

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Audits of Consolidated Financial Statements

June 30, 2023 and 2022



THE NATIONAL
WWII MUSEUM
NEW ORLEANS



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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The National World War II Museum, Inc. and Subsidiaries (the Museum), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules, and schedule of compensation, benefits, and other payments to agency head or chief executive officer, are presented for purposes of additional analysis and are 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 accompanying consolidating schedules, and schedule of compensation, benefits, and other payments to agency head or chief executive officer, are 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 December 6, 2023, on our consideration of the Museum's 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Museum's 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 Museum's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
December 6, 2023

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidated Statements of Financial Position
For the Year Ended June 30, 2023

	2023	2022
Assets		
Cash and Cash Equivalents	\$ 61,735,555	\$ 67,667,467
Unconditional Promises to Give		
Capital Campaign, Net of Allowances	17,180,023	16,449,205
Endowment, Net of Allowances	2,907,503	907,187
Other, Net of Allowances	7,134,572	151,648
ERTC Receivable	2,533,028	4,012,896
Retail Store Inventory	1,098,508	1,022,556
Other Assets	7,667,411	7,320,903
Endowment Assets		
Cash and Cash Equivalents - Restricted	595,066	2,399,415
Investments	47,496,090	39,842,196
Property and Equipment, Net of Accumulated Depreciation	291,419,346	284,240,784
Collections	14,629,725	12,998,177
Interest Rate Swap Asset	455,168	-
Right-of-Use Assets - Operating Leases, Net	1,841,631	-
Right-of-Use Assets - Finance Leases, Net	22,528	-
Total Assets	\$ 456,716,154	\$ 437,012,434
Liabilities and Net Assets		
Liabilities		
Accounts Payable Trade	\$ 3,132,929	\$ 2,899,266
Accrued Expenses	6,238,225	4,965,871
Unearned Revenue and Deposits	8,202,608	5,913,654
Taxes Payable	360,911	310,977
Other Liabilities	1,049,628	1,279,145
Notes Payable, Net	51,508,054	58,889,778
Liability on Interest Rate Swap Agreement	-	55,373
Lease Liability - Operating Leases	1,855,611	-
Lease Liability - Finance Leases	22,844	-
Total Liabilities	72,370,810	74,314,064
Net Assets Without Donor Restrictions		
Designated	50,953,787	48,378,227
Undesignated	263,724,754	249,601,106
Total Net Assets Without Donor Restrictions	314,678,541	297,979,333
Net Assets With Donor Restrictions	69,666,803	64,719,037
Total Net Assets	384,345,344	362,698,370
Total Liabilities and Net Assets	\$ 456,716,154	\$ 437,012,434

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Operating Revenue	\$ 66,047,658	\$ -	\$ 66,047,658
Financial Contributions and Grants	15,706,617	21,846,480	37,553,097
In-Kind Contributions	141,648	-	141,648
Net Return on Investments	7,017,716	(990,666)	6,027,050
Hilton Franchise Debt Forgiveness	65,000	-	65,000
Investment Tax Credit Revenue	1,344,312	-	1,344,312
Net Assets Released from Restrictions	15,908,048	(15,908,048)	-
Total Revenue and Other Support	106,230,999	4,947,766	111,178,765
Expenses and Losses			
Program Services	75,811,975	-	75,811,975
Supporting Services			
General and Administrative	7,486,372	-	7,486,372
Fundraising	6,743,985	-	6,743,985
Total Expenses	90,042,332	-	90,042,332
Changes in Net Assets Before Change in Liability on Interest Rate Swap Agreement	16,188,667	4,947,766	21,136,433
Change in Liability on Interest Rate Swap Agreement	510,541	-	510,541
Change in Net Assets	16,699,208	4,947,766	21,646,974
Net Assets, Beginning of Year	297,979,333	64,719,037	362,698,370
Net Assets, End of Year	\$ 314,678,541	\$ 69,666,803	\$ 384,345,344

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Operating Revenue	\$ 53,626,614	\$ -	\$ 53,626,614
Financial Contributions and Grants	13,247,056	25,126,778	38,373,834
In-Kind Contributions	82,908	-	82,908
Net Return on Investments	(4,705,105)	(1,886,818)	(6,591,923)
Hilton Franchise Debt Forgiveness	65,000	-	65,000
Insurance Proceeds	2,700,000	-	2,700,000
Paycheck Protection Program Forgiveness Income	3,540,000	-	3,540,000
Employee Retention Tax Credit Revenue	4,012,896	-	4,012,896
Other Income	103,125	-	103,125
Net Assets Released from Restrictions	18,069,105	(18,069,105)	-
Total Revenue and Other Support	90,741,599	5,170,855	95,912,454
Expenses and Losses			
Program Services	58,624,371	-	58,624,371
Supporting Services			
General and Administrative	6,872,376	-	6,872,376
Fundraising	6,753,666	-	6,753,666
Total Expenses	72,250,413	-	72,250,413
Loss on Damage of Property and Equipment	420,967	-	420,967
Total Expenses and Losses	72,671,380	-	72,671,380
Changes in Net Assets Before Change in Liability on Interest Rate Swap Agreement			
Change in Liability on Interest Rate Swap Agreement	18,070,219	5,170,855	23,241,074
Change in Liability on Interest Rate Swap Agreement	1,535,607	-	1,535,607
Change in Net Assets	19,605,826	5,170,855	24,776,681
Net Assets, Beginning of Year	278,373,507	59,548,182	337,921,689
Net Assets, End of Year	\$ 297,979,333	\$ 64,719,037	\$ 362,698,370

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services	Supporting Services		Total Expenses
		General and Administration	Fundraising	
Advertising	\$ 2,847,720	\$ 23,569	\$ 70,706	\$ 2,941,995
Capital and Bad Debt Expense	33,507	-	-	33,507
Cost of Goods Sold	2,287,393	-	-	2,287,393
Depreciation and Amortization	11,439,183	2,033,634	-	13,472,817
Educational Travel Program Expense	6,351,045	-	-	6,351,045
Hotel Operating Expense	15,138,780	-	-	15,138,780
Insurance Expense	1,671,467	615,951	-	2,287,418
Interest Expense	3,255,459	-	-	3,255,459
Marketing Expense	898,465	-	18,497	916,962
Meeting, Events, and Conferences Expense	1,124,115	65,473	112,861	1,302,449
Office Supplies	1,423,787	4,097	5,303	1,433,187
Other Operating Expense	2,071,662	162,866	541,891	2,776,419
Other Personnel Costs	275,216	23	2,054	277,293
Other Program Expense	887,184	-	-	887,184
Payroll Taxes and Benefits	2,970,058	136,198	246,204	3,352,460
Printing and Postage Expense	1,661,946	1,009,880	3,046,080	5,717,906
Professional Services	2,323,889	838,564	689,537	3,851,990
Repair and Maintenance	1,928,299	-	-	1,928,299
Salaries	14,908,734	2,320,781	1,856,351	19,085,866
Staff and Volunteer Expenses	713,315	64,102	10,660	788,077
Staff Travel	461,960	5,939	6,680	474,579
Telephone Expense	116,161	770	811	117,742
Utilities	1,022,630	204,525	136,350	1,363,505
Total Expenses	\$ 75,811,975	\$ 7,486,372	\$ 6,743,985	\$ 90,042,332

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services	Supporting Services		Total Expenses
		General and Administration	Fundraising	
Advertising	\$ 2,206,337	\$ 19,911	\$ 59,734	\$ 2,285,982
Cost of Goods Sold	2,062,633	-	-	2,062,633
Depreciation and Amortization	9,885,429	1,744,487	-	11,629,916
Educational Travel Program Expense	3,343,330	-	-	3,343,330
Hotel Operating Expense	12,016,514	-	-	12,016,514
Insurance Expense	1,572,760	485,088	-	2,057,848
Interest Expense	2,616,631	-	-	2,616,631
Marketing Expense	749,359	-	7,431	756,790
Meeting, Events, and Conferences Expense	856,302	42,263	404,973	1,303,538
Office Supplies	1,296,309	74,825	14,959	1,386,093
Other Operating Expense	1,220,518	395,242	447,772	2,063,532
Other Personnel Costs	51,385	61,898	3,795	117,078
Other Program Expense	741,063	-	-	741,063
Payroll Taxes and Benefits	2,171,409	383,034	150,585	2,705,028
Printing and Postage Expense	1,345,058	916,734	2,781,904	5,043,696
Professional Services	965,878	650,354	1,314,899	2,931,131
Repair and Maintenance	1,487,525	10,183	-	1,497,708
Salaries	12,223,048	1,931,925	1,443,421	15,598,394
Staff and Volunteer Expenses	290,033	138,630	81,904	510,567
Staff Travel	262,130	14,874	40,522	317,526
Telephone Expense	102,741	2,928	1,767	107,436
Utilities	1,157,979	-	-	1,157,979
Total Expenses	\$ 58,624,371	\$ 6,872,376	\$ 6,753,666	\$ 72,250,413

