	1,347,471
In-kind contributions - collections	-	(127,544)
Revenues restricted for the acquisition of property and equipment:		
State grant	(3,022,482)	(4,118,825)
Capital Campaign contributions, net of expenses	(10,916,263)	(17,217,027)
Decrease in discount on unconditional promises to give:		
Capital Campaign	(14,671)	(32,217)
(Decrease) increase in allowance for uncollectible promises to give:		
Capital Campaign	(161,819)	9,622
Contributions restricted for endowment purposes	(2,117,986)	(324,258)
Increase in allowance for uncollectible promises to give - endowment	6,235	1,585
Net cash provided by operating activities	<u>11,508,415</u>	<u>8,441,325</u>

**Exhibit C
(Continued)**

	2018	2017
Cash Flows From Investing Activities		
Purchase of property and equipment	(26,304,247)	(19,712,309)
Purchase of collections	(498,325)	(349,385)
Investment purchases	(8,762,043)	(3,404,531)
Proceeds from sales and maturities of investments	9,816,676	3,230,567
Net cash used in investing activities	(25,747,939)	(20,235,658)
Cash Flows From Financing Activities		
Collections of state grant funds restricted for the acquisition of property and equipment	3,022,482	4,541,881
Collections of Endowment gifts	1,055,852	947,083
Collections of Capital Campaign contributions restricted for the acquisition of property and equipment, net of \$1,500,263 and \$1,650,363 of campaign expenses in 2018 and 2017, respectively	14,882,300	13,721,976
Notes payable proceeds	200,000	-
Repayments of notes payable	(255,551)	(6,048,516)
Borrowings on lines of credit, net	2,796,128	174,378
Payment of short term trade accounts payable used to finance property and acquisitions	-	(643,115)
Net cash provided by financing activities	21,701,211	12,693,687
Net Increase In Cash and Cash Equivalents	7,461,687	899,354
Cash and Cash Equivalents		
Beginning of year	44,842,627	43,943,273
End of year	\$ 52,304,314	\$ 44,842,627

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**The National World War II Museum, Inc. and Subsidiaries**
New Orleans, Louisiana

June 30, 2018 and 2017

Note 1 - NATURE OF ACTIVITIES

The National World War II Museum, Inc. and Subsidiaries (the "Museum") was established on December 2, 1991, to design, construct, and maintain a public museum located in New Orleans, Louisiana that tells the story of the American Experience in *the war that changed the world* - why it was fought, how it was won, and what it means today - so that all generations will understand the price of freedom and be inspired by what they learn.

The Museum completed its initial phase of construction, the Louisiana Memorial Pavilion and D-Day Planning and Beaches Galleries, and opened in June 2000. An expansion of the Museum devoted to the war in the Pacific Theatre opened in December 2001. During 2003, the Museum was officially designated by Congress as America's National World War II Museum and was reincorporated under its new name with the State of Louisiana. In 2006, the Museum completed construction on the first major component of a new expansion project. The Discovery Hall addition is a 12,000 sq. ft., multi-functional, education facility offering the Museum's first dedicated space to students and teachers providing an exciting, dynamic place to learn. The Museum also completed renovations in 2007 to the Eisenhower Center, a historical structure adjacent to the main building which housed research services and a modest recording studio for oral history and other video production.

During 2009, the Museum hosted the grand opening of the Solomon Victory Theater and Stage Door Canteen complex. This major campus addition is comprised of a multi-sensory theater presenting a signature film experience titled *Beyond All Boundaries*, and a 1940's themed live performance venue with food and beverage service provided by the Museum's new American Sector Restaurant. This phase of the Museum's expansion also provides space for support services, administration, ticketing, retail outlets, and central plant services.

Note 1 - NATURE OF ACTIVITIES (Continued)

In 2013, the Museum opened The United States Freedom Pavilion - Boeing Center. This 90+ foot high addition is the tallest of the Museum's new pavilions and houses many macro artifacts including the iconic B-17 Flying Fortress, a simulation submarine experience, and galleries highlighting the branches of service and Medal of Honor recipients. This phase included the educational exhibit "What Would You Do?", an expanded central plant, and event services and a new retail outlet.

In December 2014, the Museum opened the Road to Berlin in the Campaigns of Courage Pavilion. The following December, the Road to Tokyo opened in this same Pavilion. All campaigns of the war on land, sea, and air, and every branch of the U.S. military services are explored through immersive gallery exhibits, historical artifacts, and interactive AV presentations. The Campaigns of Courage Pavilion includes The Dog Tag Experience, an engaging museum enhancement built upon a format that includes RFID enabled devices resembling dog tags, together with a website providing a new online Extended Experience permitting visitors to access a vast array of newly available digital content. The Dog Tag Experience introduces visitors to a historical person whose story unfolds over the course of the visitor's journey through the Campaigns of Courage Pavilion galleries; and the online Extended Experience allows visitors to return to the journey from home after their onsite museum visit. The Dog Tag Experience begins at the Train Station, a major renovation of the existing Louisiana Memorial Pavilion which opened in 2013.

In December 2016, the Museum completed Founders Plaza, an impressive entryway to the Museum and a pleasant setting for rest and reflection as part of the visitor experience. The area includes a dedication to the Museum's founders, Stephen Ambrose and Nick Mueller, along with our major donors. In June 2017, the Museum opened The Arsenal of Democracy: The Herman and George Brown Salute to the Home Front. The exhibit literally brings the story of how the war was fought at home, an epic undertaking fueled by stateside industry, ingenuity, and the labor of millions of patriotic Americans. The exhibit creates countless opportunities for visitors to make personal connections with the men and women who helped win the war.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are summarized below.

a. Organization and Income Taxes

The National World War II Museum, Inc. is a non-profit corporation organized under the laws of the State of Louisiana for charitable purposes, principally the operation and maintenance of a museum dedicated to the history of World War II.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Organization and Income Taxes (Continued)

Effective March 21, 2006, Chalk #17, Inc. was formed as a non-profit corporation to be operated exclusively for the benefit of the Museum. The Museum is the sole member and elects the members of the board of directors of Chalk #17, Inc. The purpose of this corporation is to acquire and preserve aircraft and other large artifacts, specifically with regard to their roles in World War II, and to promote public awareness, appreciation, and education of the historic relevance of these artifacts.

On October 22, 2007, World War II Theatre, Inc. was established as a non-profit corporation to operate exclusively for the benefit of the Museum and to support the educational, charitable, and social purposes of the Museum specifically to construct a theater, canteen, and restaurant adjacent to the existing museum. These assets were transferred to the Museum on January 25, 2017. The Theatre is now tasked with planning, constructing, and operating a hotel conference center on property adjacent to the Museum. The corporation is organized on a stock basis with authority to issue 100 shares. There is one shareholder of the corporation who is known as the Corporate Shareholder and such Corporate Shareholder is The National World War II Museum, Inc.

On April 2, 2010, WW II Pavilions, Inc. was established as a non-profit corporation to operate exclusively for the benefit of the Museum and to support the educational, charitable, and social purposes of the Museum specifically to construct additional exhibit facilities as part of the parent organization's capital expansion. The corporation is organized on a stock basis with authority to issue 100 shares. There is one shareholder of the corporation who is known as the Corporate Shareholder and such Corporate Shareholder is The National World War II Museum, Inc.

