

Consolidated Financial Report

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

June 30, 2021



THE NATIONAL
WWII MUSEUM
NEW ORLEANS

Consolidated Financial Report

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

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The National World War II Museum, Inc. and Subsidiaries (a nonprofit organization) (the "Museum"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The National World War II Museum, Inc. and Subsidiaries as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The National World War II Museum, Inc. and Subsidiaries' consolidated financial statements, and our report dated November 2, 2020, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information Schedules 1 through 3 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Schedule 4 (Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer), is presented for purposes of additional analysis and is required by Louisiana revised Statute 24:513(a)(3). Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2021, on our consideration of The National World War II Museum, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The National World War II Museum, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Bourgeois Bennett, L.L.C.

New Orleans, Louisiana,
November 2, 2021.

Certified Public Accountants.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**The National World War II Museum, Inc. and Subsidiaries**
New Orleans, LouisianaJune 30, 2021
(with comparative totals for 2020)

	<u>ASSETS</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 60,063,639	\$ 61,912,459
Investments	45,311,990	30,043,121
Unconditional promises to give:		
Capital Campaign, net of allowances	19,279,386	19,146,448
Endowment, net of allowances	3,070,950	2,137,660
Other, net of allowances	1,012,425	1,341,204
Notes receivable	-	4,834,474
Retail store inventory	957,471	1,174,184
Other assets	5,682,584	4,384,264
Property and equipment, net of accumulated depreciation	267,036,246	264,626,342
Collections	13,153,510	13,153,510
	<u>\$415,568,201</u>	<u>\$402,753,666</u>
Totals		
	<u>LIABILITIES</u>	
Accounts payable trade	\$ 1,119,235	\$ 962,602
Educational travel program refunds payable	927,216	-
Construction projects payable	2,334,818	3,330,571
Accrued expenses	4,042,907	2,957,591
Liability on interest rate swap agreement	1,590,908	2,693,140
Deferred revenue	3,715,222	3,903,563
Line of credit - construction	-	51,803,493
Paycheck Protection Program notes payable	3,540,000	4,356,000
Hilton development incentive note	1,235,000	1,300,000
Notes payable	59,141,206	11,130,058
	<u>77,646,512</u>	<u>82,437,018</u>
Total liabilities		
	<u>NET ASSETS</u>	
Net assets without donor restrictions:		
Designated	43,709,844	35,755,939
Undesignated	239,729,332	235,495,181
	<u>283,439,176</u>	<u>271,251,120</u>
Total net assets without donor restrictions		
Net assets with donor restrictions	54,482,513	49,065,528
	<u>337,921,689</u>	<u>320,316,648</u>
Total net assets		
Totals	<u>\$415,568,201</u>	<u>\$402,753,666</u>

See notes to consolidated financial statements.

**CONSOLIDATED STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS**

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

For the year ended June 30, 2021
(with comparative totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Totals	2020 Totals
Support and Revenues				
Grants	\$ 5,186,018	\$ 2,058,632	\$ 7,244,650	\$ 7,955,406
Contributions:				
Capital Campaign	4,360	10,466,603	10,470,963	11,307,666
Endowment	-	1,908,226	1,908,226	154,434
Other	4,014,271	-	4,014,271	4,330,639
Memberships	11,413,239	-	11,413,239	11,523,338
Admissions	7,230,496	-	7,230,496	13,137,896
Facilities and property rental	66,871	-	66,871	1,270,058
Hotel operating revenue	6,720,241	-	6,720,241	5,395,781
Paycheck Protection Program loan forgiveness	4,356,000	-	4,356,000	-
Sponsored events and conferences	539,090	-	539,090	2,425,644
Educational travel programs	202,291	-	202,291	5,139,995
Retail store	2,673,768	-	2,673,768	3,031,928
Investment income (loss)	8,722,320	4,128,175	12,850,495	(4,939)
Sponsorships	13,250	-	13,250	103,466
Hilton development incentive note forgiveness	65,000	-	65,000	-
Parking	384,739	-	384,739	624,008
Memorial brick	441,995	-	441,995	723,230
Miscellaneous	76,158	-	76,158	490,080
Net assets released from restrictions	13,144,651	(13,144,651)	-	-
Total support and revenues	65,254,758	5,416,985	70,671,743	67,608,630
Expenses				
Program	43,886,832	-	43,886,832	54,550,799
General and administrative	7,366,632	-	7,366,632	6,459,803
Fundraising	2,915,470	-	2,915,470	3,297,194
Total expenses	54,168,934	-	54,168,934	64,307,796

**Exhibit B
(Continued)**

	Without Donor Restrictions	With Donor Restrictions	2021 Totals	2020 Totals
Changes in Net Assets Before Change in Liability on Interest Rate Swap Agreement	11,085,824	5,416,985	16,502,809	3,300,834
Change in liability on interest rate swap agreement (Note 15)	1,102,232	-	1,102,232	(2,693,140)
Change in Net Assets	12,188,056	5,416,985	17,605,041	607,694
Net Assets				
Beginning of year	271,251,120	49,065,528	320,316,648	319,708,954
End of year	<u>\$283,439,176</u>	<u>\$54,482,513</u>	<u>\$337,921,689</u>	<u>\$320,316,648</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**The National World War II Museum, Inc. and Subsidiaries**
New Orleans, LouisianaFor the year ended June 30, 2021
(with comparative totals for 2020)

	2021			Total Expenses	2020 Totals
	Program Expenses	General and Administration	Fundraising		
Advertising	\$ 1,463,282	\$ 34,765	\$ 25,043	\$ 1,523,090	\$ 2,244,456
Cost of goods sold	1,336,079	-	-	1,336,079	1,848,740
Depreciation	9,553,564	1,685,923	-	11,239,487	9,914,798
Educational travel program expense	114,714	-	-	114,714	3,313,559
Hotel operating expense	6,722,419	-	-	6,722,419	6,633,257
Insurance expense	1,451,032	524,797	-	1,975,829	2,043,865
Interest expense	2,634,490	-	-	2,634,490	2,005,910
Marketing expense	838,136	53	38	838,227	971,530
Meeting, events, and conferences expense	44,500	43,691	36,291	124,482	856,324
Office supplies	943,464	80,403	8,926	1,032,793	1,260,765
Other operating expense	1,001,638	282,966	207,546	1,492,150	2,029,592
Other personnel costs	14,990	15,066	8,136	38,192	339,787
Other program expense	340,791	-	-	340,791	780,676
Payroll taxes and benefits	1,919,774	281,779	146,101	2,347,654	3,011,381
Printing and postage expense	1,666,175	1,407,633	948,858	4,022,666	4,923,999
Professional services	1,589,133	1,442,791	589,106	3,621,030	2,454,406
Repair and maintenance	895,057	3,000	-	898,057	1,387,558
Salaries	10,112,393	1,483,306	901,973	12,497,672	16,179,399
Staff and volunteer expenses	164,745	74,843	37,530	277,118	444,074
Staff travel	43,812	2,060	5,004	50,876	520,974
Telephone expense	132,655	3,556	918	137,129	138,728
Utilities	903,989	-	-	903,989	1,004,018
Total expenses	\$43,886,832	\$7,366,632	\$2,915,470	\$54,168,934	\$64,307,796