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in Net Assets	\$ 21,646,974	\$ 24,776,681
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	13,472,817	11,629,916
Loss on Damage of Property and Equipment	-	420,967
Paycheck Protection Program Loan Forgiveness	-	(3,540,000)
Hilton Development Incentive Note Forgiveness	(65,000)	(65,000)
Amortization of Note Payable Discount	22,630	-
Realized and Unrealized Loss on Investments	3,723,528	8,085,149
(Increase) Decrease in Operating Assets		
Other Unconditional Promises to Give, Net	(6,982,924)	860,777
ERTC Receivable	1,479,868	(4,012,896)
Retail Store Inventory	(75,952)	(65,085)
Other Assets	(346,508)	(1,638,319)
Right-of-Use Assets - Operating Leases	144,062	-
Increase (Decrease) in Operating Liabilities		
Accounts Payable Trade	233,663	700,809
Accrued Expenses	1,272,354	1,501,529
Unearned Revenue and Deposits	2,288,954	1,044,868
Taxes Payable	49,934	51,322
Other Liabilities	(229,517)	(68,940)
Lease Liability - Operating Leases	(130,082)	-
Changes in Asset/Liability on Interest Rate Swap Agreement	(510,541)	(1,535,607)
Revenues Restricted for the Acquisition of Property and Equipment		
State Grant	(5,768,178)	(7,666,892)
Capital Campaign Contributions, Net of Expenses	(9,867,010)	(5,321,914)
Increase in Discount on Unconditional Promises to Give:		
Capital Campaign	787,030	761,269
Increase in Allowance for Uncollectible Promises to Give:		
Capital Campaign	141,252	577,700
Decrease in Discount on Unconditional Promises to Give:		
Endowment	(304,914)	-
Increase in Allowance for Uncollectible Promises to Give:		
Endowment	87,200	-
Contributions Restricted for Endowment Purposes	(3,706,952)	(1,199,207)
Net Cash Provided by Operating Activities	17,362,688	25,297,127

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(22,267,909)	(29,100,088)
Investment Purchases	(30,192,805)	(12,380,078)
Proceeds from Sales and Maturities of Investments	18,815,383	9,764,723
	<u>(33,645,331)</u>	<u>(31,715,443)</u>
Net Cash Used in Investing Activities		
Cash Flows from Financing Activities		
Collections of State Grant Funds Restricted for the Acquisition of Property and Equipment	5,768,178	7,666,892
Collections of Endowment Gifts	1,924,350	3,362,970
Collections of Capital Campaign Contributions Restricted for the Acquisition of Property and Equipment, Net of \$1,469,023 and \$3,438,241 of Campaign Expenses in 2023 and 2022, Respectively	8,207,910	6,813,126
Repayments of Notes Payable	(7,203,574)	(1,421,429)
Payments of Debt Issuance Costs	(135,780)	-
Principal Payments on Finance Leases	(14,702)	-
	<u>8,546,382</u>	<u>16,421,559</u>
Net Cash Provided by Financing Activities		
Net (Decrease) Increase in Cash and Cash Equivalents	(7,736,261)	10,003,243
Cash and Cash Equivalents, Beginning of Year	70,066,882	60,063,639
Cash and Cash Equivalents, End of Year	<u>\$ 62,330,621</u>	<u>\$ 70,066,882</u>
Supplemental Disclosures		
Reconciliation		
Cash and Cash Equivalents	\$ 61,735,555	\$ 67,667,467
Cash and Cash Equivalents Restricted for Endowments	595,066	2,399,415
	<u>\$ 62,330,621</u>	<u>\$ 70,066,882</u>
Total Cash and Cash Equivalents		
Cash Paid During the Year for Interest	<u>\$ 2,923,921</u>	<u>\$ 2,616,631</u>
Non-Cash Transactions		
Recognition of Operating Lease Right-of-Use Assets	\$ 1,985,693	\$ -
Operating Lease Liability Arising from Right-of-Use Assets	\$ 1,985,693	\$ -
Finance Lease Liability Arising from Right-of-Use Assets	\$ 37,546	\$ -

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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's program activities are related to this mission.

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 square-foot, multi-functional, education facility offering the Museum's first dedicated space to students and teachers, providing an exciting, dynamic place to learn.

During 2009, the Museum opened the Solomon Victory Theater and BB's 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 American Sector Restaurant. This phase of the Museum's expansion also provides space for support services, administration, ticketing, retail outlets, and central plant services.

In 2013, the Museum opened The United States Freedom Pavilion - Boeing Center. This 90+ foot high addition is the tallest of the Museums' 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.

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.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1. Nature of Activities (Continued)

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.

In October 2019, the Museum completed The Hall of Democracy. The Hall of Democracy is a 34,800 square-foot pavilion dedicated to the Museum's research, World War II (WWII) content expertise, and outreach to visitors, educators, students, and scholars around the world. This pavilion makes the Museum's extensive digitized collection of oral histories, photographs, artifacts, and archives more accessible to the public through new on-line and learning initiatives. The pavilion houses a special exhibits gallery; the Institute for the Study of War and Democracy; a WWII Media and Education Center with production studios and broadcast capabilities for the editing, production, and dissemination of the Museum's digital assets and programs; and a library that will support research and public engagement.

In November 2019, the Museum subsidiary, World War II Theatre, Inc. (the Theatre), opened its 230 room Higgins Hotel and Conference Center (the Hotel or the Higgins). The Hotel is branded as a Hilton Curio property. The Hotel is named in honor of Andrew Higgins who designed and built over 20,000 boats in New Orleans that were used in every major amphibious assault of World War II. Inspired by the war era and featuring a unique art deco design evocative of the WWII era, the Higgins immerses visitors in the war years with exhibit displays and specially curated educational resources. In addition to its guest rooms, The Higgins features a second-floor conference center with more than 18,000 square feet of meeting space, including a boardroom that replicates critical elements from the planning of the D-Day invasion as well as six meeting rooms bearing names and content related to the themes of World War II, which provide critical space for hosting the Museum's continually expanding educational programs and initiatives.

Note 2. Organization and Summary of Significant Accounting Policies

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.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2. Organization and Summary of Significant Accounting Policies (Continued)

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, the Theatre 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 modified its purpose in 2017 such that, in addition to the theatre, canteen, and restaurant operations, the Theatre's purpose was expanded to take on the hotel and conference center development and operations. 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, World War 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 and operate the U.S. Freedom Pavilion: The Boeing Center adjacent to The National World War II 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 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. There was no activity during 2023 and 2022.

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. 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.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2. Organization and Summary of Significant Accounting Policies (Continued)

Organization and Income Taxes (Continued)

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., World War 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 qualify as organizations that are not a private foundation as defined in Section 509(a) of the Internal Revenue Code. They are also exempt from Louisiana income tax under the authority of Louisiana Revised Statute (R.S.) 47:121(5).

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.

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.

Basis of Presentation

The financial statement presentation is presented in accordance with the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Net Assets

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that may or will be met either by actions of the Museum and/or by the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity by the Museum. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2. Organization and Summary of Significant Accounting Policies (Continued)

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., and PT-305 Excursions, L.L.C. (the Subsidiaries).

All intercompany transactions and resulting balances have been eliminated in the consolidated financial statements.

Cash and Cash Equivalents

For reporting purposes, 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.

Promises to Give

The Museum records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statements of activities and changes in net assets. The Museum determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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. During the years ended June 30, 2023 and 2022, promises to give totaling \$-0- and \$412,000, respectively, were written off. As of June 30, 2023 and 2022, the balance of the allowance related to the Capital Campaign (see Note 4) was \$631,432 and \$490,180 respectively, the allowance related to the Endowment (see Note 12) was \$545,000 and \$457,800, respectively, and the allowance for other promises to give was \$261,250 and \$50,000, respectively.

Retail Store Inventory

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2. Organization and Summary of Significant Accounting Policies (Continued)

Investments

Investments in equity securities with readily determinable fair values are measured at fair value in the consolidated statements of financial position. Investments also include alternative investments consisting of private equity and private credit funds. These investments are reported at net asset value (NAV) as a practical expedient to fair value. Investment return, net (including realized and unrealized gains and losses on investments, interest, dividends, and expenses) is included in the consolidated statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law.

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.

Collections

As of June 30, 2023 and 2022, 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, military vehicles, monuments men artifacts, vintage automobiles, Higgins boat, PT 305 boat, oral histories from World War II veterans, and miscellaneous artifacts. The Museum does not record depreciation on its collections because depreciation is not 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. The Museum uses a \$25,000 capitalization threshold for both purchased and donated collections.

Derivative Instruments

The Museum has a derivative instrument that is used as a hedge to the variable interest rate loans issued by Hancock Whitney Bank and First Horizon Bank (Note 8). The Museum accounts for its derivative instruments under the FASB ASC Topic 815, *Derivatives and Hedging*. More specifically, FASB ASC 815-20 requires that the fair value of derivatives be recorded as a liability and a related loss or as an asset and a related gain depending on the future net payments forecasted under the derivative.