On February 8, 2011, World War II Campaigns, Inc. was established as a non-profit corporation to operate exclusively for the benefit of the Museum and to support the educational, charitable, and social purposes of the Museum specifically to construct and operate the Campaigns Pavilion adjacent to The National World War II Museum, Inc. The organization is organized on a stock basis with the authority to issue 500 shares. There is one shareholder of the corporation who is known as the Corporate Shareholder and such Corporate Shareholder is The National World War II Museum, Inc.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Organization and Income Taxes (Continued)

On February 3, 2011, Warehouse District Development, Inc. was established for the exclusive purposes of serving and/or providing investment capital for "Low-Income Communities" or "Low-Income Persons". The corporation is organized on a stock basis with authority to issue 100 shares. There is one shareholder of the corporation who is known as the Corporate Shareholder and such Corporate Shareholder is The National World War II Museum, Inc.

On September 10, 2015, Flying Tigers Properties, L.L.C. was established as a single member LLC for profit entity, with The National World War II Museum, Inc. as its sole member. Flying Tigers Properties, L.L.C. was merged with and into World War II Theatre on January 25, 2017. The company is a disregarded entity for federal income tax purposes.

On November 10, 2016, PT-305 Excursions, L.L.C. was established as a single member LLC to operate exclusively for the benefit of the Museum and to support the educational, charitable, and social purposes of the Museum specifically to operate the PT-305 boat. Chalk #17, Inc. is the sole member of the company. The company is a disregarded entity for federal income tax purposes.

The National World War II Museum, Inc., Chalk #17, Inc., World War II Theatre, Inc., WW II Pavilions, Inc., World War II Campaigns, Inc., and Warehouse District Development, Inc. are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as organizations that are not a private foundation as defined in Section 509(a) of the Code. They are also exempt from Louisiana income tax under the authority of R.S. 47:121(5).

b. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Basis of Accounting

The consolidated financial statements of the Museum are prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

d. Basis of Presentation

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Museum and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

The Board has designated unrestricted net assets as of June 30, 2018 and 2017 for the following purposes:

	2018	2017
Endowment purposes	\$ 11,248,391	\$ 7,969,350
Operating reserve	9,000,000	-
Capital maintenance reserve	5,000,000	-
New ventures fund	1,621,000	-
Higgins debt service	1,124,131	-
Higgins reserve service	1,124,131	-
Exhibits	100,000	-
Totals	\$ 29,217,653	\$ 7,969,350

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Museum and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Museum. The donors of these assets permit the Museum to use all of the income earned on related investments for general or specific purposes.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Consolidation

The accompanying consolidated financial statements show the consolidated assets, liabilities, and transactions of the Museum and its wholly owned subsidiaries, Chalk #17, Inc., World War II Theatre, Inc., World War II Pavilions, Inc., World War II Campaigns, Inc., Warehouse District Development Inc., Flying Tigers Properties L.L.C., and PT-305 Excursions, L.L.C. (the "Subsidiaries").

The activities and resulting balances of the Subsidiaries relate to the new museum expansion. All intercompany transactions and resulting balances have been eliminated in the consolidated financial statements.

f. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Museum considers all short-term, highly liquid investments (including certificates of deposit) with initial maturity dates of less than one year to be cash equivalents. The Museum considers investments in money market funds to be cash equivalents.

g. Investments

Investments in marketable securities, including mutual funds, common stocks, real estate investment trusts, exchange-traded funds, certificates of deposit, and other investments are generally carried at fair market value. Investments acquired through donations are recorded at fair market value on the date of donation.

h. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Museum that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All promises to give are recognized as assets, less an allowance for uncollectible amounts, and revenues.

i. Contributions and Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Contributions and Revenue Recognition (Continued)

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities and Changes in Net Assets as net assets released from restrictions.

j. Allowances for Uncollectible Promises to Give

The Museum provides for estimated uncollectible promises to give based on prior years' experience and management's analysis of specific promises made. As of June 30, 2018 and 2017, the balance of the allowance related to the Capital Campaign was \$197,475 and \$359,294 respectively, the allowance related to the Endowment was \$49,280 and \$43,045, respectively, and the allowance for other promises was \$10,092 and \$14,500, respectively.

k. Gift Shop Inventory

Inventories are valued at the lower of cost (first-in, first-out) or net realizable value.

l. Property and Equipment

Assets acquired are stated at cost, net of accumulated depreciation. Assets donated are carried at fair market value on date of donation, net of accumulated depreciation. Repairs and maintenance are charged to expense as incurred; major renewals and replacements and betterments are capitalized. Depreciation of buildings, exhibits, furnishings, and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis ranging from three years for equipment, ten years for exhibits and forty years for buildings.

m. Collections

As of June 30, 2018 and 2017, collections consist of three films commissioned by the Museum, a collection of German, French, and American artifacts acquired from the St. Lo Museum in France in 1995, aircraft, tanks, certain military vehicles, and miscellaneous artifacts. Additionally, the Museum acquired a collection of artifacts from the Monuments Men Foundation during the year ended June 30, 2018. The Museum does not record depreciation on its collections because depreciation is not

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Collections (Continued)

presently required to be recognized on individual works of art or historical treasures whose economic benefit or service potential is used so slowly that their estimated useful lives are extraordinarily long. It is the Museum's policy to capitalize only those items purchased, not those donated, unless the item's cost is significant and is able to be valued objectively. Donated collection items are not recorded, except in rare circumstances, due to the lack of an objective basis of valuation.

n. Donated Services of Volunteers

A substantial number of volunteers have given extensive amounts of time and services to the Museum. However, no amounts are reflected in the consolidated financial statements for such services as management believes that the requirements for recording in-kind services have not been satisfied.

o. Fundraising Expenses

All expenses associated with fundraising activities are expensed as incurred, including those expenses related to fundraising appeals in a subsequent year.

p. Allocated Expenses

The costs of providing the various programs and other activities are summarized in Note 20. Certain expenses have been allocated among the programs and supporting services based on management's estimate of the costs involved.

q. Tax Matters

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of June 30, 2018, management of the Museum believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. Tax years June 30, 2015 and later remain subject to examination by the taxing authorities.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. Recent Accounting Pronouncements

The Museum adopted the provisions of ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. This pronouncement now requires entities to measure inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation.

s. Subsequent Events

Management evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through October 19, 2018, which is the date the consolidated financial statements were available to be issued.

t. Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 financial statement presentation.

Note 3 - RESTRICTIONS ON ASSETS

Temporarily restricted net assets are restricted by the donor for specific purposes or are available for subsequent periods. Cash, investments, and promises to give raised through the Capital Campaign are restricted for the acquisition of property and equipment and campaign expenses. Those restrictions are considered to expire when payments are made. Promises to give received from other donors are time-restricted for subsequent periods.