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS**The National World War II Museum, Inc. and Subsidiaries**
New Orleans, LouisianaFor the year ended June 30, 2021
(with comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$17,605,041	\$ 607,694
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	11,239,487	9,914,798
Paycheck Protection Program loan forgiveness	(4,356,000)	-
Hilton development incentive note forgiveness	(65,000)	-
Amortization of note payable discount	52,546	183,912
Interest on notes receivable	(165,526)	(199,804)
Realized and unrealized (gain) loss on investments	(11,785,703)	2,903,428
(Increase) decrease in operating assets:		
Other unconditional promises to give, net	328,779	334,898
Retail store inventory	216,713	(283,064)
Other assets	(1,298,320)	1,825,942
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,241,949	(4,457,329)
Educational travel program refund payables	927,216	-
Deferred revenue	(188,341)	(103,921)
Change in liability on interest rate swap agreement	(1,102,232)	2,693,140
In-kind contributions - collections	-	(46,626)
Revenues restricted for the acquisition of property and equipment:		
State grant	(4,455,257)	(6,209,636)
Capital Campaign contributions, net of expenses	(9,081,601)	(10,209,495)
(Decrease) increase in discount on unconditional promises to give:		
Capital Campaign	(62,642)	14,187
Increase in allowance for uncollectible promises to give:		
Capital Campaign	53,423	131,341
Contributions restricted for endowment purposes	(1,908,226)	(154,434)
Net cash (used in) provided by operating activities	<u>(2,803,694)</u>	<u>(3,054,969)</u>

**Exhibit D
(Continued)**

	<u>2021</u>	<u>2020</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(14,645,147)	(30,459,122)
Investment purchases	(18,504,810)	(7,437,991)
Proceeds from sales and maturities of investments	<u>15,021,644</u>	<u>4,986,573</u>
Net cash used in investing activities	<u>(18,128,313)</u>	<u>(32,910,540)</u>
Cash Flows From Financing Activities		
Collections of state grant funds restricted for the acquisition of property and equipment	4,455,257	6,209,636
Collections of Endowment gifts	974,936	302,472
Collections of Capital Campaign contributions restricted for the acquisition of property and equipment, net of \$1,361,578 and \$1,266,099 of campaign expenses in 2021 and 2020, respectively	8,957,885	7,716,641
Proceeds from Hilton development incentive note	-	1,300,000
Proceeds from Paycheck Protection loan	3,540,000	4,356,000
Repayments of notes payable	(250,598)	(1,030,922)
Borrowings on lines of credit, net	<u>1,405,707</u>	<u>11,561,080</u>
Net cash provided by financing activities	<u>19,083,187</u>	<u>30,414,907</u>
Net Decrease In Cash and Cash Equivalents	(1,848,820)	(5,550,602)
Cash and Cash Equivalents		
Beginning of year	<u>61,912,459</u>	<u>67,463,061</u>
End of year	<u><u>\$60,063,639</u></u>	<u><u>\$61,912,459</u></u>

See notes to consolidated financial statements.

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

June 30, 2021 and 2020

Note 1 - NATURE OF ACTIVITIES

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

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

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

Note 1 - NATURE OF ACTIVITIES (Continued)

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

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

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

In October 2019, the Museum completed its newest pavilion, The Hall of Democracy. The Hall of Democracy is a 34,800 square-foot pavilion dedicated to the Museum's research, 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 online 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.

Note 1 - NATURE OF ACTIVITIES (Continued)

In November 2019, the Museum subsidiary, World War II Theatre, Inc., opened its new 230 room Higgins Hotel and Conference Center (the "Hotel"). The Hotel is branded as a Hilton Curio property.

Note 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are summarized below.

a. Organization and Income Taxes

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

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

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

On April 2, 2010, WW II Pavilions, Inc. was established as a non-profit corporation to operate exclusively for the benefit of the Museum and to support the educational, charitable, and social purposes of the Museum specifically to construct and operate the U.S. Freedom Pavilion: The Boeing Center adjacent to The National World War II Museum, Inc. 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.

**Note 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

a. Organization and Income Taxes (Continued)

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

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

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

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

b. Use of Estimates

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

**Note 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

c. Basis of Accounting

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

d. Basis of Presentation

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

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Museum, and/or the passage of time or net assets subject to donor-imposed restrictions and are to be held in perpetuity.

e. Consolidation

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

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

f. Cash and Cash Equivalents

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

**Note 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

g. Investments

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

h. Promises to Give

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

i. Revenue Recognition

Revenues from Exchange Transactions: The Museum recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, "*Revenues from Contracts with Customers*", as amended. ASU No. 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 Museum records the following exchange transaction revenue in its Consolidated Statements of Activities for the years ended June 30, 2021 and 2020:

Admissions Revenue

Admissions revenue represents the Museum Campus Pass Admissions, Museum Campus Pass Package, Guided Tours, and BB's Stage Door Canteen ticket sales. Revenue is recognized at the time of the sale.

Membership Revenue

Membership dues are billed and payable in the applicable membership period. This obligation is therefore satisfied over time during the annual membership period. Therefore, membership dues revenue is recognized on an annual basis.

**Note 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

i. Revenue Recognition (Continued)

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.

j. Contributions 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 Statement of Activities and Changes in Net Assets as net assets released from restrictions.

k. Allowances for Uncollectible Promises to Give

The Museum provides for estimated uncollectible promises to give based on prior years' experience and management's analysis of specific promises made. As of June 30, 2021 and 2020, the balance of the allowance related to the Capital Campaign was \$324,480 and \$275,422 respectively, the allowance related to the Endowment was \$82,800 and \$44,280 respectively, and the allowance for other promises to give was \$64,900 and \$19,316 respectively.

**Note 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

l. Retail Store Inventory

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

m. 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.

n. Collections

As of June 30, 2021 and 2020, collections consist of three films commissioned by the Museum, a collection of German, French, and American artifacts acquired from the St. Lo Museum in France in 1995, aircraft, tanks, certain military vehicles, and miscellaneous artifacts. 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. It is the Museum's policy to capitalize only those items purchased, not those donated, unless the item's cost is significant and is able to be valued objectively. Donated collection items are not recorded, except in rare circumstances, due to the lack of an objective basis of valuation.

o. 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 Iberia Bank (Note 15). The Museum accounts for its derivative instruments under the FASB Accounting Standards Codification 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.

**Note 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

p. 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.

q. Fundraising Expenses

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

r. Allocated Expenses

The costs of providing the various programs and other activities are summarized in Note 24.

s. Tax Matters

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of June 30, 2021, management of the Museum believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. Tax years June 30, 2018 and later remain subject to examination by the taxing authorities.

t. Recent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*" (Topic 606), which provides a single comprehensive model for entities to use in accounting for revenue from contracts with customers and supersedes most current revenue recognition models. Subsequent to the issuance of ASU No. 2014-09, the FASB issued several additional ASUs which amended and clarified the guidance and deferred the effective date. The new revenue standard is effective for annual reporting periods beginning after December 15, 2019. The Museum adopted the provisions of ASU No. 2014-09 and retrospectively applied this standard to the consolidated financial statements. The adoption of this accounting standard did not have a significant impact on the consolidated financial statements.