Revenue and Revenue Recognition

The Museum recognizes revenue in accordance with FASB Accounting Standards Update (ASU) 2014-09, *Revenues from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers and donors that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2. Organization and Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition (Continued)

The Museum records the following revenue in its consolidated statements of activities and changes in net assets:

Admissions Revenue

Admissions revenue represents the Museum Campus Pass Admissions, Museum Campus Pass Package, and Guided Tours ticket sales. Revenue is recognized at the time the ticket is presented for admission.

Membership Revenue

Membership dues are recorded in the period the cash is received.

Hotel Operating Revenue

Revenue represents sales derived from hotel operations, including rental of rooms and food and beverage sales, provided in the normal course of business. The performance obligation is to provide accommodations and other ancillary services to hotel guests. The transaction price for such goods and services is established as a fixed nightly fee for an agreed upon period and additional fixed fees for any ancillary services purchased. The fees are generally payable at the end of the hotel accommodations and other ancillary services. The performance obligations are generally satisfied over time. Revenue from room sales and from other ancillary guest services is recognized on a daily basis, as the rooms are occupied and ancillary services are rendered.

Retail Store Revenue

Revenue from retail store sales is recognized at the time of the sale.

Contribution and Grants

Contributions and grants received are recorded as unrestricted or restricted support, depending on the existence or nature of any donor or grantor restrictions. Support that is restricted by the donor or grantor is reported as an increase in restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends and/or when the purpose is accomplished), restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

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.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2. Organization and Summary of Significant Accounting Policies (Continued)

Non-Cash In-Kind Contributions

The Museum's in-kind contributions, consisting of professional services and transportation, totaled \$141,648 and \$82,908 for the years ended June 30, 2023 and 2022, respectively. Professional services were valued using estimated average U.S. prices for identical or similar services using pricing data under a "like-kind" methodology. No in-kind contributions were restricted. The Museum used those services for its own program and supporting service use.

Fundraising Expenses

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

Functional Allocation of Expenses

Expenses are charged directly to program expenses, general and administration, or fundraising based on specific identification.

Allocated Expenses

The costs of providing the various programs and other activities are summarized in Note 15.

Tax Matters

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Museum believes that it has taken appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements. Tax years June 30, 2020 and later remain subject to examination by the taxing authorities.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

Concentrations

Financial instruments that potentially expose the Museum to concentrations of credit and market risk consist primarily of cash, cash equivalents and investments. The Museum has not experienced any losses in these accounts. The Federal Deposit Insurance Corporation (FDIC) secures accounts in insured institutions up to \$250,000 per depositor. At June 30, 2023, the Museum had \$9,629,896 in excess of the FDIC insured limit and approximately \$42,000,000 invested in short-term U.S. agencies.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2. Organization and Summary of Significant Accounting Policies (Continued)

Advertising Costs

Advertising costs are expensed as incurred and totaled \$2,941,995 and \$2,285,982 during the years ended June 30, 2023 and 2022, respectively.

Implementation of Accounting Pronouncement

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their consolidated leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the consolidated statements of activities and changes in net assets.

The Museum adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Museum has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Museum's historical accounting treatment under ASC Topic 840, *Leases*.

The Museum elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Museum does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Museum has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Museum determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the Museum obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Museum also considers whether its service arrangements include the right to control the use of an asset.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2. Organization and Summary of Significant Accounting Policies (Continued)

Implementation of Accounting Pronouncement (Continued)

The Museum made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Museum made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

The Museum has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate asset classes. The non-lease components typically represent additional services transferred to the Museum, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Museum's operating leases of approximately \$1,986,000 respectively, at July 1, 2022. The adoption of the new lease standard did not materially impact consolidated change in net assets or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Recent Accounting Pronouncements - Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which it clarified and updated through the following ASUs (collectively, ASC Topic 326):

- ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*
- ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*
- ASU 2019-05, *Financial Instruments-Credit Losses (Topic 326): Targeted Transition Relief*
- ASU 2019-10, *Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*
- ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*
- ASU 2022-02, *Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2. Organization and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements - Not Yet Adopted (Continued)

ASC Topic 326 changes the impairment model for most financial assets measured at amortized cost, as well as certain other instruments, from an incurred loss model to an expected loss model. As a result, organizations will be required to recognize credit losses on financing receivables and other financial assets earlier than previously stipulated and for the entire contractual term of an instrument. The update applies to financial assets recorded at amortized cost basis (e.g., loan receivables, trade and certain other receivables, off-balance sheet credit exposures such as loan commitments and financial guarantees) but does not apply to financial assets measured at fair value (e.g., promises to give/pledges receivable; loans and receivables between entities under common control). ASC Topic 326 is effective for the Museum's fiscal year 2024. Management continues to evaluate the potential impact of this update.

Note 3. 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 net assets with donor restrictions class after discounting projected future cash flows to the present value using an estimate of the Annual Federal Mid-Term Rate. Promises to give receivable balances of more than one year are discounted between 3-5% for each of the years ended June 30, 2023 and 2022.

Unconditional promises to give for the years ended June 30, 2023 and 2022 consisted of the following:

June 30, 2023	Capital Campaign	Endowment	Other	Total
Unconditional Promises to Give	\$ 19,570,644	\$ 3,804,813	\$ 8,061,667	\$ 31,437,124
Unamortized Discount	(1,759,189)	(352,310)	(665,845)	(2,777,344)
Allowance for Uncollectible Amounts	(631,432)	(545,000)	(261,250)	(1,437,682)
Net Unconditional Promises to Give	\$ 17,180,023	\$ 2,907,503	\$ 7,134,572	\$ 27,222,098
June 30, 2022	Capital Campaign	Endowment	Other	Total
Unconditional Promises to Give	\$ 17,911,544	2,022,211	203,257	\$ 20,137,012
Unamortized Discount	(972,159)	(657,224)	(1,609)	(1,630,992)
Allowance for Uncollectible Amounts	(490,180)	(457,800)	(50,000)	(997,980)
Net Unconditional Promises to Give	\$ 16,449,205	\$ 907,187	\$ 151,648	\$ 17,508,040

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 3. Unconditional Promises to Give (Continued)

Pledges are expected to be collected as follows:

Amounts Due In:	
Less than One Year	\$ 14,277,005
One to Five Years	17,160,119
Greater than Five Years	<u>-</u>
Total Amounts Due	<u><u>\$ 31,437,124</u></u>

Note 4. 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 was subsequently increased to \$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 was obtained for the hotel and conference center. An additional \$7,000,000 of state funding was secured for construction of the parking garage.

The Museum's Capital Campaign goal of \$400,000,000 was reached and exceeded during the year ended June 30, 2023 with \$420,481,558 (unaudited) raised as of the end of the fiscal year. \$33,590,000 has been committed by Federal sources; \$91,500,000 has been appropriated by the State of Louisiana (this excludes \$7,000,000 for the parking garage), \$19,027,032 has been funded/financed through tax incentives, \$276,364,526 has been raised from private sector sources for property acquisitions and campaign expenses. An additional \$13,600,000 (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).

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 4. Capital Campaign (Continued)

Promises receivable from private sector sources (excluding Endowment) as of June 30, 2023 and 2022 are as follows:

	2023	2022
Promises Receivable at Beginning of Year	\$ 17,911,544	\$ 19,814,756
New Promises Made During the Year	9,266,180	8,760,155
Less:		
Cash Received	(7,607,080)	(10,231,367)
Write Offs	-	(432,000)
	19,570,644	17,911,544
Promises Receivable at End of Year	19,570,644	17,911,544
Unamortized Discount	(1,759,189)	(972,159)
Allowance for Doubtful Promises	(631,432)	(490,180)
	\$ 17,180,023	\$ 16,449,205

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 4. Capital Campaign (Continued)

The activities of the Capital Campaign funding from private sector sources for property acquisitions and campaign expenses through June 30, 2023 are as follows:

Total Capital Campaign Gifts and Promises (Excluding Endowment)	\$ 221,241,073
Less: Amounts Written Off Since Inception	<u>(1,912,559)</u>
	219,328,514
Discount to Net Present Value at June 30, 2023	(1,759,189)
Allowance for Doubtful Promises at June 30, 2023	<u>(631,432)</u>
	216,937,893

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	16,132,564
2019	18,999,006
2020	8,960,340
2021	10,319,465
2022	7,871,212
2023	<u>11,290,843</u>

Total Net Assets Released from Restrictions 199,757,870

**Temporarily Restricted Net Assets - Capital Campaign,
as of June 30, 2023** \$ 17,180,023

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 5. Investments

Investments held as of June 30, 2023 and 2022 are summarized below:

	2023	2022
Common Stocks	\$ 10,965,166	\$ 13,506,276
Mutual Funds	19,565,137	13,036,376
Real Estate Investment Trusts	2,389,221	2,219,952
U.S. Treasuries	4,137,380	-
Alternative Investments	10,439,186	11,079,592
Total	\$ 47,496,090	\$ 39,842,196

Investment return related to these investments is included with investment income on the consolidated statements of activities and changes in net assets at June 30, 2023 and 2022 was comprised of the following:

	2023	2022
Net Unrealized Gains (Losses)	\$ 7,543,031	\$ (10,183,365)
Net Realized (Losses) Gains	(11,266,559)	2,098,216
Interest and Dividend Income	9,907,600	1,686,853
Investment Expenses	(157,022)	(193,627)
Total Investment Return, Net	\$ 6,027,050	\$ (6,591,923)

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 6. Property and Equipment

Property and equipment as of June 30, 2023 and 2022 consists of the following:

	2023	2022
Land	\$ 12,793,793	\$ 7,397,345
Buildings	258,968,634	257,071,031
Exhibits	44,042,453	48,750,512
Equipment, Video Productions, and Furniture	37,849,038	32,518,985
Construction in Progress	55,826,570	42,068,224
	<u>409,480,488</u>	<u>387,806,097</u>
Less: Accumulated Depreciation	<u>(118,061,142)</u>	<u>(103,565,313)</u>
Total	<u>\$ 291,419,346</u>	<u>\$ 284,240,784</u>

Depreciation expense for the years ended June 30, 2023 and 2022 totaled \$13,457,440 and \$11,629,916, respectively.

