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THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

**Financial Statements for the Eighteen Month
Period Ended June 30, 1999 and Independent
Auditors' Report**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-2-00

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of The National D-Day Museum Foundation, Inc.:

We have audited the accompanying statement of financial position of The National D-Day Museum Foundation, Inc. (a Louisiana non-profit corporation) as of June 30, 1999, and the related statement of activities and changes in net assets and cash flows for the eighteen month period then ended. We previously audited and reported upon the financial statements for the year ended December 31, 1997, which condensed statements are presented for comparative purposes only. These financial statements are the responsibility of The National D-Day Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The National D-Day Museum Foundation, Inc. as of June 30, 1999 and the changes in its net assets and cash flows for the eighteen month period then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued our report dated November 19, 1999, on our consideration of The National D-Day Museum Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Deloitte + Touche LLP

November 19, 1999

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION JUNE 30, 1999 AND DECEMBER 31, 1997

ASSETS	June 30, 1999	December 31, 1997
Cash	\$ 300	\$ 147,973
Due from affiliate	1,230,145	-
Investments	6,357	1,488
Grants receivable	279,628	-
Pledges receivable	2,981,541	271,486
Other assets	6,233	855
Fixed assets	5,069,967	3,038,985
Collections (Note 2)	<u>1,624,714</u>	<u>1,596,728</u>
TOTAL ASSETS	<u>\$11,198,885</u>	<u>\$5,057,515</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	<u>\$ 242,782</u>	<u>\$ 1,378</u>
Total liabilities	<u>242,782</u>	<u>1,378</u>
NET ASSETS:		
Unrestricted	7,949,562	4,759,651
Temporarily restricted	2,981,541	271,486
Permanently restricted	<u>25,000</u>	<u>25,000</u>
Total net assets	<u>10,956,103</u>	<u>5,056,137</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$11,198,885</u>	<u>\$5,057,515</u>

See notes to financial statements.

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS EIGHTEEN MONTH PERIOD ENDED JUNE 30, 1999, WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1997

	Unrestricted	Temporarily Restricted	Permanently Restricted (Endowment)	June 30, 1999 Total	December 31, 1997
REVENUES AND SUPPORT:					
Grants	\$ -	\$ 1,663,416	\$ -	\$ 1,663,416	\$ 1,689,183
Contributions	-	4,872,732	-	4,872,732	80,717
Memberships and other	24,174	-	-	24,174	2,760
Interest	3,173	-	-	3,173	6,238
Net assets released from restrictions	<u>3,826,093</u>	<u>(3,826,093)</u>	-	-	-
Total revenues and support	<u>3,853,440</u>	<u>2,710,055</u>	-	<u>6,563,495</u>	<u>1,778,898</u>
EXPENSES:					
General and administrative	386,068	-	-	386,068	157,463
Legal, audit and consulting fees	49,318	-	-	49,318	20,187
Marketing, public relations and events	193,674	-	-	193,674	12,099
Travel, meetings and conventions	10,299	-	-	10,299	753
Professional fundraising and other	<u>24,170</u>	-	-	<u>24,170</u>	<u>7,790</u>
Total expenses	<u>663,529</u>	-	-	<u>663,529</u>	<u>198,292</u>
INCREASE IN NET ASSETS	3,189,911	2,710,055	-	5,899,966	1,580,606
NET ASSETS AT BEGINNING OF YEAR	<u>4,759,651</u>	<u>271,486</u>	<u>25,000</u>	<u>5,056,137</u>	<u>3,475,531</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,949,562</u>	<u>\$ 2,981,541</u>	<u>\$ 25,000</u>	<u>\$ 10,956,103</u>	<u>\$ 5,056,137</u>

See notes to financial statements.