**Note 2 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

t. Recent Accounting Pronouncements (Continued)

Leases

In February 2016, the FASB issued ASU No. 2016-02, "*Leases*" (Topic 842). ASU No. 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the Consolidated Statement of Financial Position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the Consolidated Statement of Activities and the Consolidated Statement of Cash Flows will be substantially unchanged from the existing lease accounting guidance. The ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Museum is currently evaluating the full impact that the adoption of this standard will have on the consolidated financial statements.

u. Reclassifications

Certain amounts in the 2020 consolidated financial statements have been reclassified to conform to the 2021 consolidated financial statement presentation.

v. Subsequent Events

Management evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through November 2, 2021, which is the date the consolidated financial statements were available to be issued. See Note 29 in the financial statements.

Note 3 - 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.

Note 3 - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets as of June 30, 2021 and 2020 are available for the following purposes or periods:

	2021	2020
Subject to expenditure for a specified purpose:		
Acquisition of property and equipment - Capital Campaign	\$19,279,386	\$19,146,448
Other restricted purposes	10,830,391	7,073,245
Subject to passage of time:		
Unconditional promises to give	1,012,425	1,341,204
Unamortized discount on notes payable (Notes 16 and 17)	-	52,546
Total subject to expenditure for a specified purpose	31,122,202	27,613,443
Subject to Museum spending policy and appropriation:		
Funds held in perpetuity	23,360,311	21,452,085
Totals	\$54,482,513	\$49,065,528

Note 4 - GOVERNING BOARD DESIGNATIONS

Governing Board designations consist of the following as of June 30, 2021 and 2020:

	2021	2020
Endowment purposes	\$ 18,152,807	\$ 11,295,294
Operating reserve	10,208,329	10,204,128
Capital maintenance reserve	7,121,904	6,441,395
New ventures	712,331	940,172
Higgins reserve fund	2,296,763	3,387,475
Higgins debt service fund	5,217,710	3,387,475
Exhibits	-	100,000
Totals	\$ 43,709,844	\$ 35,755,939

Note 5 - INVESTMENTS

Marketable securities are summarized as follows:

	June 30, 2021		
	Cost	Market Value	Excess of Market Over Cost
Balance, June 30, 2021	<u>\$32,090,376</u>	<u>\$ 45,311,990</u>	\$13,221,614
Balance, June 30, 2020	<u>\$27,782,806</u>	<u>\$ 30,043,121</u>	2,260,315
Increase in unrealized appreciation			10,961,299
Realized gain on investments			824,404
Interest on cash, cash equivalents, and notes receivable			<u>1,163,369</u>
Total			12,949,072
Less investment expense			<u>(98,577)</u>
Total investment income			<u>\$12,850,495</u>
	June 30, 2020		
	Cost	Market Value	Excess of Market Over Cost
Balance, June 30, 2020	<u>\$27,782,806</u>	<u>\$ 30,043,121</u>	\$ 2,260,315
Balance, June 30, 2019	<u>\$25,483,828</u>	<u>\$ 30,495,131</u>	5,011,303
Decrease in unrealized appreciation			(2,750,988)
Realized loss on investments			(152,440)
Interest on cash, cash equivalents, and notes receivable			<u>3,029,925</u>
Total			126,497
Less investment expense			<u>(131,436)</u>
Total investment loss			<u>\$ (4,939)</u>

Note 6 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under Financial Accounting Standards Board Accounting Standards Codification Topic 820, Fair Value Measurements, are described as follows:

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2021 and 2020.

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

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

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

Note 6 - FAIR VALUE MEASUREMENTS (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, 2021 and 2020:

Description	Fair Value As Of June 30, 2021	Based on		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds:				
Pooled investment account	\$ 10,035,976	\$ -	\$10,035,976	\$ -
Other	15,934,805	15,934,805	-	-
Common stocks	17,006,567	17,006,567	-	-
Real estate investment trusts	2,334,642	2,334,642	-	-
Totals	<u>\$ 45,311,990</u>	<u>\$ 35,276,014</u>	<u>\$10,035,976</u>	<u>\$ -</u>
Interest rate swap hedge market-to-market valuation	<u>\$ (1,590,908)</u>	<u>\$ -</u>	<u>\$ (1,590,908)</u>	<u>\$ -</u>

Description	Fair Value As Of June 30, 2020	Based on		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds:				
Pooled investment account	\$ 5,368,018	\$ -	\$ 5,368,018	\$ -
Other	14,037,794	14,037,794	-	-
Common stocks	6,752,464	6,752,464	-	-
Real estate investment trusts	1,514,684	1,514,684	-	-
Exchange-traded funds	2,370,161	2,370,161	-	-
Totals	<u>\$ 30,043,121</u>	<u>\$ 24,675,103</u>	<u>\$ 5,368,018</u>	<u>\$ -</u>
Interest rate swap hedge market-to-market valuation	<u>\$ (2,693,140)</u>	<u>\$ -</u>	<u>\$ (2,693,140)</u>	<u>\$ -</u>

As of June 30, 2021 and 2020, there were no assets measured at fair value on a non-recurring basis.

Note 7 - AVAILABILITY OF FINANCIAL ASSETS

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 investments. 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 following table represents financial assets available for general expenditures within one year as of June 30, 2021:

Financial assets:	
Cash and cash equivalents	\$ 60,063,639
Investments	45,311,990
Promises to give	<u>23,362,761</u>
Total financial assets as of June 30, 2021	<u>128,738,390</u>
Less amounts unavailable for general expenditures within one year, due to:	
Governing Board designations	(43,709,844)
Donor imposed restrictions:	
Restricted by donors with purpose or time restrictions	<u>(54,482,513)</u>
Total financial assets not available to be used within one year	<u>(98,192,357)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 30,546,033</u></u>

Note 8 - 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.

Note 8 - RISKS AND UNCERTAINTIES (Continued)

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 LIBOR. Significant increases in interest rates could adversely affect operating margins, results of operations and our 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.

Note 9 - CONCENTRATION OF CREDIT RISK

The Museum maintains money market accounts, investments in mutual funds, common stocks, and real estate investment trusts in an investment account with a brokerage firm, where they are insured by the Securities Investor Protection Corporation for balances up to \$500,000 (with a limit of \$250,000 for cash). As of June 30, 2021, cash in excess of the insured limits was approximately \$2,200,000.

The Museum maintains cash balances at several local financial institutions where they are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. As of June 30, 2021, cash deposits in excess of the insured limits were approximately \$14,000,000.

Note 10 - 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.