Note 7. Split-Interest Agreements

The Museum has four charitable gift annuities in place for which assets were transferred to the Museum and, in return, the Museum must make annual payments to the donor or spouse until their death.

	Fiscal Year Established	Asset Value at Date of Donation	Annual Annuity Payment Due
Charitable Gift Annuity No. 1	2007	\$ 121,200	\$ 7,757
Charitable Gift Annuity No. 2	2015	\$ 13,991	\$ 1,450
Charitable Gift Annuity No. 3	2019	\$ 1,000,000	\$ 75,000
Charitable Gift Annuity No. 4	2021	\$ 127,610	\$ 5,998

The present value of estimated future payments of \$312,504 and \$408,612 as of June 30, 2023 and 2022, respectively, is included in other liabilities in the Museum's consolidated statements of financial position. At June 30, 2023 and 2022, the present value was calculated using a discount rate of 5%.

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 14, and \$34,921 in years 15 through 27. The present value of estimated future payments of \$143,148 and \$169,721 as of June 30, 2023 and 2022, respectively, is included in the unconditional promises to give section in the Museum's consolidated statements of financial position.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 8. Bank Lines of Credit, Notes Payable and Interest Rate Swap Agreement

The Museum has a \$2,500,000 line of credit loan which was evidenced by a promissory note. The line of credit matured on April 12, 2023 and was renewed for an additional two years, maturing April 12, 2025. 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. Interest on the line of credit is payable monthly at an adjusted rate equal to the 30-day Secured Overnight Financing Rate (SOFR) Average + 2.75% with a minimum interest rate of 3.75% (7.9% as of June 30, 2023). As of June 30, 2023 and 2022, the Museum had no outstanding balance.

On August 25, 2017, the Museum entered into a development incentive note with Hilton Franchise Holding, LLC for the development of the Hotel to be operated as part of the Curio Collection by Hilton. This note bears no interest. On each anniversary of the Hotel's opening date, one-twentieth (1/20th) of the original principal amount will be forgiven without payment. The outstanding principal balance of the note payable shall be payable if: (1) a termination of the franchise agreement occurs for any reason; or (2) a transfer occurs and the transferee does not assume the note. As of June 30, 2023 and 2022, the Museum had an outstanding balance of \$1,105,000 and \$1,170,000, respectively.

On December 21, 2017, the Museum entered into construction loan agreements with Hancock Whitney Bank and First Horizon Bank, both in New Orleans. The loan agreements provided for a \$53,209,200 non-revolving line of credit loan which was evidenced by promissory notes to each financial institution in equal amounts. The non-revolving lines of credit had an original maturity date of December 21, 2020 and could be extended for an additional period of two years, the extended maturity date. On December 21, 2020, the non-revolving lines of credit converted to a term loan. (See Note 9). The term loan was renewed during the year, extending the maturity to December 21, 2025. The term loans are payable in monthly principal payments based on a twenty-five year amortization plus interest, at the SOFR + 2.25%. As of June 30, 2023 and 2022, the Museum had an outstanding balance of \$45,175,476 and \$52,075,935, respectively, on the term loans. Interest on the term loans are payable monthly at an adjusted rate equal to SOFR + 2.25% (7% as of June 30, 2023). Interest expense for the years ended June 30, 2023 and 2022 was \$2,951,590 and \$2,328,173, respectively.

In conjunction with the loan agreements for the construction of the Hotel, the Museum entered into an interest rate swap agreement with First Horizon Bank whereby the current notional amount (\$45,175,476 as of June 30, 2023) bears interest at a fixed rate of 4.86% minus a variable interest rate based on the USD-LIBOR BBA + 2.25%. The swap agreement is designed to hedge the risk of changes in interest rate payments on the construction loan agreements.

The Museum has recognized a favorable position with the counterparty in the amount of \$455,168 as a derivative asset on the consolidated statement of financial position as of June 30, 2023, and recorded an unrealized gain of \$510,541 and \$1,535,607 on the consolidated statements of activities and changes in net assets for the year ended June 30, 2023 and 2022, respectively.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 9. Notes Payable

Notes payable as of June 30, 2023 and 2022 consisted of the following:

	2023	2022
Notes payable, dated December 21, 2022 to Hancock Whitney Bank of \$22,755,000 and First Horizon Bank of \$22,755,000, bearing interest at an adjusted rate equal to the 30-day CME Term SOFR + 2.25 (7%) as of June 30, 2023. Monthly principal and interest payments on each loan of approximately \$33,000, with a balloon payment plus unpaid interest of \$19,376,287 due on December 21, 2025 on each loan.	\$ 45,175,476	\$ 52,075,935
Note payable dated March 4, 2016 to Hancock Whitney Bank for the construction of the Solomon Victory Theatre. The note bears interest at 5.00% payable in monthly principal and interest payments of \$22,154 and a balloon payment at the end of the note term. The note is cross collateralized by other loans at Hancock Whitney Bank. The note was extended on March 4, 2021 to March 4, 2026 with principal and interest payments of \$22,244 and a balloon payment of \$2,103,977 plus accrued interest due on March 4, 2026.	2,502,176	2,638,480
Note payable dated May 29, 2018 to Hancock Whitney Bank for the construction of a parking garage. The note bears interest at 5.00% payable in monthly principal and interest payments of \$26,278 and a balloon payment at the end of the note term. The note is secured by Museum property. The note was extended on April 15, 2019 to June 15, 2026 with principal and interest payments of \$26,278 and a balloon payment of \$3,403,655 plus accrued interest at June 15, 2026. The Museum made a principal payment of \$799,491 on June 29, 2020. The balloon payment to be made on June 15, 2026 is \$2,301,157 plus accrued interest. The note is subject to an annual mandatory repayment of 60% of the parking garage net cash flow for the prior fiscal year.	2,838,552	3,005,363
Development incentive note, dated August 25, 2017 to Hilton Franchise Holding, LLC for the development of the Hotel. The note bears no interest. 1/20th of principal is forgiven on each anniversary of the Hotel's opening if terms as described in Note 8 are met.	1,105,000	1,170,000
	<u>51,621,204</u>	<u>58,889,778</u>
Less: Deferred Financing Costs, Net	<u>(113,150)</u>	-
Total	\$ 51,508,054	\$ 58,889,778

Interest expense on notes payable totaled \$3,231,991 and \$2,616,631 for the years ended June 30, 2023 and 2022, respectively.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 9. Notes Payable (Continued)

Aggregate maturities of long-term debt are as follows:

Year Ended June 30,	Amount
2024	\$ 1,185,985
2025	1,203,214
2026	48,322,005
2027	65,000
2028	65,000
Thereafter	<u>780,000</u>
Total	<u>\$ 51,621,204</u>

Note 10. Governing Board Designations

Governing Board designations consisted of the following as of June 30, 2023 and 2022:

	2023	2022
Endowment Purposes	\$ 18,995,765	\$ 12,246,495
Operating Reserve	16,637,574	16,226,536
Capital Maintenance Reserve	10,142,222	8,894,478
Higgins Reserve Fund	3,350,053	1,259,896
Capital Improvements Reserve	1,089,321	3,212,517
New Ventures	738,852	713,051
Higgins Debt Service Fund	-	<u>5,825,254</u>
Total	<u>\$ 50,953,787</u>	<u>\$ 48,378,227</u>

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for specific purposes, designated subsequent periods, or perpetually. Cash, investments, and unconditional 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.