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

STATEMENT OF CASH FLOWS EIGHTEEN MONTH PERIOD ENDED JUNE 30, 1999, WITH COMPARATIVE TOTALS FOR DECEMBER 31, 1997

	Unrestricted	Temporarily Restricted	Permanently Restricted (Endowment)	June 30, 1999 Total	December 31, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:					
Change in net assets	\$ 3,189,911	\$ 2,710,055	\$ -	\$ 5,899,966	\$ 1,580,606
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	18,289	-	-	18,289	693
Due from affiliate	(1,205,145)	-	(25,000)	(1,230,145)	-
Pledges receivable	-	(2,710,055)	-	(2,710,055)	302,589
Grants receivable	(279,628)	-	-	(279,628)	(314,183)
Other assets	(5,378)	-	-	(5,378)	376
Accounts payable	241,404	-	-	241,404	(64,338)
	<u>1,959,453</u>	<u>-</u>	<u>(25,000)</u>	<u>1,934,453</u>	<u>1,505,743</u>
Net cash provided by (used in) operations					
INVESTING ACTIVITIES:					
Construction of museum improvements	(2,049,271)	-	-	(2,049,271)	(1,689,113)
Purchase of collections	(27,986)	-	-	(27,986)	(61,092)
Increase in investments	(4,869)	-	-	(4,869)	98,512
	<u>(2,082,126)</u>	<u>-</u>	<u>-</u>	<u>(2,082,126)</u>	<u>(1,651,693)</u>
Net cash used in investing activities					
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(122,673)	-	(25,000)	(147,673)	(145,950)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>122,973</u>	<u>-</u>	<u>25,000</u>	<u>147,973</u>	<u>293,923</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 147,973</u>

See notes to financial statements.

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

EIGHTEEN MONTH PERIOD ENDED JUNE 30, 1999 AND YEAR ENDED DECEMBER 31, 1997

1. ORGANIZATION AND OPERATIONS

The National D-Day Museum Foundation, Inc. (the "Museum") was established on December 2, 1991, to design, construct, and maintain a public museum located in New Orleans, Louisiana that preserves and honors the memory of the June 6, 1944 landing of Allied forces in Europe and all other D-Day invasions fought by the Navy, Marine, Army, Army Air Corps and Coast Guard. The Museum expects to complete construction and open in June, 2000. Effective January 1, 1998, the Museum changed its fiscal year end to June 30.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Museum have been prepared on the accrual basis of accounting. Significant accounting policies are summarized below.

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

Description of Net Assets Classification - Financial Accounting Standards Board Statement No. 117, "Financial Statements of Not-for-Profit Organizations," was adopted by the Museum effective January 1, 1996. This statement requires that net assets and changes in net assets be reported for three classifications - permanently restricted, temporarily restricted and unrestricted - based on the existence or absence of donor imposed restrictions.

The Museum reports gifts of cash and other assets as restricted support if they are received with donor imposed restrictions or requirements that limit the use of the donation. A donor restriction ends when a time restriction is met or a purpose restriction is accomplished. As restrictions are met, assets are reclassified to unrestricted net assets and reported as net assets released from restriction in the statement of activities. The permanently restricted classification is an endowment fund whose funds are invested in perpetuity. Earnings from these assets are periodically transferred to the Museum's operating funds.

Pledges Receivable and Contributions Received - Financial Accounting Standards Board Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made," requires the recognition of contributions received as revenues in the period received and as assets, decreases in liabilities or expenses depending on the form of benefits received.

Fixed Assets - In 1996, the Museum purchased three parcels of real estate located in New Orleans, Louisiana, to begin construction of the National D-Day Museum's premises.

Collections - At June 30, 1999, collections consist of a film commissioned by the Museum, the St. Lo Collection of German artifacts acquired in 1995, a Spitfire aircraft and certain vehicles purchased in 1996. 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 extraordinary long.

Donated Services- Volunteers have given extensive amounts of time and services to the Museum; however, no amounts are reflected in the financial statements for such services since no objective basis is available to measure the value of such services.

Income Taxes - The Museum is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and, accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

3. INVESTMENTS

Investments represent a money market account with a local bank and stock certificates donated to the Museum. Investments are carried at cost which approximates fair market value at June 30, 1999 and December 31, 1997.