Note 10 - UNCONDITIONAL PROMISES TO GIVE (Continued)

Unconditional promises to give as of June 30, 2021 and 2020 consist of the following:

	2021	2020
Unconditional promises to give:		
Capital Campaign	\$ 19,814,756	\$ 19,695,402
Endowment	3,180,144	2,209,475
Other	1,079,001	1,379,703
Gross unconditional promises to give	24,073,901	23,284,580
Less:		
Unamortized discount:		
Capital Campaign	(210,890)	(273,532)
Endowment	(26,394)	(27,535)
Other	(1,676)	(19,183)
Allowance for uncollectible amounts:		
Capital Campaign	(324,480)	(275,422)
Endowment	(82,800)	(44,280)
Other	(64,900)	(19,316)
Net unconditional promises to give	\$ 23,362,761	\$ 22,625,312
	2021	2020
Net unconditional promises to give:		
Capital Campaign	\$ 19,279,386	\$ 19,146,448
Endowment	3,070,950	2,137,660
Other	1,012,425	1,341,204
Totals	\$ 23,362,761	\$ 22,625,312
Amounts due in:		
Less than one year	\$ 3,640,200	\$ 3,577,701
One to five years	19,538,878	17,919,839
Greater than five years	894,823	1,787,040
Totals	\$ 24,073,901	\$ 23,284,580

Promises to give receivable balances of more than one year are discounted at 1.41% for each of the years ended June 30, 2021 and 2020.

Note 11 - NOTES RECEIVABLE

As part of a New Markets Tax Credit Financing Transaction (see Note 16), the Museum entered into an agreement on December 30, 2013 to lend FNBC NMTC Hybrid Fund, L.L.C. \$3,635,000. During the year ended June 30, 2019, the note was purchased from FNBC NMTC Hybrid Fund L.L.C. by Advantage Capital Management Corporation. The note was secured by certain bank accounts of Advantage Capital Management Corporation. Interest was paid quarterly at a fixed rate of 1.375516% per year and additional interest accrues and compounds quarterly at 4.31395% per year. Interest earned on the note for the years June 30, 2021 and 2020 was \$215,477 and \$249,804, respectively. The note matured on October 22, 2020 at which time the outstanding principal and accrued interest of \$5,000,000 was collected.

Note 12 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2021 and 2020 consists of the following:

	2021	2020
Land	\$ 7,397,345	\$ 7,397,345
Buildings	225,719,003	225,363,351
Exhibits	44,128,672	44,889,570
Equipment, video productions, and furniture	36,760,207	36,295,846
Construction in progress	46,012,198	32,426,367
	360,017,425	346,372,479
Less accumulated depreciation	(92,981,179)	(81,746,137)
Totals	\$267,036,246	\$ 264,626,342

Depreciation expense for the years ended June 30, 2021 and 2020 totaled \$11,239,487 and \$9,914,798, respectively.

Note 13 - 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 \$413,086 and \$416,517 as of June 30, 2021 and 2020, respectively, is included in accrued expenses in the Museum's Consolidated Statement of Financial Position.

During the year ended June 30, 2013, the Museum was named as a beneficiary of a charitable lead annuity trust. The Museum will receive annual payments from the trust of \$1,187 for the first year, \$36,109 in years two through 14, and \$34,921 in years 15 through 27. The present value of estimated future payments of \$200,379 and \$234,613 as of June 30, 2021 and 2020, respectively, is included in the unconditional promises to give section in the Museum's Consolidated Statement of Financial Position.

Note 14 - GRANTS

The State of Louisiana provided a capital appropriation through a Cooperative Endeavor Agreement with The National World War II Museum, Inc. in the amount of \$64,000,000. The Museum must use the State award for the planning and construction of buildings needed for the expansion program. For the years ended June 30, 2021 and 2020, the Museum recognized revenue under this grant in the amount of \$4,955,257 and \$6,209,636, respectively.

For years ended June 30, 2021 and 2020, the Museum also recognized \$2,289,393 and \$1,745,770, respectively, of grant revenues from private sources and other sources.

Note 15 - BANK LINES OF CREDIT AND INTEREST RATE SWAP AGREEMENT

On February 29, 2016, the Museum entered into a loan agreement with Hancock Whitney Bank in New Orleans. The loan agreement provided for a \$2,500,000 line of credit loan which was evidenced by a promissory note. The line of credit matures on April 12, 2023. 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 one-month LIBOR + 2.75% with a minimum interest rate of 3.75% (3.875% as of both June 30, 2021 and 2020). As of June 30, 2021 and 2020, the Museum had no outstanding balance.

On December 21, 2017, the Museum entered into construction loan agreements with Hancock Whitney Bank and Iberia Bank/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 17). The term loans are payable in monthly principal payments based on a twenty-five year amortization plus interest, at one-month LIBOR + 2.25% and mature two years after the date of conversion. As of June 30, 2020, the Museum had an outstanding balance of \$51,803,493 on the lines of credit. Interest on the lines of credit are payable monthly at an adjusted rate equal to the one-month LIBOR + 2.25 (2.933% as of June 30, 2020). Interest expense for the years ended June 30, 2021 and 2020 was \$2,261,449 and \$1,428,220, respectively.

In conjunction with the loan agreements for the construction of the Hotel, the Museum entered into an interest rate swap agreement with Iberia Bank/First Horizon Bank whereby the current notional amount (\$42,124,980 as of June 30, 2021) 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 an unfavorable position with the counterparty in the amount of \$1,590,908 and \$2,693,140 as a derivative liability on the Consolidated Statement of Financial Position as of June 30, 2021 and 2020, respectively and recorded an unrealized gain of \$1,102,233 and an unrealized loss of \$2,693,140 on the Consolidated Statement of Activities for the year ended June 30, 2021 and 2020, respectively.

Note 16 - NEW MARKETS TAX CREDIT

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

The transaction loan totals \$5 million toward this \$35 million phase of the expansion. The Museum raised other sources of funding to satisfy the loan from existing donor pledges and contributions as of the date of the transaction closing. The total loan amount is described in Note 17.

The Museum realized projected benefits from the Federal and state incentives incorporated into the loan of \$1,365,000 which was recognized as interest income over the seven year compliance period. Interest income for the year ended June 30, 2021 and 2020 was \$165,526 and \$199,804, respectively.

On October 22, 2020, as part of the New Markets Tax Credit transaction, all outstanding principal and interest on the note receivable from FNBC NMTC Hybrid Fund L.L.C. was collected in full. (See Note 11.) The loan from Advantage Capital Management Corporation was also paid in full. (See Note 17.)

Note 17 - NOTES PAYABLE

Notes payable as of June 30, 2021 and 2020 consist of the following:

	2021	2020
Notes payable, dated December 21, 2020 to Hancock Whitney Bank of \$26,604,600 and Iberia/First Horizon Bank of \$26,604,600, bearing interest at an adjusted rate equal to the one month LIBOR + 2.25 (2.342%) as of June 30, 2021. Monthly principal and interest payments on each loan of approximately \$98,000, with a balloon payment plus unpaid interest of \$25,457,257 due on December 21, 2022 on each loan.	\$53,209,200	\$ -

Note 17 - NOTES PAYABLE (Continued)

	2021	2020
<p>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 \$2,112,158 plus accrued interest due on March 4, 2026.</p>	2,768,061	2,869,446
<p>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.</p>	3,163,945	3,313,158
<p>Note payable, dated December 30, 2013, to a community development financial institution, Advantage Capital (formerly FNBC Sub-CDE#14, L.L.C.), interest at a fixed rate of 1%, due quarterly beginning March 31, 2014, and principal was due at maturity, October 22, 2020. The note was secured by all receivables, deposits held by financial institutions, and the assignment of certain revenues of the Museum. On October 22, 2020, the loan was also paid in full.</p>	-	5,000,000
	59,141,206	11,182,604
Less unamortized discount	-	(52,546)
Totals	\$59,141,206	\$11,130,058

Note 17 - NOTES PAYABLE (Continued)

Interest expense on notes payable totaled \$373,040 and \$577,689 for the years ended June 30, 2021 and 2020, respectively.