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2023 and 2022:

	2023	2022
Subject to Expenditure for a Specified Purpose		
Acquisition of Property and Equipment - Capital Campaign	\$ 17,180,022	\$ 16,449,205
Capital Construction - State of Louisiana	5,768,178	7,666,892
Institute for the Study of War and Democracy	5,218,977	5,109,560
Operating and Event Support	5,214,530	1,564,658
Education	3,740,620	900,759
Exhibits	2,720,367	508,417
Curatorial Services	556,152	1,036,810
Student Travel	140,795	138,630
Media and Education Center	31,771	72,602
Lender Restrictions	-	1,276,388
	<hr/>	<hr/>
Total Subject to Expenditure for a Specified Purpose	40,571,412	34,723,921
	<hr/>	<hr/>
Subject to Museum Spending Policy and Appropriation		
Funds Held in Perpetuity	25,771,611	25,313,852
Accumulated Earnings	3,323,780	4,681,264
	<hr/>	<hr/>
Total Donor Restricted Endowment	29,095,391	29,995,116
	<hr/>	<hr/>
Total	\$ 69,666,803	\$ 64,719,037

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 12. Donor and Board Designated Endowment

The Endowments. The Museum has a general endowment consisting of both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowment. In addition to the Museum's general endowment, the Museum has the following named endowments:

- George Schultz Lecture Series Endowment
- Selley Foundation Special Exhibits and Collections Fund
- The Raymond E. Mason Jr. Distinguished Lecture Series on WWII Samuel Zemurray Stone Senior Director of History & Research
- Mr. and Mrs. Thomas B. Coleman Endowment
- Ferdinand Levy & Leo Levy Memorial Endowment Education Fund
- Baptist Community Ministries - Faith in Wartime Education
- Mueller Fellows Endowment Fund for Normandy Academy Scholarships
- John R. Whitman Normandy Scholars Fund
- The Jack C. Taylor Education Endowment
- Bob & Dolores Hope Director of Entertainment Endowment
- Bob & Dolores Hope Educational Endowment
- Walter D. Ehlers Normandy Scholars Endowment
- Noel & Irene McDonald Normandy Scholars Endowment
- Dr. Hal Baumgarten D-Day Commemoration
- Chuck & Amy Newhall Charitable Fund Education Endowment
- The Taube Family Fund for Holocaust Education
- Mark Rubin Family Endowment for Holocaust
- Monuments Men Restricted Endowment Fund
- Warner Lusardi General Education Endowment
- Jules Vernon Normandy Scholars

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.

Interpretation of Relevant Law. The Museum is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time or purpose restricted until the Board of Trustees appropriates such amounts for expenditure.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 12. Donor and Board Designated Endowment (Continued)

The Board of Trustees has interpreted SPMIFA 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 restricted net assets in the accompanying consolidated financial statements:

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

In accordance with SPMIFA, 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.

Endowment net asset composition by type of fund as of June 30, 2023 and 2022 is as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 29,095,391	\$ 29,095,391
Board-Designated Funds	18,995,765	-	18,995,765
Total Funds	\$ 18,995,765	\$ 29,095,391	\$ 48,091,156
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 29,995,116	\$ 29,995,116
Board-Designated Funds	12,246,495	-	12,246,495
Total Funds	\$ 12,246,495	\$ 29,995,116	\$ 42,241,611

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 12. Donor and Board Designated Endowment (Continued)

Changes in endowment net assets for the years ending June 30, 2023 and 2022 are as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 12,246,495	\$ 29,995,116	\$ 42,241,611
Contributions	1,019,388	457,759	1,477,147
Investment Income, Net	5,729,882	(990,666)	4,739,216
Endowment Expended	(366,818)	-	(366,818)
Endowment Net Assets, Reclassified from Restriction	366,818	(366,818)	-
Endowment Net Assets, End of Year	\$ 18,995,765	\$ 29,095,391	\$ 48,091,156
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 15,978,377	\$ 31,809,373	\$ 47,787,750
Contributions	756,507	374,410	1,130,917
Investment Loss, Net	(4,488,389)	(1,886,818)	(6,375,207)
Endowment Expended	(301,849)	-	(301,849)
Endowment Net Assets, Reclassified from Restriction	301,849	(301,849)	-
Endowment Net Assets, End of Year	\$ 12,246,495	\$ 29,995,116	\$ 42,241,611

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, 2023 and 2022.

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.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 12. Donor and Board Designated Endowment (Continued)

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 13. Grants

The State of Louisiana has provided capital appropriations through Cooperative Endeavor Agreements with The National World War II Museum, Inc. in the total amount of \$98,500,000. The State awards are restricted for the planning and construction of buildings needed for the expansion program. For the years ended June 30, 2023 and 2022, the Museum recognized revenue under this grant in the amount of \$5,768,178 and \$7,666,892, respectively.

For years ended June 30, 2023 and 2022, the Museum also recognized \$8,753,442 and \$12,570,148, respectively, of grant revenues from private sources, federal and other sources. The \$12,570,148 received for the year ended June 30, 2022 includes one-time federal Coronavirus (COVID-19) relief of \$8,000,000 received from the Shuttered Venue Operators Grants and \$4,012,896 accrued for the Employee Retention Tax Credit, both of which are discussed in Note 14.

Note 14. Government Assistance Programs

Paycheck Protection Program

In April 2020, the Museum and its subsidiary entered into two loans with two financial institutions for the principal amount of \$3,162,700 and \$1,193,300, respectively, pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In February 2021 and March 2021, the Museum and its subsidiary received PPP loan second draws for the principal amount of \$2,000,000 and \$1,540,000, respectively. The PPP contains events of default and other conditions customary for a loan of this type. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP subject to limitations, based on the use of the proceeds for payment of payroll costs, rent, and mortgage obligations, and covered utility payments, if any.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 14. Government Assistance Programs (Continued)

Paycheck Protection Program (Continued)

At the time when the proceeds were received there was no authoritative guidance under generally accepted accounting principles in the United States of America (U.S. GAAP) that addressed accounting and reporting by a not-for-profit entity, that received a forgivable loan from a government. However, U.S. GAAP guided not-for-profit entities to analogize to ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*, if a not-for-profit entity expected to meet the PPP's eligibility criteria and concluded that the PPP loan represented, in substance, a grant that was expected to be forgiven.

Under ASC 958-605, if a contribution is conditional, it is not recognized until the conditions are either explicitly waived or substantially met. Once the conditions have been substantially met or have been explicitly waived (qualifying cost expenditures are made and eligibility and forgiveness criteria are deemed to be met), recognition of the contribution as income occurs.

The Museum received forgiveness of the PPP loan first draws prior to 2022. In 2022, the Museum and Hotel applied to the financial institution for forgiveness and, in June 2022, received forgiveness of the PPP loan second draws in the amount of \$1,540,000 and \$2,000,000, thus it had recognized PPP grant income for the amount of \$3,540,000, which is included in the consolidated statement of activities and changes in net assets for the year ended June 30, 2022.

The Small Business Administration (SBA) may undertake a review of a loan of any size during the six-year period following forgiveness or repayment of the loan. The review may include the loan forgiveness application, as well as whether the Museum received the proper loan amount. The timing and outcome of any SBA review is not known.

Shuttered Venue Operators Grant

The Museum also applied for and received a grant under the Shuttered Venue Operators Grant (SVOG) program. The SVOG program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act and was available for eligible entertainment and museum venues that had a 25% decline in revenue in any quarter of 2020 versus the same quarter in 2019. The Museum received notification of an \$8,000,000 award on July 2, 2021. The amount of grant revenue associated with the SVOG program is presented as a component of support and revenues on the consolidated statement of activities and changes in net assets for the year ended June 30, 2022.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 14. Government Assistance Programs (Continued)

Employee Retention Tax Credit

The Employee Retention Credit (ERTC) was originally introduced under the CARES Act, but was later extended and expanded under Consolidated Appropriations Act. The ERTC is a refundable tax credit against certain employment taxes related to qualified wages, including certain health care costs, an eligible employer paid to employees after March 12, 2020 and before October 1, 2021. The Museum has determined that it qualifies for the ERTC program and is eligible for the credit. The Museum has applied for the ERTC and has filed amended payroll tax returns for 2020 and 2021. In accordance with FASB ASC 958-605, the ERTC funds are deemed a conditional grant. Conditions for this grant include meeting eligibility requirements.

During the year ended June 30, 2023, the Museum received \$1,479,868 of the \$4,012,896 grant receivable recognized related to the ERTC. As of June 30, 2023 and 2022, the Museum's grant receivable related to the ERTC totaled \$2,533,028 and \$4,012,896, respectively, in the accompanying consolidated statements of financial position. The Museum recognized \$4,012,896 in revenue in the accompanying consolidated statement of activities and changes in net assets for the year ended June 30, 2022, as conditions had been substantially met. The Museum received the final ERTC grant payment in July 2023.

Note 15. Functional Allocation of Expenses

Most of the expenses can be directly allocated to one of the programs or supporting services. The consolidated financial statements also report certain categories of expenses that are attributable to more than one program or supporting service. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include human resources, credit card fees, insurance expense, President's office, development and donor relations, capital campaign, fundraising events, and membership and direct mail. Credit card fees are allocated based on actual income from program revenue and fundraising revenue paid by credit cards. Insurance expenses are allocated using 80% of property insurance premiums and 60% of general liability insurance premiums to program expense and the remainder to general and administrative expense. This allocation is based on estimated insurance coverage by departments. The President's office expenses are allocated evenly between fundraising, administrative and programming, based on estimates of time and effort. Development, fundraising events, and capital campaign salaries, benefits, and travel expenses are allocated based on estimates of time and effort. Membership and direct mail expenses are allocated 60% to fundraising, 20% to program and 20% to general and administrative expenses.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 16. Fair Value of Financial Instruments

The Museum follows the provisions of the *Fair Value Measurement* Topic of the FASB ASC. Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The *Fair Value Measurement* Topic establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those which market participants would use in pricing the investment based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 Valuations based on unadjusted quoted prices in active markets for identical investments that the Museum has the ability to access at the measurement date.
- Level 2 Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly; and
- Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Inputs are used in applying the various valuation techniques and refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Museum considers observable data to be market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the fair value hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the Museum's perceived risk of that instrument.