Temporarily restricted net assets as of June 30, 2018 and 2017 are available for the following purposes or periods:

	2018	2017
Acquisition of property and equipment - Capital Campaign	\$ 13,301,268	\$ 17,090,815
Other restricted purposes	5,179,436	4,237,090
For subsequent periods:		
Unconditional promises to give	1,638,699	1,228,676
Unamortized discount on notes payable (Notes 14 and 15)	345,796	617,016
Totals	\$ 20,465,199	\$ 23,173,597

Note 3 - RESTRICTIONS ON ASSETS (Continued)

Permanently restricted net assets of \$18,933,116 and \$16,821,365 as of June 30, 2018 and 2017, respectively, consist of cash, investments, and unconditional promises to give which are restricted for endowment purposes, the earnings from which are available for operations and accordingly are recognized as unrestricted revenue.

Note 4 - INVESTMENTS

Marketable securities are summarized as follows:

	June 30, 2018		
	Cost	Market Value	Excess of Market Over Cost
Balance, June 30, 2018	\$ 16,852,004	\$ 20,890,402	\$ 4,038,398
Balance, June 30, 2017	<u>\$ 16,499,021</u>	<u>\$ 20,400,820</u>	<u>3,901,799</u>
Increase in unrealized appreciation			136,599
Realized gain on investments			1,407,616
Interest on cash, cash equivalents, and notes receivable			<u>989,023</u>
Total investment income			<u>\$ 2,533,238</u>
	June 30, 2017		
	Cost	Market Value	Excess of Market Over Cost
Balance, June 30, 2017	\$ 16,499,021	\$ 20,400,820	\$ 3,901,799
Balance, June 30, 2016	<u>\$ 15,970,502</u>	<u>\$ 17,518,623</u>	<u>1,548,121</u>
Increase in unrealized appreciation			2,353,678
Realized gain on investments			354,555
Interest on cash, cash equivalents, and notes receivable			<u>717,798</u>
Total investment income			<u>\$ 3,426,031</u>

Note 5 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under Financial Accounting Standards Board Accounting Standards Codification Topic 820, Fair Value Measurements, are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Museum has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2018 and 2017.

- *Mutual Funds*: The Museum uses the market approach for valuing mutual funds which are within Level 1 of the fair value hierarchy. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Note 5 - FAIR VALUE MEASUREMENTS (Continued)

- *Pooled Investment Account:* Valued at the net asset value (NAV) of the units of the pooled investment account. The NAV, as provided by Bay Resources Partners Offshore Fund, LTD, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the pooled investment account less its liabilities. This practical expedient is not used when it is determined to be probable that the Museum will sell the investment for an amount different than the reported NAV. These are included in Level 2 of the fair value hierarchy.
- *Common Stocks:* Valued at the closing price reported on the active market on which the individual securities are traded. These are included in Level 1 of the fair value hierarchy.
- *Exchange Traded Funds and Real Estate Investment Trusts:* Valued at quoted market prices, which represent the NAV per unit. These are included in Level 1 of the fair value hierarchy.

The methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Museum believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 5 - FAIR VALUE MEASUREMENTS (Continued)

The following tables set forth by level within the fair value hierarchy the Museum's investments as of June 30, 2018 and 2017:

Description	Fair Value As Of June 30, 2018	Based on		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds:				
Pooled investment account	\$ 3,248,478	\$ -	\$ 3,248,478	\$ -
Other	7,253,111	7,253,111	-	-
Common stocks	8,367,292	8,367,292	-	-
Real estate investment trusts	342,967	342,967	-	-
Exchange-traded funds	1,678,554	1,678,554	-	-
Totals	<u>\$ 20,890,402</u>	<u>\$ 17,641,924</u>	<u>\$ 3,248,478</u>	<u>\$ -</u>

Description	Fair Value As Of June 30, 2017	Based on		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds:				
Pooled investment account	\$ 3,170,514	\$ -	\$ 3,170,514	\$ -
Other	6,341,973	6,341,973	-	-
Common stocks	7,777,396	7,777,396	-	-
Real estate investment trusts	368,496	368,496	-	-
Exchange-traded funds	2,742,441	2,742,441	-	-
Totals	<u>\$ 20,400,820</u>	<u>\$ 17,230,306</u>	<u>\$ 3,170,514</u>	<u>\$ -</u>

As of June 30, 2018 and 2017, there were no assets measured at fair value on a non-recurring basis.

Note 6 - RISKS AND UNCERTAINTIES

In general, investment securities are exposed to various risks, such as interest rate, currency, credit, and market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investments will occur in the near term and would materially affect the market value of investments held by the Museum.

Note 7 - CONCENTRATION OF CREDIT RISK

The Museum maintains a money market account, investments in mutual funds, certificates of deposit, common stocks, and exchange traded funds in an investment account with a brokerage firm, where they are insured by the Securities Investor Protection Corporation for balances up to \$500,000 (with a limit of \$250,000 for cash). As of June 30, 2018, cash in excess of the insured limits was approximately \$3,900,000.

The Museum maintains cash balances at several local financial institutions where they are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. As of June 30, 2018, cash deposits in excess of the insured limits were approximately \$3,300,000.

Note 8 - UNCONDITIONAL PROMISES TO GIVE

Promises of donors to make contributions to the Museum are included in the consolidated financial statements as unconditional promises to give and revenue of the temporarily restricted net assets class after discounting projected future cash flows to the present value using the Annual Federal Mid-Term Rate published as of June 30, 2018 and 2017.

Note 8 - UNCONDITIONAL PROMISES TO GIVE (Continued)

Unconditional promises to give as of June 30, 2018 and 2017 consist of the following:

	2018	2017
Unconditional promises to give:		
Capital Campaign	\$ 13,998,662	\$ 17,964,699
Endowment	3,609,015	2,512,037
Other	1,677,009	1,301,172
Gross unconditional promises to give	19,284,686	21,777,908
Less:		
Unamortized discount:		
Capital Campaign	(499,919)	(514,590)
Endowment	(113,671)	(78,827)
Other	(28,218)	(57,996)
Allowance for uncollectible amounts:		
Capital Campaign	(197,475)	(359,294)
Endowment	(49,280)	(43,045)
Other	(10,092)	(14,500)
Net unconditional promises to give	\$ 18,386,031	\$ 20,709,656
	2018	2017
Net unconditional promises to give:		
Capital Campaign	\$ 13,301,268	\$ 17,090,815
Endowment	3,446,064	2,390,165
Other	1,638,699	1,228,676
Totals	\$ 18,386,031	\$ 20,709,656
Amounts due in:		
Less than one year	\$ 7,290,093	\$ 8,960,300
One to five years	11,994,593	12,817,608
Totals	\$ 19,284,686	\$ 21,777,908

Promises to give receivable balances of more than one year are discounted at 1.41% for each of the years ended June 30, 2018 and 2017.

Note 9 - NOTES RECEIVABLE

The Museum entered into an agreement on December 20, 2011 to lend COCRF Investor XI, L.L.C. \$3,950,000. The note is secured by certain bank accounts of COCRF Investor XI, L.L.C. Outstanding principal and accrued interest as of June 30, 2018 totaled \$3,950,000 and \$803,664, respectively. Outstanding principal and accrued interest as of June 30, 2017 totaled \$3,950,000 and \$680,645, respectively. Interest accrues at a fixed rate of 3.11%, payable upon maturity, with additional interest at 1.27% per year payable quarterly. Interest earned on this note for the years ended June 30, 2018 and 2017 totaled \$173,019 (\$123,019 accrued plus \$50,000 paid) for both years. The note matures on December 20, 2018, at which time all outstanding principal and interest will be paid.