For both the years ended June 30, 2021 and 2020, \$52,546 and \$183,912, respectively, was recorded as part of interest expense through amortization of the original issue discount.

Aggregate maturities of long-term debt are as follows:

<u>Year Ended June 30,</u>	
2022	\$ 1,435,168
2023	52,365,311
2024	318,122
2025	320,171
2026	<u>4,702,434</u>
Total	<u><u>\$59,141,206</u></u>

Note 18 - PAYCHECK PROTECTION ACT NOTES PAYABLE

On April 8, 2020, World War II Theatre, Inc., a subsidiary of the Museum, received a \$1,193,300 loan from Iberia Bank/First Horizon Bank under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and implemented by the U.S. Small Business Administration (SBA). World War II Theatre, Inc. completed its forgiveness application to the SBA on July 16, 2021. On August 20, 2021, World War II Theatre, Inc. received formal notification that its application for forgiveness of the PPP loan was accepted. The transaction is recorded as revenue for the year ended June 30, 2021.

On April 13, 2020, the Museum received a \$3,162,700 loan from Hancock Whitney under the PPP established by the CARES Act and implemented by the (SBA). The Museum completed its forgiveness application to the SBA on June 1, 2021. On July 1, 2021, the Museum received formal notification that its application for forgiveness of the PPP loan was accepted. The loan forgiveness of \$3,162,700 is reported as revenue for the year ended June 30, 2021.

Note 18 - PAYCHECK PROTECTION ACT NOTES PAYABLE (Continued)

On February 14, 2021, World War II Theatre, Inc. received a \$1,540,000 second draw PPP loan from Iberia Bank/First Horizon Bank. The loan matures in five years and interest on the loan is 1%. If World War II Theatre, Inc. submits a loan forgiveness application within ten months after the end of the covered period (as defined by PPP rules), it will not be obligated to make any payments of principal or interest before the date on which the SBA formally forgives the PPP loan. The Museum plans to submit its forgiveness application prior to that ten month period.

On March 29, 2021, the Museum received a \$2,000,000 Second Draw PPP loan from Hancock Whitney. The loan matures in five years and interest on the loan is 1%. If the Museum submits a loan forgiveness application within ten months after the end of the covered period (as defined by PPP rules), it will not be obligated to make any payments of principal or interest before the date on which the SBA formally forgives the PPP loan. The Museum plans to submit its forgiveness application prior to that ten month period.

Note 19 - HILTON DEVELOPMENT INCENTIVE NOTE

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, 2021 and 2020, the Museum had an outstanding balance of \$1,235,000 and \$1,300,000, respectively.

Note 20 - 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
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 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:

Note 20 - DONOR AND BOARD DESIGNATED ENDOWMENT (Continued)

- 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, 2021 and 2020 is as follows:

	June 30, 2021		Totals
	Without Donor Restrictions	With Donor Restrictions	
Donor-restricted endowment funds	\$ -	\$ 29,634,943	\$ 29,634,943
Board-designated funds	18,152,807	-	18,152,807
Total funds	\$ 18,152,807	\$ 29,634,943	\$ 47,787,750
	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Totals
Donor-restricted endowment funds	\$ -	\$ 22,475,925	\$ 22,475,925
Board-designated funds	11,295,294	-	11,295,294
Total funds	\$ 11,295,294	\$ 22,475,925	\$ 33,771,219

Note 20 - DONOR AND BOARD DESIGNATED ENDOWMENT (Continued)

Changes in endowment net assets for the years ending June 30, 2021 and 2020 are as follows:

	2021		Totals
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$ 11,295,294	\$ 22,475,925	\$ 33,771,219
Contributions	929,031	470,860	1,399,891
Investment income	5,928,482	6,760,426	12,688,908
Endowment expended	(72,268)	-	(72,268)
Endowment net assets, reclassified from restriction	72,268	(72,268)	-
Endowment net assets, end of year	<u>\$ 18,152,807</u>	<u>\$ 29,634,943</u>	<u>\$ 47,787,750</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Totals
Endowment net assets, beginning of year	\$ 10,739,779	\$ 22,927,108	\$ 33,666,887
Contributions	978,567	154,434	1,133,001
Investment loss	(329,573)	(494,715)	(824,288)
Endowment expended	(204,381)	-	(204,381)
Endowment net assets, reclassified from restriction	110,902	(110,902)	-
Endowment net assets, end of year	<u>\$ 11,295,294</u>	<u>\$ 22,475,925</u>	<u>\$ 33,771,219</u>

Note 20 - DONOR AND BOARD DESIGNATED ENDOWMENT (Continued)

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, 2021 and 2020.

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

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

Note 21 - CAPITAL CAMPAIGN

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

Note 21 - CAPITAL CAMPAIGN (Continued)

As of June 30, 2021, \$33,250,000 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, \$260,100,000 has been raised from private sector sources for property acquisitions, campaign expenses, and the Endowment Fund \$(47,787,750) net of promises written off (including cash received through that date and promises to give in subsequent periods). An additional \$12,924,817 (unaudited) is reported by the Museum as planned gifts which will be recognized in subsequent periods in accordance with accounting principles generally accepted in the United States of America (for items such as the Museum being named as a beneficiary in a will or life insurance policy).

Promises receivable from private sector sources (excluding Endowment) as of June 30, 2021 and 2020 are as follows:

	2021	2020
Promises receivable at beginning of year	\$ 19,695,402	\$ 17,302,548
New promises made during the year	10,443,177	11,475,594
Less:		
Cash received	(10,319,463)	(8,982,740)
Write offs	(4,360)	(100,000)
Promises receivable at end of year	19,814,756	19,695,402
Unamortized discount	(210,890)	(273,532)
Allowance for doubtful promises	(324,480)	(275,422)
Totals	\$ 19,279,386	\$ 19,146,448

Note 21 - CAPITAL CAMPAIGN (Continued)

The activities of the Capital Campaign funding from private sector sources for property acquisitions and campaign expenses through June 30, 2021 are as follows:

Total Capital Campaign gifts and promises (excluding Endowment)	\$201,911,130
Less amounts written off since inception	<u>(1,500,559)</u>
	200,410,571
Discount to net present value at June 30, 2021	(210,890)
Allowance for doubtful promises at June 30, 2021	<u>(324,480)</u>
	199,875,201
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	<u>10,319,465</u>
Total net assets released	<u>180,595,815</u>
Temporarily restricted net assets - Capital Campaign, as of June 30, 2021	<u>\$ 19,279,386</u>

Note 22 - 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 \$213,492 and \$243,762 for the years ended June 30, 2021 and 2020, respectively.