Investments measured using the net asset value per share (or its equivalent) practical expedient are not classified in the fair value hierarchy.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 16. Fair Value of Financial Instruments (Continued)

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, 2023 and 2022.

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.

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.

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.

Private Equity and Private Credit: Include limited partnership investments that are not publicly traded and are valued at the NAV as provided by fund managers as a practical expedient to estimate fair value. The limited partnership investments have not been categorized in the fair value hierarchy as they are measured at fair value using the NAV practical expedient. Due to the uncertainty of valuations, estimated fair market values may differ from values that would have been used had a ready market for the portfolio funds existed and the differences could be material to the consolidated financial statements.

Interest Rate Swap Hedge: The fair value is reported by the financial institution. It is based on prevailing market data and derived from proprietary models and reasonable estimates about relevant future market conditions.

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.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 16. Fair Value of Financial Instruments (Continued)

The following tables set forth by level within the fair value hierarchy the Museum's investments and interest rate swap hedge as of June 30, 2023 and 2022:

Description	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3	Fair Value As of June 30, 2023 Total
Investments				
Common Stocks	\$ 10,965,166	\$ -	\$ -	\$ 10,965,166
Mutual Funds	19,565,137	-	-	19,565,137
Real Estate Investment Trusts	2,389,221	-	-	2,389,221
Government Securities	4,137,380	-	-	4,137,380
Total Investments in Fair Value Hierarchy	\$ 37,056,904	\$ -	\$ -	37,056,904
Alternative Investments Measured at NAV ⁽¹⁾				10,439,186
Total Investments				\$ 47,496,090
Interest Rate Swap Hedge				
Market-To-Market Valuation	\$ -	\$ 455,168	\$ -	\$ 455,168

Description	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3	Fair Value As of June 30, 2022 Total
Investments				
Common Stocks	\$ 13,506,276	\$ -	\$ -	\$ 13,506,276
Mutual Funds	13,036,376	-	-	13,036,376
Real Estate Investment Trusts	2,219,952	-	-	2,219,952
Total Investments in Fair Value Hierarchy	\$ 28,762,604	\$ -	\$ -	28,762,604
Alternative Investments Measured at NAV ⁽¹⁾				11,079,592
Total Investments				\$ 39,842,196
Interest Rate Swap Hedge				
Market-To-Market Valuation	\$ -	\$ (55,373)	\$ -	\$ (55,373)

(1) Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent) as a practical expedient. These investments have not been classified in the fair value hierarchy and are presented here to reconcile to total investments.

As of June 30, 2023 and 2022, there were no assets measured at fair value on a non-recurring basis.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 16. Fair Value of Financial Instruments (Continued)

The following summarizes the investments by major class where NAV is used to measure fair value:

Alternative Investments	Fair Value	Unfunded Commitments
Private Equity Funds ^(a)	\$ 6,737,233	\$ 2,675,794
Private Credit Funds ^(b)	<u>3,701,953</u>	\$ 1,426,072
Total	<u>\$ 10,439,186</u>	

(a) This category includes limited partnership investments in five private equity funds that seek to pursue capital appreciation by pursuing investment strategies through private security purchases, venture capital, or other means in various sectors including technology, media, and telecommunications among others.

(b) This category includes limited partnership investments in three direct lending funds that utilize private credit strategies, including intellectual property, real assets, financial assets and specialty lending as well as opportunistic credit and asset-based investments. These funds do not have redemption terms.

Note 17. Liquidity and Availability

As part of the Museum's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, the Museum invests cash in excess of daily requirements in government obligations and money markets. Although the Museum does not intend to spend from its investment funds other than amounts appropriated for general expenditures, amounts from its investment funds could be made available, as necessary. The Museum also maintains a line of credit as described in Note 8 to meet short term needs.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 17. Liquidity and Availability (Continued)

The following table represents financial assets available for general expenditures within one year as of June 30, 2023:

Financial Assets	
Cash and Cash Equivalents	\$ 62,330,621
Investments	47,496,090
Unconditional Promises to Give, Net	27,222,098
Other Receivables	2,502,174
ERTC Receivable	2,533,028
Reimbursement Due to Operating Cash for Expenditures on Donor Restricted Assets	<u>5,715,642</u>
Financial Assets at Year End	147,799,653
Less Those Unavailable for General Expenditure	
Within One Year Due to:	
Governing Board Designations	(50,953,787)
Donor Imposed Restrictions:	
Restricted by Donors with Purpose or Time Restrictions	(69,666,803)
Unconditional Promises to Give, Due in Greater Than One Year	<u>(17,160,119)</u>
Total Financial Assets Unavailable for General Expenditure	<u>(137,780,709)</u>
Financial Assets at Year End Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 10,018,944</u>

Note 18. 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 could materially affect the market value of investments held by the Museum.

The Museum is exposed to the impact of interest rate changes primarily through floating-rate borrowings that require it to make interest payments based on SOFR. Significant increases in interest rates could adversely affect operating margins, results of operations and its ability to service debt. The Museum entered into an interest rate swap to reduce its exposure to market risk from changes in interest rates. The principal objective of this contract is to minimize the risks and costs associated with floating-rate debt.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 19. 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 \$373,733 and \$275,335 for the years ended June 30, 2023 and 2022, respectively.

Additionally, the Museum sponsors deferred compensation plans under Internal Revenue Code sections 457(f) for the benefit of highly compensated employees. The Museum's contributions to the plans totaled \$112,500 and \$75,000 for the years ended June 30, 2023 and 2022, respectively.

Note 20. Commitments

The Museum entered into an employment contract with an employee to serve as President and CEO effective July 1, 2021 through June 30, 2026, 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. The total commitment (undiscounted) is \$530,000 for salary and \$75,000 for contributions to the deferred compensation plan.

The Museum entered into an employment contract with an employee to serve as Senior Vice-President of Operations and Chief Operating Officer effective July 1, 2021 through June 30, 2026, 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. The total commitment (undiscounted) is \$380,000 for salary and \$37,500 for contributions to the deferred compensation plan. The contract was terminated July 31, 2023 with the resignation of the Senior Vice-President of Operations and Chief Operating Officer.

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 and totals \$15,593,000. As of June 30, 2023, the Museum has incurred construction completed or in progress related to this architectural design contract totaling approximately \$15,577,000.

The Museum has entered into a contract for the exhibit design of the Capital Expansion Project totaling approximately \$10,267,000. As of June 30, 2023, the Museum has incurred construction completed or in progress related to this architectural design contract totaling approximately \$10,067,000.

The Museum entered into a contract related to the construction of the Liberation Theater totaling approximately \$40,855,000. As of June 30, 2023, the Museum has incurred construction in progress related to this project totaling approximately \$36,258,000.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 20. Commitments (Continued)

The Museum entered into a contract for the development of the Sound and Light Show totaling approximately \$3,914,000. As of June 30, 2023, the Museum has incurred construction in progress related to this project totaling approximately \$3,892,000.

The Museum entered into a contract for the installation of the Louisiana Pavilion HVAC totaling approximately \$503,000. As of June 30, 2023, the Museum has incurred construction in progress related to this project totaling approximately \$449,000.

During the year ended June 30, 2023, the Museum entered into a contract for construction of the Louisiana Pavilion New Entrance totaling approximately \$1,783,000. As of June 30, 2023, the Museum has not incurred any construction costs related to this project.

During the year ended June 30, 2023, the Museum entered into a contract for renovations to the 1040 Magazine Warehouse totaling approximately \$3,641,000. As of June 30, 2023, the Museum has incurred construction in progress related to this project totaling approximately \$1,056,000.

During the year ended June 30, 2023, the Museum entered into a contract for design of the 1060 Magazine Warehouse totaling approximately \$490,000. As of June 30, 2023, the Museum has incurred construction in progress related to this project totaling approximately \$49,000.

During the year ended June 30, 2023, the Museum entered into a contract for renovation of the Louisiana Pavilion Donor Wall totaling approximately \$326,000. As of June 30, 2023, the Museum has incurred construction in progress related to this project totaling approximately \$98,000.

During the year ended June 30, 2023, the Museum entered into a contract for construction of the Louisiana Pavilion Forbes Exhibit totaling approximately \$968,000. As of June 30, 2023, the Museum has incurred construction in progress related to this project totaling approximately \$382,000.