The Museum entered into an agreement on December 20, 2011 to lend Whitney New Markets Investor 11, L.L.C. \$3,950,000. The note is secured by certain bank accounts of Whitney New Markets Investor 11, L.L.C. Outstanding principal and accrued interest as of June 30, 2018 and 2017 totaled \$3,950,000. Interest accrues at a fixed rate of 1.27% per year and is payable quarterly. Principal will begin amortizing on December 31, 2018 and is due quarterly beginning March 31, 2019. The note matures on December 20, 2041. Interest earned on this note for both the years ended June 30, 2018 and 2017 totaled \$49,995.

The Museum entered into an agreement on December 30, 2013 to lend FNBC NMTC Hybrid Fund, L.L.C. \$3,635,000. During the year ended June 30, 2018, the note was purchased from FNBC NMTC Hybrid Fund, L.L.C. by Advantage Capital. The note is secured by certain bank accounts of Advantage Capital. Outstanding principal and accrued interest as of June 30, 2018 and 2017 totaled \$4,434,866 and \$4,239,231, respectively. Interest is paid quarterly at a fixed rate of 1.375516% per year and additional interest accrues and compounds quarterly at 4.31395% per year. Principal and accrued interest shall be paid upon maturity. The note matures on October 22, 2020. Interest earned on this note for the years ended June 30, 2018 and 2017 totaled \$245,635 (\$195,635 accrued plus \$50,000 paid) and \$222,475 (\$172,475 accrued plus \$50,000 paid), respectively.

Note 10 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2018 and 2017 consists of the following:

	2018	2017
Land	\$ 7,671,230	\$ 7,613,834
Buildings	168,762,633	164,167,383
Exhibits	28,095,183	22,869,447
Equipment, video productions, and furniture	34,832,503	28,975,125
Construction in progress	19,202,628	6,445,268
	258,564,177	230,071,057
Less accumulated depreciation	(64,338,052)	(56,199,027)
Totals	\$ 194,226,125	\$ 173,872,030

Depreciation expense for the years ended June 30, 2018 and 2017 totaled \$8,139,025 and \$7,728,044, respectively.

Note 11 - SPLIT-INTEREST AGREEMENTS

The Museum established two charitable gift annuities in which assets were transferred to the Museum. The assets donated were valued at \$20,000 and \$121,200 on the dates of donation. The annuities require the Museum to annually pay \$1,830 and \$7,757, respectively, to the donor or his spouse until death. During the year ended June 30, 2015 the Museum established a third charitable gift annuity. The assets donated were valued at \$13,991 and requires the Museum to annually pay \$1,450 to the donor or his spouse until death. The present value of estimated future payments of \$32,322 and \$36,894 as of June 30, 2018 and 2017, respectively, is included in accrued expenses in the Museum's Consolidated Statements of Financial Position.

During the year ended June 30, 2013, the Museum was named as a beneficiary of a charitable lead annuity trust. The Museum will receive annual payments from the trust of \$1,187 for the first year, \$36,109 in years two through fourteen, and \$34,921 in years 15 through 27. The present value of estimated future payments of \$297,869 and \$333,475 as of June 30, 2018 and 2017, respectively, is included in the unconditional promises to give section in the Museum's Consolidated Statements of Financial Position.

Note 12 - GRANTS

The State of Louisiana provided a capital appropriation through a Cooperative Endeavor Agreement with The National World War II Museum, Inc. in the amount of \$33,000,000. The Museum must use the State award for the planning and construction of buildings needed for the expansion program. For the years ended June 30, 2018 and 2017, the Museum recognized revenue under this grant in the amount of \$3,022,482 and \$4,118,825, respectively.

For the year ended June 30, 2017, the Museum recognized \$10,000,000 of forgiven debt from the State of Louisiana Office of Community Development as grant revenue (see Note 15).

For years ended June 30, 2018 and 2017, the Museum also recognized \$1,939,142 and \$1,937,000, respectively, of grant revenues from private sources and other sources.

Note 13 - BANK LINES OF CREDIT

On February 29, 2016, the Museum entered into a loan agreement with the Hancock Whitney Bank (formerly Whitney Bank) in New Orleans. The loan agreement provided for a \$2,500,000 line of credit loan which was evidenced by a promissory note. The line of credit matures on February 28, 2019. The line of credit loan was established for working capital purposes. The line of credit loan is collateralized by the collateral securing other loans with this lender. As of June 30, 2018, the Museum had no outstanding balance. Interest on the loan is payable monthly at an adjusted rate equal to the one month LIBOR + 2.75% (4.875%) as of June 30, 2018.

On May 20, 2015, the Museum entered into a construction loan agreement with the Hancock Whitney Bank in New Orleans. The loan agreement provides for a \$4,550,000 non-revolving line of credit loan which is evidenced by a promissory note. On May 29, 2018 the non-revolving line of credit was converted to a term loan. The non-revolving line of credit was established for the construction of a multi-level parking garage with office space on the ground level.

As of June 30, 2017, the Museum had an outstanding balance of \$3,652,185. There was no balance outstanding as of June 30, 2018. Interest on the loan was payable monthly at a rate of one month LIBOR + 2.5% (3.72%) as of June 30, 2017.

Note 13 - BANK LINES OF CREDIT (Continued)

On December 21, 2017, the Museum entered into a construction loan agreement with Hancock Whitney Bank in New Orleans. The loan agreement provided for a \$26,604,600 non-revolving line of credit loans which was evidenced by a promissory note. The non-revolving line of credit has an original maturity date of December 21, 2020 and may be extended for an additional period of two years, the extended maturity date. On December 21, 2020 or the extended maturity date of the non-revolving line of credit, the non-revolving line of credit loan will automatically convert to a term loan. The term loan is payable in monthly principal payments based on a twenty-five year amortization plus interest, at one month LIBOR + 2.25% and matures two years after the date of conversion. The non-revolving line of credit loan was established for the construction of the Higgins Hotel and Conference Center. As of June 30, 2018, the Museum had an outstanding balance of \$954,336. Interest on the loan is payable monthly at an adjusted rate equal to the one month LIBOR + 2.75% (4.875% as of June 30, 2018) through December 21, 2019 and thereafter at one month LIBOR + 2.25%.

On December 21, 2017, the Museum entered into a construction loan agreement with Iberia Bank in New Orleans. The loan agreement provided for a \$26,604,600 non-revolving line of credit loans which was evidenced by a promissory note. The non-revolving line of credit has an original maturity date of December 21, 2020 and may be extended for an additional period of two years, the extended maturity date. On December 21, 2020 or the extended maturity date of the non-revolving line of credit, the non-revolving line of credit loan will automatically convert to a term loan. The term loan is payable in monthly principal payments based on a twenty-five year amortization plus interest, at one month LIBOR + 2.25% and matures two years after the date of conversion. The non-revolving line of credit loan was established for the construction of the Higgins Hotel and Conference Center. As of June 30, 2018, the Museum had an outstanding balance of \$954,336. Interest on the loan is payable monthly at an adjusted rate equal to the one month LIBOR + 2.75% (4.875% as of June 30, 2018) through December 21, 2019 and thereafter at one month LIBOR + 2.25%.