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

Additionally, the Museum sponsors a deferred compensation plan under IRC sections 457(f) for the benefit of a highly compensated employee. The Museum's contributions to the plans totaled \$37,500, for both years ended June 30, 2021 and 2020.

Note 23 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Unconditional Promises to Give - The carrying value of unconditional promises to give as of June 30, 2021 and 2020 is \$23,362,761 and \$22,625,312, respectively, and are discounted to their net present value, which approximates fair value.

Notes Receivable - The carrying value of notes receivable as of June 30, 2020 is \$4,834,474, which approximates fair value. There was no note receivable balance as of June 30, 2021.

Notes Payable to Banks - The carrying value of notes payable to banks as of June 30, 2021 and 2020 is \$5,932,006 and \$11,130,058, respectively, which approximates fair value.

Line of Credit - Construction - The carrying value of the Line of Credit - Construction as of June 30, 2021 and 2020 is \$53,209,200 and \$51,803,493, respectively, which approximates fair value.

Note 23 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Paycheck Protection Act Notes Payable - The carrying value of the Paycheck Protection Program notes payable as of June 30, 2021 and 2020 is \$3,540,000 and \$4,356,000, respectively, which approximates fair value.

Hilton Development Incentive Note - The carrying value of the Hilton Development Incentive Note as of June 30, 2021 and 2020 is \$1,235,000 and \$1,300,000, respectively, which approximates fair value.

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

Note 24 - 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. Most of human resources expenses are considered general and administrative, except meeting expense (60% program, 40% general and administrative, allocated based on estimated meeting content), payroll and benefits (allocated by the percentages used in salaries), and staff meals (40% program, 40% general and administrative, 20% fundraising, allocated based on departments receiving meals). 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 by taking an average of those categories over the past three years.

Note 25 - 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 commitment (undiscounted) is \$530,000 for the annual salary and \$75,000 for contributions to the deferred compensation plan.

The Museum entered into an employment contract with an employee to serve as Executive Vice-President and Chief Operating Officer effective January 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 commitment (undiscounted) is \$380,000 for the annual salary and \$37,500 for the annual contributions to the deferred compensation plan.

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 \$15,578,000. As of June 30, 2021, the Museum has incurred construction completed or in progress related to this architectural design contract totaling approximately \$15,242,000.

The Museum has entered into a contract for the exhibit design of the Capital Expansion Project totaling approximately \$10,067,000. As of June 30, 2021, the Museum has incurred construction completed or in progress related to this architectural design contract totaling approximately \$9,900,000.

The Museum entered into contracts related to the construction of the Bollinger Canopy of Peace totaling approximately \$7,714,000. As of June 30, 2021, the Museum has incurred construction in progress related to these contracts totaling approximately \$7,500,000. The Museum has also incurred other construction costs on a time and material basis.

The Museum entered into a contract related to the design of the Liberation Theater totaling approximately \$24,984,000. As of June 30, 2021, the Museum has incurred construction in progress related to this project totaling approximately \$8,467,000.

The Museum entered into a contract for the "*Expressions of America*" Sound and Light Show totaling approximately \$2,391,000. As of June 30, 2021, the Museum has incurred construction in progress related to this project totaling approximately \$1,452,000.

Note 25 - COMMITMENTS (Continued)

The Museum entered into a contract for the Louisiana Pavilion HVAC upgrade totaling approximately \$220,000. As of June 30, 2021, the Museum has incurred construction in progress related to this project totaling approximately \$219,000.

During the year ended June 30, 2021, the Museum entered into a contract for the Louisiana Pavilion Roof Replacement totaling approximately \$998,000. As of June 30, 2021, the Museum has not incurred any construction costs related to this project.

Note 26 - LEASE AND LICENSING AGREEMENTS

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

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

Both the lease and licensing agreements will continue on a continuous seven year cycle beginning on August 1, 2015, provided 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.

Note 26 - LEASE AND LICENSING AGREEMENTS (Continued)

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

Due to the continued impact of COVID-19 on the Museum and its restaurant operations, the Museum and Centerplate extended their agreement which provided lower license fees, rents, and other payments. As of November 1, 2021 the terms between the Museum and Centerplate will revert back to the original lease and licensing agreement described in the paragraphs above.

Note 27 - SUPPLEMENTAL CASH FLOW INFORMATION

	Year Ended June 30,	
	2021	2020
Cash paid for interest	\$ 2,565,249	\$ 1,821,999
Cost of building improvements and equipment acquired	\$ 13,649,394	\$ 27,937,556
Change in construction payable for property and equipment purchases	995,753	2,521,566
Cash payments for property and equipment acquired	\$ 14,645,147	\$ 30,459,122
Note receivable accepted as full satisfaction of note payable	\$ 5,000,000	\$ -
Line of credit converted to term note payable	\$ 53,209,200	\$ -

Note 28 - CORONAVIRUS

On March 11, 2020, the World Health Organization declared the outbreak of the novel Coronavirus (COVID-19) disease as a pandemic. Measures to protect public health, such as recommended social distancing and mandatory business closures, have had material adverse impacts on the economy.

On March 13, 2020, following guidance issued by the Governor of the State of Louisiana, the Museum temporarily closed its doors to visitors. On May 25, 2020, the Museum reopened with reduced occupancy levels and other restrictions according to guidelines of the Louisiana Department of Health along with federal and state of Louisiana guidelines as they relate to COVID-19. The pandemic has had a significant unfavorable impact of the Museum's financial condition for the year ended June 30, 2020, but the Museum took actions to preserve financial flexibility in this time of uncertainty. In order to provide cash flow assistance during the closure period, the Museum and its World War II Theatre, Inc. subsidiary applied for and received PPP loans in the amount of \$3,162,700 and \$1,193,300, respectively. Given the substantially reduced operations of the Museum, the Museum reduced its workforce by 82 staff positions at the Museum, eliminated an additional 40 vacant positions, reduced 115 staff positions at the Hotel and instituted pay cuts for executive and management positions across the Museum. The Museum also evaluated all areas of spending to reduce expenses to assist with cash flow.

COVID-19 continued to impact the Museum's operations through the year ended June 30, 2021. Visitation was 45% of pre-COVID-19 levels which impacted admissions revenue, retail revenue and other rental revenue. COVID-19 mandates and capacity restrictions impacted the Museum's events, conferences and educational programs. Finally, the educational travel program was suspended for the entire fiscal year. The latter few months of the fiscal year did reflect significant recovery in New Orleans tourism and favorably impacted the Museum's visitation. The Museum has continued to maintain reduced personnel and lower spending levels throughout the fiscal year.

In response to the continued impact of COVID-19 in the year ended June 30, 2021, the Museum and its World War II Theatre, Inc. subsidiary applied for and received second round PPP loans in the amount of \$2,000,000 and \$1,540,000, respectively. The Museum also applied for 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.

Note 28 - CORONAVIRUS (Continued)

A fourth wave of COVID-19 spikes resulting from the Delta variant impacted the Museum's operations in August 2021 and again adversely impacted Museum visitation. We anticipate continued adverse impacts on the Museum's operations in the foreseeable future.