Note 21. Leases

The Museum leases certain real estate, air rights, and equipment under operating lease agreements that have initial terms ranging from 1 to 50 years. Some leases include one or more options to renew, generally at the Museum's sole discretion, with renewal terms that can extend the lease term up to 90 years. In addition, certain leases contain termination options, where the rights to terminate are held by either the Museum, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Museum will exercise that option. The Museum's operating lease generally do not contain any material restrictive covenants or residual value guarantees.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 21. Leases (Continued)

The Museum also leases equipment under a finance lease agreement with an initial term of 5 years and an interest rate of 2.84%. The Museum's finance leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the year ended June 30, 2023:

Operating Lease Cost	\$	200,656
Finance Lease Cost - Amortization of Right-of-Use Assets		15,018
Finance Lease Cost - Interest on Lease Liabilities		<u>838</u>
Total Lease Cost	\$	<u>216,512</u>

Supplemental consolidated statement of financial position information related to leases is as follows as of June 30, 2023:

Finance Leases:		
Equipment	\$	<u>22,528</u>
Total Finance Lease Right-of-Use Assets, Net	\$	<u>22,528</u>

Other Information:

Weighted Average Remaining Lease Term (in Years):		
Operating Leases		25.70
Finance Leases		1.51
Weighted Average Discount Rate:		
Operating Leases		3.09%
Finance Leases		2.84%

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 21. Leases (Continued)

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation of the lease liabilities recognized on the consolidated statement of financial position are as follows as of June 30, 2023:

Year Ending June 30,	Operating	Finance
2024	\$ 184,469	\$ 15,540
2025	160,206	7,771
2026	71,403	-
2027	72,403	-
2028	77,403	-
Thereafter	<u>2,439,194</u>	<u>-</u>
Total Lease Payments	3,005,078	23,311
Less: Imputed Interest	<u>(1,149,467)</u>	<u>(467)</u>
Total Present Value of Lease Liabilities	<u><u>\$ 1,855,611</u></u>	<u><u>\$ 22,844</u></u>

Note 22. Licensing Agreements and Lessor Arrangements

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 Centerplate 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.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 22. Licensing Agreements and Lessor Arrangements (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. Related-Party Transactions

The Museum maintained certain cash and cash equivalents, investments and notes payable with an institution of which one Board Member is the President/CEO and another institution where the Board Member is a member of the executive team as of June 30, 2023 and 2022.

Note 24. Subsequent Events

In preparing the consolidated financial statements, the Museum's management has evaluated events and transactions for potential recognition or disclosure through December 6, 2023, the date on which the consolidated financial statements were available to be issued. The following events were determined to require disclosure:

During the historic week of Monday, October 30, 2023 concluding on Saturday, November 4, 2023, the Museum marked the completion of the \$400 million Road to Victory Capital Campaign that has transformed the Museum's campus from a single building to seven pavilions across seven acres. The D-Day to Liberation: Road to Victory Celebration included the unveiling of two major additions to the visitor experience: the three-story Liberation Pavilion and the Col. Battle Barksdale Parade Ground.

The achievement of these milestones will allow the museum to tell a more comprehensive story of the American experience in World War II and advance the final portion of our mission - what World War II means today.

No events occurring after December 6, 2023 have been evaluated for inclusion in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidating Schedule of Financial Position
For the Year Ended June 30, 2023

	World War II Theatre, Inc., Owner of Higgins Hotel and Conference Center	The National World War II Museum (*)	2023
Assets			
Cash and Cash Equivalents	\$ 5,534,504	\$ 56,201,051	\$ 61,735,555
Unconditional Promises to Give			
Capital Campaign, Net of Allowances	-	17,180,023	17,180,023
Endowment, Net of Allowances	-	2,907,503	2,907,503
Other, Net of Allowances	1,020,000	6,114,572	7,134,572
ERTC Receivable	-	2,533,028	2,533,028
Retail Store Inventory	159,181	939,327	1,098,508
Other Assets	1,467,860	6,199,551	7,667,411
Endowment Assets			
Cash and Cash Equivalents - Restricted	-	595,066	595,066
Investments	-	47,496,090	47,496,090
Property and Equipment, Net of Accumulated Depreciation	58,520,544	232,898,802	291,419,346
Collections	-	14,629,725	14,629,725
Interest Rate Swap Asset	455,168	-	455,168
Right-of-Use Assets - Operating Leases, Net	-	1,841,631	1,841,631
Right-of-Use Assets - Finance Leases, Net	22,528	-	22,528
Total Assets	\$ 67,179,785	\$ 389,536,369	\$ 456,716,154
Liabilities and Net Assets			
Liabilities			
Accounts Payable Trade	\$ 621,086	2,511,843	\$ 3,132,929
Due to (from) National World War II Museum	2,068,091	(2,068,091)	-
Accrued Expenses	1,225,119	5,013,106	6,238,225
Unearned Revenue and Deposits	575,227	7,627,381	8,202,608
Taxes Payable	256,842	104,069	360,911
Other Liabilities	-	1,049,628	1,049,628
Notes Payable, Net	46,167,326	5,340,728	51,508,054
Lease Liability - Operating Leases	-	1,855,611	1,855,611
Lease Liability - Finance Leases	22,844	-	22,844
Total Liabilities	50,936,535	21,434,275	72,370,810
Net Assets	16,243,250	368,102,094	384,345,344
Total Liabilities and Net Assets	\$ 67,179,785	\$ 389,536,369	\$ 456,716,154

*Includes The National World War II Museum, Inc., Chalk #17, Inc., World War II Pavilions, Inc., World War II Campaigns, Inc. and PT-305 Excursions, L.L.C.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidating Schedule of Financial Position
For the Year Ended June 30, 2022

	World War II Theatre, Inc., Owner of Higgins Hotel and Conference Center	The National World War II Museum (*)	2022
Assets			
Cash and Cash Equivalents	\$ 11,628,289	\$ 56,039,178	\$ 67,667,467
Unconditional Promises to Give			
Capital Campaign, Net of Allowances	-	16,449,205	16,449,205
Endowment, Net of Allowances	-	907,187	907,187
Other, Net of Allowances	-	151,648	151,648
ERTC Receivable	-	4,012,896	4,012,896
Retail Store Inventory	142,146	880,410	1,022,556
Other Assets	1,384,245	5,936,658	7,320,903
Endowment Assets			
Cash and Cash Equivalents - Restricted	-	2,399,415	2,399,415
Investments	-	39,842,196	39,842,196
Property and Equipment, Net of Accumulated Depreciation	60,757,901	223,482,883	284,240,784
Collections	-	12,998,177	12,998,177
Total Assets	\$ 73,912,581	\$ 363,099,853	\$ 437,012,434
Liabilities and Net Assets			
Liabilities			
Accounts Payable Trade	\$ 544,008	2,355,258	\$ 2,899,266
Due to (from) National World War II Museum	1,739,052	(1,739,052)	-
Accrued Expenses	892,322	4,073,549	4,965,871
Unearned Revenue and Deposits	158,640	5,755,014	5,913,654
Taxes Payable	209,872	101,105	310,977
Other Liabilities	-	1,279,145	1,279,145
Notes Payable	53,245,935	5,643,843	58,889,778
Liability on Interest Rate Swap Agreement	55,373	-	55,373
Total Liabilities	56,845,202	17,468,862	74,314,064
Net Assets	17,067,379	345,630,991	362,698,370
Total Liabilities and Net Assets	\$ 73,912,581	\$ 363,099,853	\$ 437,012,434

*Includes The National World War II Museum, Inc., Chalk #17, Inc., World War II Pavilions, Inc., World War II Campaigns, Inc. and PT-305 Excursions, L.L.C.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidating Schedule of Activities and Changes in Net Assets
For the Year Ended June 30, 2023

	World War II Theatre, Inc., Owner of Higgins Hotel and Conference Center	The National World War II Museum (*)	2023 Total
Revenue and Other Support			
Operating Revenue	\$ 19,987,122	\$ 46,060,536	\$ 66,047,658
Financial Contributions and Grants	1,047,100	36,505,997	37,553,097
In-Kind Contributions	-	141,648	141,648
Net Return on Investments	-	6,027,050	6,027,050
Hilton Franchise Debt Forgiveness	65,000	-	65,000
Investment Tax Credit Revenue	1,344,312	-	1,344,312
Total Revenue and Other Support	22,443,534	88,735,231	111,178,765
Expenses	21,789,054	68,253,278	90,042,332
Changes in Net Assets Before Change in Liability on Interest Rate Swap Agreement			
Change in Liability on Interest Rate Swap Agreement	654,480	20,481,953	21,136,433
	510,541	-	510,541
Change in Net Assets	1,165,021	20,481,953	21,646,974
Net Assets, Beginning of Year	17,067,379	345,630,991	362,698,370
Capital Contributions	(1,989,150)	1,989,150	-
Net Assets, End of Year	\$ 16,243,250	\$ 368,102,094	\$ 384,345,344

*Includes The National World War II Museum, Inc., Chalk #17, Inc., World War II Pavilions, Inc., World War II Campaigns, Inc. and PT-305 Excursions, L.L.C.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidating Schedule of Activities and Changes in Net Assets
For the Year Ended June 30, 2022