For the years ended June 30, 2018 and 2017, interest expense totaled \$157,510 and \$115,130, respectively.

Note 14 - NEW MARKETS TAX CREDIT

In December 2011, WWII Pavilions, Inc. executed a New Markets Tax Credit Financing Transaction with Capital One Community Renewal Fund, L.L.C. to fund construction costs of the U.S. Freedom Pavilion - Boeing Center. The Museum is a guarantor of the Subsidiary's obligation. The structure will realize benefits from the New Markets Tax Credit Program of the CDFI, a branch of the U.S. Department of Treasury.

Note 14 - NEW MARKETS TAX CREDIT (Continued)

The transaction loan totals \$5 million toward this \$34 million phase of the expansion. The Museum has sources of funding in place to satisfy the loan from existing donor pledges and contributions as of the date of the transaction closing. The total loan amount is described in Note 15.

The Museum will realize a projected benefit in positive cash flow from the federal incentives incorporated into the loan of \$997,500 (unaudited).

In December 2011, WWII Pavilions, Inc. executed a New Markets Tax Credit Financing Transaction with Whitney New Markets Fund to fund construction costs for the U.S. Freedom Pavilion - Boeing Center. The Museum is a guarantor of the Subsidiary's obligation. The structure will realize benefits from the New Markets Tax Credit Program of the CDFI, a branch of the U.S. Department of Treasury.

The transaction loan totals \$5 million toward this \$34 million phase of the expansion. The Museum has sources of funding in place to satisfy the loan from existing donor pledges and contributions as of the date of the transaction closing. The total loan amount is described in Note 15.

The Museum will realize a projected benefit in positive cash flow from the federal incentives incorporated into the loan of \$1,050,000 (unaudited).

In December 2013, World War II Campaigns, Inc. executed a New Markets Tax Credit Financing Transaction with FNBC New Markets Hybrid Fund to fund construction costs for the Campaigns of Courage - Road to Berlin. The Museum is a guarantor of the Subsidiary's obligation. The structure will realize benefits from the New Markets Tax Credit Program of the CDFI, a branch of the U.S. Department of Treasury and the State of Louisiana New Markets Job Act.

The transaction loan totals \$5 million toward this \$34 million phase of the expansion. The Museum has sources of funding in place to satisfy the loan from existing donor pledges and contributions as of the date of the transaction closing. The total loan amount is described in Note 15.

The Museum will realize a projected benefit in positive cash flow from the Federal and state incentives incorporated into the loan of \$1,600,000 (unaudited).

Note 15 - NOTES PAYABLE

Notes payable as of June 30, 2018 and 2017 consist of the following:

	2018	2017
<p>Note payable, dated March 4, 2016, to Hancock Whitney Bank (5.00% interest rate) payable in monthly principal and interest payments of \$22,154, with a balloon payment of \$2,872,968 plus unpaid interest on March 4, 2021, cross collateralized by other loans with Hancock Whitney Bank.</p>	\$ 3,097,528	\$ 3,203,358
<p>Notes payable, dated December 20, 2011, to a community development financial institution, Whitney New Markets CDE 3, L.L.C., interest at a fixed rate of 1% per annum due quarterly beginning December 31, 2011, and principal amortizing quarterly beginning December 31, 2018 in installments beginning March 31, 2019. All outstanding principal and interest is due on the maturity date of December 19, 2041. The debt is secured by receivables, deposits held by financial institutions, and assets of the Museum.</p>	5,000,000	5,000,000
<p>Notes payable, dated December 20, 2011, to a community development financial institution, COCRF Sub CDE XI, L.L.C., interest at a fixed rate of 1% per annum due quarterly beginning December 31, 2011, and principal is due at maturity December 20, 2018. The debt is secured by receivables, deposits held by financial institutions, and assets of the Museum.</p>	5,000,000	5,000,000

Note 15 - NOTES PAYABLE (Continued)

	2018	2017
Notes payable, dated December 30, 2013, to a community development financial institution, Advantage Capital (formerly FNBC Sub-CDE#14, L.L.C.), interest at a fixed rate of 1%, due quarterly beginning March 31, 2014, and principal is due at maturity, October 22, 2020. The note is secured by all receivables, deposits held by financial institutions, and the assignment of certain revenues of the Museum.	5,000,000	5,000,000
Note payable, dated May 29, 2018, to Hancock Whitney Bank, bearing interest at 5% payable in monthly principal and interest payments of \$26,278 with a balloon payment of \$4,192,681 plus unpaid interest due on June 15, 2021. The note is secured by Museum property.	4,455,040	-
Note payable, dated September 1, 2017, to Tawani Holdings LLC, bearing interest at 4.00%, payable in monthly interest payments of \$667 through December 1, 2017 then monthly principal and interest payments of \$9,877 thereafter, with a final payment due September 1, 2019. The loan is secured with certain deposits of the Museum.	134,880	-
	22,687,448	18,203,358
Less unamortized discount	(345,796)	(617,017)
Totals	\$ 22,341,652	\$ 17,586,341

Interest expense on the notes payable totaled \$588,067 and \$715,326 for the years ended June 30, 2018 and 2017, respectively.

For both the years ended June 30, 2018 and 2017, \$271,221, was recorded as part of interest expense through amortization of the original issue discount.

Note 15 - NOTES PAYABLE (Continued)

Aggregate maturities of long-term debt are as follows:

Year Ended June 30,	
2019	\$ 5,309,067
2020	242,934
2021	12,135,447
2022	-
2023	-
2024 and thereafter	<u>5,000,000</u>
Total	<u>\$ 22,687,448</u>

On September 7, 2016, pursuant to the forgiveness conditions in two loan agreements, the State of Louisiana Office of Community Development forgave the aggregate principal amount of \$10,000,000, represented as two separate \$5,000,000 notes payable, and released the mortgage on the Louisiana Pavilion.

Note 16 - DONOR AND BOARD DESIGNATED ENDOWMENT

The Endowments. The Museum's endowments consist of 19 funds established for the purpose of a general endowment, the George Schultz Lecture Series, the Selley Foundation Special Exhibits and Collections Fund, the Raymond E. Mason Jr. Endowed Fund for Distinguished Lectures, the Coleman Endowed Fund, the Samuel Zemurray Stone Senior Director of History, the Ferdinand Levy and Leo Levy Memorial Endowment Education Fund, the BMC Education Endowment, the Mueller Fellows Fund, the Whitman Normandy Scholars Fund, the Jack C. Taylor Education Endowment, the Bob & Dolores Hope Director of Entertainment Endowment, the Bob & Dolores Hope Educational Endowment, Walter D. Ehlers Normandy Scholars Endowment, Noel & Irene McDonald Normandy Scholars Endowment, the Dr. Hal Baumgarten D-Day Commemoration Endowment, the Monuments Men Foundation Restricted Endowment Fund, the Chuck and Amy Newhall Charitable Fund, and the Taubee Family Fund for Holocaust Education. The general endowment consists of both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board designated funds, are classified and reported based on the existence or absence of donor imposed restrictions.