Note 29 - PT-305

On July 1, 2020, PT-305 was taken out of commission for public tours and rides and moved from the New Orleans Lakefront for long term storage with plans on converting it to a permanent exhibit. On October 1, 2021, the Museum made the decision to move PT-305 from long-term storage to the Museum's campus with plans to display it in the Kushner Restoration Pavilion. The moving of PT-305 to the main Museum campus will offer it protection and security from the elements and will allow visitors to learn of its combat history. The repurposing of the use of PT-305 will take place during the year ended June 30, 2022.

Note 30 - SUBSEQUENT EVENTS

Hurricane Ida made landfall on August 29, 2021 near the greater New Orleans area. The Museum incurred modest damages to its campus. The costs to repair the damages will be funded through donations and by amounts available in the Capital Maintenance Reserve. The Museum was closed to the public for two weeks as a result of widespread power outages in the City of New Orleans and the clean-up required to ready the Museum for visitors. Management anticipates that the recovery from Hurricane Ida and its impact on tourism in the New Orleans area will adversely affect the operations of the Museum and the Higgins Hotel. The Museum anticipates that the impacted period will not extend beyond three to six months.

SUPPLEMENTAL INFORMATION

CONSOLIDATED SCHEDULE OF FINANCIAL POSITION**The National World War II Museum, Inc. and Subsidiaries**
New Orleans, Louisiana

June 30, 2021

ASSETS

	World War II Theatre, Inc., Owner of Higgins Hotel and Conference Center	The National World War II Museum	2021 Totals
Cash and cash equivalents	\$ 7,198,695	\$ 52,864,944	\$ 60,063,639
Investments	-	45,311,990	45,311,990
Unconditional promises to give:			
Capital Campaign, net of allowances	-	19,279,386	19,279,386
Endowment, net of allowances	-	3,070,950	3,070,950
Other, net of allowances	-	1,012,425	1,012,425
Notes receivable	-	-	-
Retail store inventory	102,968	854,503	957,471
Intercompany receivables (payables)	(20,023,898)	20,023,898	-
Other assets	482,139	5,200,445	5,682,584
Property and equipment, net of accumulated depreciation	63,296,640	203,739,606	267,036,246
Collections	-	13,153,510	13,153,510
Totals	<u>\$51,056,544</u>	<u>\$ 364,511,657</u>	<u>\$ 415,568,201</u>

LIABILITIES

Accounts payable trade	\$ 299,845	\$ 819,390	\$ 1,119,235
Due to (from) National World War II Museum	4,534,097	(4,534,097)	-
Travel refunds payable	-	927,216	927,216
Construction projects payable	140,555	2,194,263	2,334,818
Accrued expenses	832,559	3,210,348	4,042,907
Liability on interest rate swap agreement	1,590,908	-	1,590,908
Deferred revenue	-	3,715,222	3,715,222
Line of credit - construction	53,209,200	(53,209,200)	-
Paycheck Protection Program notes payable	1,540,000	2,000,000	3,540,000
Hilton development incentive note	1,235,000	-	1,235,000
Notes payable	-	59,141,206	59,141,206
Total liabilities	<u>63,382,164</u>	<u>14,264,348</u>	<u>77,646,512</u>

NET ASSETS

Total net assets	<u>(12,325,620)</u>	<u>350,247,309</u>	<u>337,921,689</u>
Totals	<u>\$51,056,544</u>	<u>\$ 364,511,657</u>	<u>\$ 415,568,201</u>

CONSOLIDATED SCHEDULE OF FINANCIAL POSITION**The National World War II Museum, Inc. and Subsidiaries**
New Orleans, Louisiana

June 30, 2020

ASSETS

	World War II Theatre, Inc., Owner of Higgins Hotel and Conference Center	The National World War II Museum	2020 Totals
Cash and cash equivalents	\$ 3,951,925	\$ 57,960,534	\$ 61,912,459
Investments	-	30,043,121	30,043,121
Unconditional promises to give:			
Capital Campaign, net of allowances	-	19,146,448	19,146,448
Endowment, net of allowances	-	2,137,660	2,137,660
Other, net of allowances	-	1,341,204	1,341,204
Notes receivable	-	4,834,474	4,834,474
Retail store inventory	99,793	1,074,391	1,174,184
Intercompany receivables (payables)	(16,523,898)	16,523,898	-
Other assets	3,000	4,381,264	4,384,264
Property and equipment, net of accumulated depreciation	65,882,751	198,743,591	264,626,342
Collections	-	13,153,510	13,153,510
Totals	<u>\$53,413,571</u>	<u>\$349,340,095</u>	<u>\$402,753,666</u>

LIABILITIES

Accounts payable trade	\$ 261,016	\$ 701,586	\$ 962,602
Due to (from) National World War II Museum	2,955,012	(2,955,012)	-
Construction projects payable	401,835	2,928,736	3,330,571
Accrued expenses	580,311	2,377,280	2,957,591
Liability on interest rate swap agreement	2,693,140	-	2,693,140
Deferred revenue	-	3,903,563	3,903,563
Line of credit - construction	51,803,493	-	51,803,493
Paycheck Protection Act notes payable	1,193,300	3,162,700	4,356,000
Hilton development incentive note	1,300,000	-	1,300,000
Notes payable	-	11,130,058	11,130,058
Total liabilities	<u>61,188,107</u>	<u>21,248,911</u>	<u>82,437,018</u>

NET ASSETS

Total net assets	<u>(7,774,536)</u>	<u>328,091,184</u>	<u>320,316,648</u>
Totals	<u>\$53,413,571</u>	<u>\$349,340,095</u>	<u>\$402,753,666</u>

CONSOLIDATED SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS**The National World War II Museum, Inc. and Subsidiaries**
New Orleans, Louisiana

For the year ended June 30, 2021

	World War II Theatre, Inc., Owner of Higgins Hotel and Conference Center	The National World War II Museum	2021 Totals
Support and Revenues			
Grants	\$ -	\$ 7,244,650	\$ 7,244,650
Contributions:			
Capital Campaign	-	10,470,963	10,470,963
Endowment	-	1,908,226	1,908,226
Other	-	4,014,271	4,014,271
Memberships	-	11,413,239	11,413,239
Admissions	-	7,230,496	7,230,496
Facilities and property rental	-	66,871	66,871
Hotel operating revenue:		-	
Room revenue	4,845,359	-	4,845,359
Food and beverage	1,357,527	-	1,357,527
Other operating revenue	429,793	-	429,793
Hotel miscellaneous	87,562	-	87,562
Paycheck Protection Program loan forgiveness	1,193,300	3,162,700	4,356,000
Sponsored events and conferences	-	539,090	539,090
Educational travel programs	-	202,291	202,291
Retail store	-	2,673,768	2,673,768
Investment income	-	12,850,495	12,850,495
Sponsorships	-	13,250	13,250
Hilton development incentive note forgiveness	65,000	-	65,000
Parking	-	384,739	384,739
Memorial brick	-	441,995	441,995
Miscellaneous	7,190	68,968	76,158
	<u>7,985,731</u>	<u>62,686,012</u>	<u>70,671,743</u>
Expenses	<u>13,639,047</u>	<u>40,529,887</u>	<u>54,168,934</u>
Changes in Net Assets Before Change in Liability on Interest Rate Swap Agreement	(5,653,316)	22,156,125	16,502,809
Change in liability on interest rate swap agreement (Note 15)	<u>1,102,232</u>	<u>-</u>	<u>1,102,232</u>
Change in Net Assets	(4,551,084)	22,156,125	17,605,041
Net Assets			
Beginning of year	<u>(7,774,536)</u>	<u>328,091,184</u>	<u>320,316,648</u>
End of year	<u>\$ (12,325,620)</u>	<u>\$ 350,247,309</u>	<u>\$ 337,921,689</u>