	World War II Theatre, Inc., Owner of Higgins Hotel and Conference Center	The National World War II Museum (*)	2022 Total
Revenue and Other Support			
Operating Revenue	\$ 16,009,431	\$ 37,617,183	\$ 53,626,614
Financial Contributions and Grants	-	38,373,834	38,373,834
In-Kind Contributions	-	82,908	82,908
Net Return on Investments	-	(6,591,923)	(6,591,923)
Hilton Franchise Debt Forgiveness	65,000	-	65,000
Insurance Proceeds	2,700,000	-	2,700,000
Paycheck Protection Program Forgiveness Income	1,540,000	2,000,000	3,540,000
Employee Retention Tax Credit Revenue	-	4,012,896	4,012,896
Other Income	103,125	-	103,125
Total Revenue and Other Support	20,417,556	75,494,898	95,912,454
Expenses	18,032,601	54,217,812	72,250,413
Loss on Damage of Property and Equipment	-	420,967	420,967
Total Expenses and Losses	18,032,601	54,638,779	72,671,380
Changes in Net Assets Before Change in Liability on Interest Rate Swap Agreement	2,384,955	20,856,119	23,241,074
Change in Liability on Interest Rate Swap Agreement	1,535,607	-	1,535,607
Change in Net Assets	3,920,562	20,856,119	24,776,681
Net Assets, Beginning of Year	(12,325,620)	350,247,309	337,921,689
Capital Contributions	25,472,437	(25,472,437)	-
Net Assets, End of Year	\$ 17,067,379	\$ 345,630,991	\$ 362,698,370

*Includes The National World War II Museum, Inc., Chalk #17, Inc., World War II Pavilions, Inc., World War II Campaigns, Inc. and PT-305 Excursions, L.L.C.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidating Schedule of Expenses
For the Year Ended June 30, 2023

	World War II Theatre, Inc., Owner of Higgins		
	Hotel and Conference Center	The National World War II Museum	2023 Total
Advertising	\$ -	\$ 2,941,995	\$ 2,941,995
Capital and Bad Debt Expense	-	33,507	33,507
Cost of Goods Sold	-	2,287,393	2,287,393
Depreciation and Amortization	2,576,454	10,896,363	13,472,817
Educational Travel Program Expense	-	6,351,045	6,351,045
Hotel Operating Expense			
Direct Cost	8,110,857	-	8,110,857
Indirect Cost	5,342,936	-	5,342,936
Fixed Cost	1,184,977	-	1,184,977
Management Fees	500,010	-	500,010
Insurance Expense	4,738	2,282,680	2,287,418
Intercompany Transfers	515,493	(515,493)	-
Interest Expense	2,975,058	280,401	3,255,459
Marketing Expense	-	916,962	916,962
Meeting, Events, and Conferences Expense	-	1,302,449	1,302,449
Office Supplies	3,042	1,430,145	1,433,187
Other Operating Expense	1,125	2,775,294	2,776,419
Other Personnel Costs	-	277,293	277,293
Other Program Expense	-	887,184	887,184
Payroll Taxes and Benefits	-	3,352,460	3,352,460
Printing and Postage Expense	-	5,717,906	5,717,906
Professional Services	555,654	3,296,336	3,851,990
Repair and Maintenance	1,615	1,926,684	1,928,299
Salaries	-	19,085,866	19,085,866
Staff and Volunteer Expenses	17,095	770,982	788,077
Staff Travel	-	474,579	474,579
Telephone Expense	-	117,742	117,742
Utilities	-	1,363,505	1,363,505
Total Expenses	\$ 21,789,054	\$ 68,253,278	\$ 90,042,332

*Includes The National World War II Museum, Inc., Chalk #17, Inc., World War II Pavilions, Inc., World War II Campaigns, Inc. and PT-305 Excursions, L.L.C.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidating Schedule of Expenses
For the Year Ended June 30, 2022

	World War II Theatre, Inc., Owner of Higgins		
	Hotel and Conference Center	The National World War II Museum	2022 Total
Advertising	\$ -	\$ 2,285,982	\$ 2,285,982
Cost of Goods Sold	-	2,062,633	2,062,633
Depreciation and Amortization	2,554,043	9,075,873	11,629,916
Educational Travel Program Expense	-	3,343,330	3,343,330
Hotel Operating Expense			
Direct Cost	6,209,347	-	6,209,347
Indirect Cost	4,482,232	-	4,482,232
Fixed Cost	924,719	-	924,719
Management Fees	400,216	-	400,216
Insurance Expense	3,876	2,053,972	2,057,848
Intercompany Transfers	602,654	(602,654)	-
Interest Expense	2,328,173	288,458	2,616,631
Marketing Expense	-	756,790	756,790
Meeting, Events, and Conferences Expense	-	1,303,538	1,303,538
Office Supplies	-	1,386,093	1,386,093
Other Operating Expense	430	2,063,102	2,063,532
Other Personnel Costs	-	117,078	117,078
Other Program Expense	-	741,063	741,063
Payroll Taxes and Benefits	-	2,705,028	2,705,028
Printing and Postage Expense	-	5,043,696	5,043,696
Professional Services	413,748	2,517,383	2,931,131
Repair and Maintenance	10,038	1,487,670	1,497,708
Salaries	103,125	15,495,269	15,598,394
Staff and Volunteer Expenses	-	510,567	510,567
Staff Travel	-	317,526	317,526
Telephone Expense	-	107,436	107,436
Utilities	-	1,157,979	1,157,979
Total Expenses	\$ 18,032,601	\$ 54,217,812	\$ 72,250,413

*Includes The National World War II Museum, Inc., Chalk #17, Inc., World War II Pavillions, Inc., World War II Campaigns, Inc. and PT-305 Excursions, L.L.C.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended June 30, 2023

Agency Head Name

Stephen Watson, President and Chief Executive Officer

Purpose	Amount
Salary	\$703,330
Benefits-Insurance	\$18,425
Benefits-Retirement	\$9,045
Car Allowance	\$14,400
Gas	\$0
Cell Phone	\$0
Dues and Registration Fees	\$0
Reimbursements	\$0
Travel	\$0
Travel - Conference	\$0
Special Meals	\$0
Other	\$0

**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**

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 6, 2023.

Report on 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) as a basis for designing 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 financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 consolidated financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
December 6, 2023

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Schedule of Findings and Responses
For the Year Ended June 30, 2023

Part I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued on Whether the Financial Statements Audited were Prepared in Accordance with U.S. GAAP: Unmodified

Internal Control Over Financial Reporting:

- Material Weakness(es) Identified? No
- Significant Deficiency(ies) Identified? None Reported

Noncompliance Material to Financial Statements Noted? No

Part II - Financial Statement Findings

None.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

Findings Related to the Financial Statements

None.

Findings and Questioned Costs Related to Major Federal Award Programs

None.

AGREED-UPON PROCEDURES REPORT

The National World War II Museum, Inc.

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period July 1, 2022 - June 30, 2023

To the Board of Directors
The National World War II Museum, Inc. and
the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2022 through June 30, 2023. The National World War II Museum, Inc. (the Museum) management is responsible for those C/C areas identified in the SAUPs.

The National World War II Museum, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period July 1, 2022 through June 30, 2023. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) *Written Policies and Procedures*

- A. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
 - iii. **Disbursements**, including processing, reviewing, and approving.

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- iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: No exceptions were noted as a result of performing these procedures.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

- ii. For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: No exceptions were noted as a result of performing these procedures.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were noted as a result of performing these procedures.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- i. Employees that are responsible for cash collections do not share cash drawers/registers.
 - ii. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - iii. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3A under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits, and:
- i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

Not applicable.

5) Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - ii. At least two employees are involved in processing and approving payments to vendors.
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
 - v. Only employee/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- [Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]
- C. For each location selected under #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
- a) Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #5B, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: if no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Results: No exceptions were noted as a result of performing these procedures.

6) Credit Cards/Debit Cards/Fuel Cards/P-Cards

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- i. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

[Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Not applicable.

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

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were noted as a result of performing these procedures.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - i. Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - ii. Observe that the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions were noted as a result of performing these procedures.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #9A above, obtain attendance records and leave documentation for the pay period, and:
 - i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)

- ii. Observe that supervisors approved the attendance and leave of the selected employees or officials.
 - iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - iv. Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select 2 employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions were noted as a result of performing these procedures.

10) Ethics

- A. Using the 5 randomly selected employees/officials from procedure #9A under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- i. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - ii. Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Not applicable.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Not applicable.

12) Fraud Notice

- A. 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, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
- B. Observe that the entity 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.

Results: No exceptions were noted as a result of performing these procedures.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, verbally discuss the results with management, and report: "We performed the procedures and discussed the results with management."
 - i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C.
 - i. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Results: We performed the procedures and discussed the results with management.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from procedure #17 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).
- C. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1st, and observe that it includes the applicable requirements of R.S. 42:344:
 - i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

Not applicable.

We were engaged by The National World War II Museum, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. 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.

We are required to be independent of The National World War II Museum, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



A Professional Accounting Corporation

Metairie, LA
December 6, 2023