Note 16 - DONOR AND BOARD DESIGNATED ENDOWMENT (Continued)

Interpretation of Relevant Law. The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of an original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies the following amounts as permanently restricted net assets in the accompanying consolidated financial statements:

- the original value of gifts donated to the permanent endowment;
- the original value of subsequent gifts to the permanent endowment; and
- accumulations to the permanent endowment, made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and the preservation of the fund;
- the purposes of the Museum and the donor-restricted endowment fund;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation of investments;
- other resources of the Museum;
- the investment policies of the Museum.

Note 16 - DONOR AND BOARD DESIGNATED ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of June 30, 2018 and 2017 is as follows:

	June 30, 2018			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 2,016,841	\$ 18,933,116	\$ 20,949,957
Board-designated funds	11,248,391	-	-	11,248,391
Total funds	\$ 11,248,391	\$ 2,016,841	\$ 18,933,116	\$ 32,198,348

	June 30, 2017			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 1,528,412	\$ 16,821,365	\$ 18,349,777
Board-designated funds	7,969,350	-	-	7,969,350
Total funds	\$ 7,969,350	\$ 1,528,412	\$ 16,821,365	\$ 26,319,127

Changes in endowment net assets for the years ending June 30, 2018 and 2017 are as follows:

	2018			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 7,969,350	\$ 1,528,412	\$ 16,821,365	\$ 26,319,127
Contributions	1,381,851	-	2,111,751	3,493,602
Board designated surplus	1,000,000	-	-	1,000,000
Investment return:				
Net appreciation, realized and unrealized	1,207,160	679,392	-	1,886,552
Endowment expended	(500,933)	-	-	(500,933)
Endowment net assets, reclassified from restriction	190,963	(190,963)	-	-
Endowment net assets, end of year	\$ 11,248,391	\$ 2,016,841	\$ 18,933,116	\$ 32,198,348

Note 16 - DONOR AND BOARD DESIGNATED ENDOWMENT (Continued)

	2017			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 5,041,614	\$ 637,792	\$ 17,204,905	\$ 22,884,311
Contributions	217,553	-	322,673	540,226
Investment return:				
Net appreciation realized				
and unrealized	1,885,794	1,008,796	-	2,894,590
Endowment net assets, reclassified from restriction	824,389	(118,176)	(706,213)	-
Endowment net assets, end of year	<u>\$ 7,969,350</u>	<u>\$ 1,528,412</u>	<u>\$ 16,821,365</u>	<u>\$ 26,319,127</u>

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Museum to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2018 and 2017.

Return Objectives and Risk Parameters. The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that must be held in perpetuity as well as board designated funds. Under this policy, the Permanent Endowment Fund should be invested primarily to achieve growth of capital and generation of income. Recommendations regarding the investment of the balance in the Permanent Endowment Fund shall be made by the Investment Committee to the Treasurer, President, and Chief Financial Officer. The Committee shall consider an appropriate and balanced portfolio of equity and fixed income investments, and other investments as may be deemed consistent with the investment objectives of the Fund by the Board of Trustees.

Spending Policy and How Investment Objectives Relate to the Spending Policy. A projected income from the Permanent Endowment Fund shall be budgeted to the general support of ongoing Museum operations or such other purpose as the Board of Trustees shall deem appropriate. This percentage and the asset base to which it applies shall be determined by the Investment Committee, incorporated in the annual budget determined by the Finance Committee, and ratified by vote of the Board of Trustees. This spending policy shall conform to generally accepted endowment management policies. Spending of the approved funds shall be authorized by the President.

Note 17 - CAPITAL CAMPAIGN

In 2004, the Museum began the Capital Campaign to raise funds for the expansion of the Museum facilities, campaign expenses, and the Endowment. The goal of the Capital Campaign is to raise \$400,000,000, of which \$33,000,000 is targeted from Federal sources, \$86,000,000 from State funding, \$23,000,000 is targeted from tax incentives, and \$258,000,000 from private sector donations. An additional \$53,200,000 from commercial funding sources has been obtained for the hotel and conference center. An additional \$7,000,000 of State funding was secured for construction of the parking garage.

As of June 30, 2018, \$32,750,000 has been committed by Federal sources; \$69,000,000 has been appropriated by the State of Louisiana (this excludes \$7,000,000 for the parking garage and \$15,000,000 unfunded priority 5 appropriations), \$19,527,032 has been funded/financed through tax incentives, \$195,066,134 has been raised from private sector sources for property acquisitions, campaign expenses, and the Endowment Fund (\$25,833,613), net of promises written off (including cash received through that date and promises to give in subsequent periods). An additional \$6,193,443 (unaudited) is reported by the Museum as planned gifts which will be recognized in subsequent periods in accordance with accounting principles generally accepted in the United States of America (for items such as the Museum being named as a beneficiary in a will or life insurance policy).

Promises receivable from private sector sources (excluding Endowment) as of June 30, 2018 and 2017 are as follows:

	2018	2017
Promises receivable at beginning of year	\$ 17,964,699	\$ 14,469,648
New promises made during the year	12,416,528	18,867,390
Less:		
Cash received	(16,131,541)	(15,372,339)
Write offs	(251,024)	-
	13,998,662	17,964,699
Unamortized discount	(499,919)	(514,590)
Allowance for doubtful promises	(197,475)	(359,294)
	\$ 13,301,268	\$ 17,090,815
Totals		

Note 17 - CAPITAL CAMPAIGN (Continued)

The activities of the Capital Campaign funding from private sector sources for property acquisitions and campaign expenses through June 30, 2018 are as follows:

Total Capital Campaign gifts and promises (excluding Endowment)	\$ 157,711,865
Less amounts written off since inception	<u>(1,396,199)</u>
	156,315,666
Discount to net present value at June 30, 2018	(499,919)
Allowance for doubtful promises at June 30, 2018	<u>(197,475)</u>
Gifts and promises, net	<u>155,618,272</u>
Net assets released from restrictions through acquisition of property or payment of Capital Campaign expenses:	
2004	3,605,658
2005	2,467,099
2006	2,973,040
2007	5,396,033
2008	7,967,652
2009	3,306,833
2010	9,493,949
2011	6,994,170
2012	7,732,418
2013	7,976,221
2014	14,351,372
2015	28,199,679
2016	10,347,977
2017	15,372,339
2018	<u>16,132,564</u>
Total net assets released	<u>142,317,004</u>
Temporarily restricted net assets - Capital Campaign, as of June 30, 2018	<u>\$ 13,301,268</u>

Note 18 - RETIREMENT PLANS

The Museum adopted a defined contribution plan covering all of its employees who are age 18 and over, who have completed three months of service. The plan allows participants to contribute by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The plan allows the Museum to contribute a discretionary amount on a uniform basis to all participants. The Museum's contribution to the plan totaled \$211,762 and \$212,196 for the years ended June 30, 2018 and 2017, respectively.

The Museum sponsors a Section 403(b) salary reduction plan covering substantially all of its employees.

Additionally, the Museum sponsors a deferred compensation plan under IRC sections 457(b) for the benefit of two highly compensated employee. The Museum's contributions to the plans totaled \$37,500 and \$45,000, respectively, for the years ended June 30, 2018 and 2017.

Note 19 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and Cash Equivalents - The carrying amount approximates fair value because of the short maturity of these instruments.

Investments - The carrying amounts of investment securities available for sale and restricted investments are predominately based on directly or indirectly observable inputs other than quoted market prices for the asset, such as quoted market prices for similar assets or liabilities.