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES**The National World War II Museum, Inc. and Subsidiaries**
New Orleans, Louisiana

For the year ended June 30, 2021

	World War II Theatre, Inc., Owner of Higgins Hotel and Conference Center	The National World War II Museum	2021 Total Expenses
Advertising	\$ -	\$ 1,523,090	\$ 1,523,090
Cost of goods sold	-	1,336,079	1,336,079
Depreciation	2,550,999	8,688,488	11,239,487
Educational travel expense	-	114,714	114,714
Hotel operating expense:			
Direct cost	3,014,813	-	3,014,813
Indirect cost	2,434,700	-	2,434,700
Fixed cost	754,829	-	754,829
Management fees	518,077	-	518,077
Insurance expense	-	1,975,829	1,975,829
Intercompany transfers	955,845	(955,845)	-
Interest expense	2,261,449	373,041	2,634,490
Marketing expense	825	837,402	838,227
Meeting, events, and conferences expense	-	124,482	124,482
Office supplies	65	1,032,728	1,032,793
Other operating expense	21,473	1,470,677	1,492,150
Other personnel costs	-	38,192	38,192
Other program expense	-	340,791	340,791
Payroll taxes and benefits	-	2,347,654	2,347,654
Printing and postage expense	-	4,022,666	4,022,666
Professional services	1,112,954	2,508,076	3,621,030
Repair and maintenance	9,350	888,707	898,057
Salaries	-	12,497,672	12,497,672
Staff and volunteer expenses	3,668	273,450	277,118
Staff travel	-	50,876	50,876
Telephone expense	-	137,129	137,129
Utilities	-	903,989	903,989
	<u>\$13,639,047</u>	<u>\$40,529,887</u>	<u>\$54,168,934</u>

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES**The National World War II Museum, Inc. and Subsidiaries**
New Orleans, Louisiana

For the year ended June 30, 2020

	World War II Theatre, Inc., Owner of Higgins Hotel and Conference Center	The National World War II Museum	2020 Total Expenses
Advertising	\$ 103,491	\$ 2,140,965	\$ 2,244,456
Capital and bad debt expense	-	143	-
Cost of goods sold	-	1,848,740	1,848,740
Depreciation	1,196,726	8,715,781	9,914,798
Educational travel expense	-	3,313,559	3,313,559
Hotel operating expense:			
Direct cost	3,967,056	-	3,967,056
Indirect cost	2,269,759	-	2,269,759
Fixed cost	261,548	-	261,548
Management fees	134,894	-	134,894
Insurance expense	127,925	1,915,940	2,043,865
Intercompany transfers	(725,561)	725,561	-
Interest expense	1,428,220	577,690	2,005,910
Marketing expense	11,450	960,080	971,530
Meeting, events, and conferences expense	-	856,324	856,324
Office supplies	8,995	1,251,770	1,260,765
Other operating expense	51,231	1,980,509	2,029,592
Other personnel costs	6,633	333,154	339,787
Other program expense	-	780,676	780,676
Payroll taxes and benefits	-	3,011,381	3,011,381
Printing and postage expense	24,054	4,899,945	4,923,999
Professional services	400,107	2,054,299	2,454,406
Repair and maintenance	35,783	1,351,775	1,387,558
Salaries	717,360	15,462,039	16,179,399
Staff and volunteer expenses	29,223	414,851	444,074
Staff travel	55,340	465,634	520,974
Telephone expense	-	138,728	138,728
Utilities	-	1,004,018	1,004,018
	<u>\$10,104,234</u>	<u>\$54,203,562</u>	<u>\$64,307,796</u>

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

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

For the year ended June 30, 2021

Agency Head Name: Stephen Watson, President and Chief Executive Officer

Purpose

Salary and incentive payment	\$ 545,192
Benefits - insurance	15,278
Benefits - deferred compensation - 457(f)	104,830
Benefits - retirement - 401k	9,925
Benefits - other	0
Car allowance	14,400
Gas	0
Vehicle provided by government	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Continuing professional education fees	0
Housing	0
Unvouchered expenses	0
Special meals	0
	<hr/>
	\$ 689,625

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The National World War II Museum, Inc. and Subsidiaries (a nonprofit organization) (the "Museum"), which comprise the consolidated statement of financial position as of June 30, 2021, 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 November 2, 2021.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Museum's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Certified Public Accountants.

New Orleans, Louisiana,
November 2, 2021.

SCHEDULE OF FINDINGS AND RESPONSES

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

For the year ended June 30, 2021

Section I - Summary of Auditor's Report

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

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

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

b) Federal Awards

The Museum did not receive federal awards in excess of \$750,000 during the year ended June 30, 2021.

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

Internal Control Over Financial Reporting

No findings were reported during the audit of the consolidated financial statements for the year ended June 30, 2021.

Compliance and Other Matters

No findings were reported during the audit of the consolidated financial statements for the year ended June 30, 2021.

Section III - Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

For the year ended June 30, 2021

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

Internal Control Over Financial Reporting

No material weaknesses were reported during the audit of the consolidated financial statements for the year ended June 30, 2020.

No significant deficiencies were reported during the audit of the consolidated financial statements for the year ended June 30, 2020.

Compliance and Other Matters

No compliance findings material to the consolidated financial statements were reported during the audit of the consolidated financial statements for the year ended June 30, 2020.

Section II - Internal Control and Compliance Material to Federal Awards

The Museum did not receive federal awards in excess of \$750,000 during the year ended June 30, 2020.

Section III - Management Letter

A management letter was not issued in connection with the audit of the consolidated financial statements for the year ended June 30, 2020.

MANAGEMENT'S CORRECTIVE ACTION PLAN

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

For the year ended June 30, 2021

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

Internal Control Over Financial Reporting

No material weaknesses were reported during the audit of the consolidated financial statements for the year ended June 30, 2021.

No significant deficiencies were reported during the audit of the consolidated financial statements for the year ended June 30, 2021.

Compliance and Other Matters

No compliance findings material to the consolidated financial statements were reported during the audit of the consolidated financial statements for the year ended June 30, 2021.

Section II - Internal Control and Compliance Material to Federal Awards

The Museum did not receive federal awards in excess of \$750,000 during the year ended June 30, 2021.

Section III - Management Letter

A management letter was not issued in connection with the audit of the consolidated financial statements for the year ended June 30, 2021.