Unconditional Promises to Give - The carrying value of unconditional promises to give as of June 30, 2018 and 2017 is \$18,386,031 and \$20,709,656, respectively, are discounted to their net present value, which approximates fair value.

Notes Receivable - The carrying value of notes receivable as of June 30, 2018 and 2017 is \$13,138,530 and \$12,819,876, respectively, which approximates fair value.

Notes Payable to Banks - The carrying value of notes payable to banks as of June 30, 2018 and 2017 is \$22,341,652 and \$17,586,341, respectively, which approximates fair value.

Limitations - Fair value estimates are made at a specific point in time, based on relevant market information and information about the consolidated financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Note 20 - FUNCTIONAL ALLOCATION OF EXPENSES

Expenses have been reported on the Statement of Activities and Changes in Net Assets by natural classification. To present expenses by functional classifications, expenses are charged to program services and supporting services (general and administrative expense, Capital Campaign expense, and fundraising expenses) based on management's estimate of periodic time and expense evaluations. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Museum.

Total expenses for the years ended June 30, 2018 and 2017 are allocated as follows:

	2018	2017
Program services	\$ 49,979,456	\$ 39,818,368
Supporting services:		
General and administrative	4,175,620	3,375,027
Fundraising	2,712,846	2,972,321
Fundraising - Capital Campaign	1,570,266	1,719,076
Total expenses	\$ 58,438,188	\$ 47,884,792

Note 21 - COMMITMENTS

During 2017, the Museum entered into an employment contract with an employee effective July 1, 2017 through June 30, 2021, which provides for a minimum annual salary, and bonus at the sole discretion of the Museum Board of Trustees. The contract provides for retention bonuses provided the employee meets certain levels of performance and completes the initial term of the contract. As of June 30, 2018, the total commitment (undiscounted) is \$1,200,000 for salary and \$112,500 for contributions to the deferred compensation plan, which includes a three year commitment to serve as President and CEO.

On March 1, 2005, the Museum entered into a contract for the architectural design of the Capital Expansion Project. Under the terms of the contract, fees are determined by a lump sum total of \$250,000, 9.9% of the first \$80,170,115, and 6% of costs in excess of \$80,170,115. As of June 30, 2018, the Museum has incurred construction completed or in progress related to this architectural design contract totaling approximately \$14,597,000.

Note 21 - COMMITMENTS (Continued)

The Museum has entered into a contract for the exhibit design of the Capital Expansion Project totaling approximately \$9,959,000. As of June 30, 2018, the Museum has incurred construction completed or in progress related to this architectural design contract totaling approximately \$9,512,000.

The Museum entered into contracts related to the construction of the Bollinger Canopy of Peace totaling approximately \$7,599,000. As of June 30, 2018, the Museum has incurred construction in progress related to this project totaling approximately \$5,897,000.

The Museum entered into a contract related to the construction of the Louisiana Memorial Pavilion, 4th Floor totaling approximately \$690,000. As of June 30, 2018, the Museum has incurred construction in progress related to this project totaling approximately \$655,000.

The Museum entered into a contract related to the construction of the American Sector Expansion totaling approximately \$2,717,000. As of June 30, 2018, the Museum has incurred construction in progress related to this project totaling approximately \$2,510,000.

The Museum entered into a contract for the design of the Higgins Hotel and Conference Center totaling approximately \$2,123,000. As of June 30, 2018, the Museum has incurred construction completed or in progress related to this architectural design contract totaling approximately \$1,862,000.

During the year ended June 30, 2018, the Museum entered into a contract related to the construction of the Higgins Hotel and Conference Center totaling approximately \$43,755,000. As of June 30, 2018, the Museum has incurred construction in progress related to this project totaling approximately \$8,110,000.

During the year ended June 30, 2018, the Museum entered into a contract related to the construction of the Hall of Democracy totaling approximately \$16,691,000. As of June 30, 2018, the Museum has incurred construction in progress related to this project totaling approximately \$2,178,000.

During the year ended June 30, 2018, the Museum entered into a contract related to the design of the Liberation Theater totaling approximately \$1,025,000. As of June 30, 2018, the Museum has incurred construction in progress related to this project totaling approximately \$714,000.

Note 21 - COMMITMENTS (Continued)

During the year ended June 30, 2018, the Museum entered into a contract related to the modification of the Security Room totaling approximately \$250,000. As of June 30, 2018, the Museum has incurred construction in progress related to this project totaling approximately \$185,000.

If there is a breach of the loan agreements between the Museum and Capital One and the Museum and Hancock Whitney Bank, the Community Development Financial Institutions are required to recapture all or part of the New Markets Tax Credit that were claimed. The Museum has agreed to pay to the Community Development Financial Institutions an amount equal to the sum of the credits recaptured. The maximum aggregate amount due under the clauses in the agreements governing these possible recaptures is \$5,350,000 (see Notes 14 and 15). Management believes there are no breaches of these agreements.

Note 22 - LEASE AND LICENSING AGREEMENTS

On June 18, 2014, in preparation to enter into agreements to lease its restaurant, the Museum recorded with the Orleans Parish Clerk of Court an executed Declaration of Immobilization for the machinery, appliances, and equipment on its property used for food and beverage and catering activities to be deemed component parts of the buildings.

On June 18, 2014, the Museum entered into agreements to lease its restaurant space and to license certain designations, including design, trademarks, service marks, logographic, symbols, and other indicia of the Museum with Service America Corporation d/b/a Centerplate ("Centerplate"), beginning August 1, 2014.

Both the lease and licensing agreements will continue on a continuous seven year cycle beginning on August 1, 2015, provided the Tenant meets the Museum's visitor needs and expectations. For each contract year this goal is achieved, the lease is extended one year beyond the initial term (set to expire July 31, 2024). If Centerplate fails to meet the Museum's visitor needs and expectations in any two consecutive years, the Museum may terminate the lease.

The license fee is determined as a percentage of gross receipts, 17.5% of the first \$2,000,000 of gross receipts, 20% of the next \$500,000 of gross receipts, and 22.5% greater than \$2,500,000 of gross receipts. The maximum and minimum of each step-scale tier shall be adjusted by the percentage increase or decrease in the Consumer Price Index from the commencement date, August 1, 2014, on the first day of each contract year beginning with the fourth contract year.

Note 22 - LEASE AND LICENSING AGREEMENTS (Continued)

Rent is determined as a percentage of gross receipts, 10% of the first \$3,000,000, 12.5% of the next \$500,000, and 15% greater than \$3,500,000. The maximum and minimum of each step-scale tier shall be adjusted by the percentage increase or decrease in the Consumer Price Index from the commencement date, August 1, 2014, on the first day of each contract year beginning with the fourth contract year. As consideration for this lease, Centerplate will invest up to \$750,000 in the premises on worthy food and beverage related projects.

Note 23 - SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended June 30,	
	2018	2017
Cash paid for interest	\$ 474,356	\$ 559,235
Cost of building improvements and equipment acquired	\$ 28,492,920	\$ 19,712,309
Less:		
Construction payable for property and equipment purchases	(2,188,673)	-
Cash payments for property and equipment acquired	\$ 26,304,247	\$ 19,712,309
Line of credit converted to term note payable	\$ 4,470,762	\$ -

SUPPLEMENTAL INFORMATION

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

The National World War II Museum, Inc.
New Orleans, Louisiana

For the year ended June 30, 2018

Agency Head Name: Stephen Watson (President and Chief Executive Officer)

Purpose

Salary (includes bonus of \$90,000)	\$ 490,000
Benefits - insurance	9,458
Benefits - retirement - 457	0
Benefits - retirement - 401k	8,504
Benefits - other	0
Car allowance	14,400
Gas	0
Vehicle provided by government	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0
	<hr/>
	\$ 522,362
	<hr/> <hr/>

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
The National World War II Museum, Inc. and Subsidiaries,
New Orleans, Louisiana.

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, the consolidated financial statements of The National World War II Museum, Inc. and Subsidiaries (a nonprofit organization) (the "Museum"), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon, dated October 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 over financial reporting 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 a material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Museum's consolidated financial statements are free from 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 consolidated financial statement amounts. 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 disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

A handwritten signature in black ink that reads "Bourgeois Bennett, L.L.C." in a cursive script.

Certified Public Accountants.

New Orleans, Louisiana,
October 19, 2018.

SCHEDULE OF FINDINGS AND RESPONSES

The National World War II Museum, Inc. and Subsidiaries
New Orleans, Louisiana

For the year ended June 30, 2018

Section I - Summary of Auditor's Report

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be a material weakness? ___ Yes X None reported

Noncompliance material to consolidated financial statements noted? ___ Yes X No

b) Federal Awards

The Museum did not receive federal awards in excess of \$750,000 during the year ended June 30, 2018.

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

No findings were reported during the audit of the consolidated financial statements for the year ended June 30, 2018.

Compliance and Other Matters

No findings were reported during the audit of the consolidated financial statements for the year ended June 30, 2018.

Section III - Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

The National World War II Museum, Inc. and Subsidiaries New Orleans, Louisiana

For the year ended June 30, 2017

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

No material weaknesses were reported during the audit of the consolidated financial statements for the year ended June 30, 2017.

No significant deficiencies were reported during the audit of the consolidated financial statements for the year ended June 30, 2017.

Compliance and Other Matters

No compliance findings material to the consolidated financial statements were reported during the audit of the consolidated financial statements for the year ended June 30, 2017.

Section II - Internal Control and Compliance Material to Federal Awards

The Museum did not receive federal awards in excess of \$750,000 during the year ended June 30, 2017.

Section III - Management Letter

A management letter was not issued in connection with the audit of the consolidated financial statements for the year ended June 30, 2017.

MANAGEMENT'S CORRECTIVE ACTION PLAN

The National World War II Museum, Inc. and Subsidiaries New Orleans, Louisiana

For the year ended June 30, 2018

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

No material weaknesses were reported during the audit of the consolidated financial statements for the year ended June 30, 2018.

No significant deficiencies were reported during the audit of the consolidated financial statements for the year ended June 30, 2018.

Compliance and Other Matters

No compliance findings material to the consolidated financial statements were reported during the audit of the consolidated financial statements for the year ended June 30, 2018.

Section II - Internal Control and Compliance Material to Federal Awards

The Museum did not receive federal awards in excess of \$750,000 during the year ended June 30, 2018.

Section III - Management Letter

A management letter was not issued in connection with the audit of the consolidated financial statements for the year ended June 30, 2018.

STATEWIDE AGREED-UPON PROCEDURES (R.S. 24:513)

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Trustees,
The National World War II Museum, Inc.,
New Orleans, Louisiana.

We have performed the procedures included in the enumerated below, which were agreed to by the management of The National World War II Museum, Inc. (the "Museum") and the Louisiana Legislative Auditor, solely to assist the specified users of the report in evaluating management's assertions about the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs) accompanying the annual financial statements of the Museum for the year ended June 30, 2018 and to determine whether the C/C areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures are free of obvious errors and omissions. Management of the Museum is responsible for its C/C areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures. The sufficiency of these procedures is solely the responsibility of the specified parties in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

Testing is not applicable as there were no findings in the SAUPs for the year ended June 30, 2017.

Board (or Finance Committee, if Applicable)

Testing is not applicable as there were no findings in the SAUPs for the year ended June 30, 2017.

Bank Reconciliations

- 1. Obtain a listing of the Museum bank accounts for the year ended June 30, 2018 from management and management's representation that the listing is complete. Ask management to identify the Museum's main operating account. Select the entity's main operating account and randomly select four additional accounts (or all accounts if less than five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account.**

Bank Reconciliations (Continued)

Performance: We obtained a listing of the Museum bank accounts from management for the fiscal period. We also obtained management's representation that the listing is complete. We noted that funding from the State of Louisiana is received in two dedicated bank accounts and disbursed out of two dedicated bank accounts. Therefore, we obtained listings for these four bank accounts.

Exceptions: There were no exceptions noted.

- 2. Using the listing provided by management, select the Museum's main operating bank account and randomly select four additional accounts (or all accounts if less than five) Randomly select one month from the fiscal year, obtain and inspect the corresponding bank statement and reconciliations for each selected account and observe that:**

- a) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date;**

Performance: We observed that the selected bank account reconciliations were prepared within two months of the related statement date.

Exceptions: There were no exceptions noted.

- b) Bank reconciliations include evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation; and**

Performance: We observed that the selected bank account reconciliations were reviewed by a member of management who does not handle cash.

Exceptions: There were no exceptions noted.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than twelve months from the statement closing date, if applicable.**

This procedure is not applicable. There were no reconciling items that have been outstanding for more than twelve months from the statement closing date.

Collections

Testing is not applicable as there were no findings in the SAUPs for the year ended June 30, 2017.

Non-Payroll Disbursements

Testing is not applicable as there were no findings in the SAUPs for the year ended June 30, 2017.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

Testing is not applicable as there were no findings in the SAUPs for the year ended June 30, 2017.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

Testing is not applicable as there were no findings in the SAUPs for the year ended June 30, 2017.

Contracts

Testing is not applicable as there were no findings in the SAUPs for the year ended June 30, 2017.

Payroll and Personnel

Testing is not applicable as there were no findings in the SAUPs for the year ended June 30, 2017.

Ethics

Testing is not applicable for non-profit entities.

Debt Service

Testing is not applicable for non-profit entities.

Other

- 3. Inquire of management whether the Museum had any misappropriations of public funds or assets. If so, obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, observe supporting documentation and observe that the Museum reported the misappropriation to the legislative auditor and the district attorney of the parish in which the Museum is domiciled.**

Other (Continued)

Performance: Inquired of management and reviewed various audit documentation for any misappropriations of public funds or assets.

Exceptions: There were no exceptions noted. No misappropriation of public funds or assets was noted.

4. Observe and report whether the Museum has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Performance: We verified that the Museum has posted on its premises and website the notice required by R.S. 24:523.1.

Exceptions: There were no exceptions noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. We are not engaged to, and did not perform an examination, or review, the objective of which would be the expression of an opinion or conclusion, respectively, on management's assertions. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Museum, the Louisiana Legislature, and the Louisiana Legislative Auditor, and it not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
October 19, 2018.