4. PLEDGES RECEIVABLE

Unconditional promises of donors to make contributions to the Museum are included in the financial statements as pledges receivable and revenue of the temporarily restricted net assets class after discounting projected future cash flows to the present value using a discount rate of 5%. Pledges receivable are expected to be collected in the following periods:

	June 30, 1999	December 31, 1997
In one year or less	\$1,549,749	\$155,200
Between one and five years	2,091,656	142,582
In five years or greater	<u>200,000</u>	<u>-</u>
	3,841,405	297,782
Less discount	<u>345,837</u>	<u>26,296</u>
	3,495,568	271,486
Allowance for doubtful accounts	<u>514,027</u>	<u>-</u>
Pledges receivable	<u>\$2,981,541</u>	<u>\$271,486</u>

5. FIXED ASSETS

At June 30, 1999 and December 31, 1997, fixed assets consists of the following:

	June 30, 1999	December 31, 1997
Land	\$ 597,200	\$ 597,200
Buildings	4,463,018	2,437,901
Equipment	<u>28,730</u>	<u>4,577</u>
	5,088,948	3,039,678
Less accumulated depreciation	<u>(18,981)</u>	<u>(693)</u>
	<u>\$5,069,967</u>	<u>\$3,038,985</u>

6. GRANTS

In 1998, the United States Department of the Army awarded the Museum a \$2 million grant to be used for project costs. During the eighteen month period ended June 30, 1999, qualifying grant expenditures of \$902,337 were incurred of which the entire amount was funded during the year. At June 30, 1999, there are \$1,097,663 of remaining funds to be awarded through this grant.

In 1997, the State of Louisiana awarded the Museum a grant of \$2.7 million to finance capital improvements at the Museum on a reimbursement basis. During the eighteen month period ended June 30, 1999, qualifying grant expenditures of \$761,079 were incurred of which \$481,451 were funded prior to June 30, 1999 and the remaining \$279,628 was received subsequently. Total funds remaining available under this grant at June 30, 1999 amounted to \$1,738,921.

7. RELATED PARTY TRANSACTIONS

The University of New Orleans Foundation (Foundation) administers the financial assets and maintains the financial records of the Museum. Amounts due from affiliates represent funds collected by the Foundation on behalf of the Museum in excess of expenditures made on behalf of the Museum.

8. SUBSEQUENT EVENTS

During 1999, an additional State grant of \$3,825,000 was obtained. Substantially all of these funds from the grant are committed to complete the construction of the Museum and the acquisition of additional items in the planned collection in time for the Museum's scheduled official opening on June 6, 2000.

* * * * *



THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
of The National D-Day Museum Foundation, Inc.:

We have audited the financial statements of The National D-Day Museum Foundation, Inc. (the "Museum"), as of and for the eighteen month period ended June 30, 1999, and have issued our report thereon dated November 19, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Museum's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Museum's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Museum in a separate letter dated November 19, 1999.

This report is intended solely for the information and use of the Board of Directors, management, the United States Army and the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

November 19, 1999



THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors
of The National D-Day Museum Foundation, Inc.:

Compliance

We have audited the compliance of The National D-Day Museum Foundation, Inc. (the "Museum"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the eighteen month period ended June 30, 1999. The Museum's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Museum's management. Our responsibility is to express an opinion on the Museum's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Museum's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Museum's compliance with those requirements.

In our opinion, the Museum complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the eighteen month period ended June 30, 1999.

Internal Control Over Compliance

The management of the Museum is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Museum's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the Museum's internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of The National D-Day Museum Foundation, Inc. as of and for the eighteen month period ended June 30, 1999, and have issued our report thereon dated November 19, 1999. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of The National D-Day Museum Foundation, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management, the United States Army and the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

November 19, 1999

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
EIGHTEEN MONTH PERIOD ENDED JUNE 30, 1999**

Federal Grantor	Federal CFDA #	Federal Expenditures
The U.S. Department of Defense - Department of the Army	12.	\$ 902,337

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS EIGHTEEN MONTH PERIOD ENDED JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying statement of selected grant activity has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when The National D-Day Museum Foundation, Inc. (the "Museum"), has met the cost reimbursement or funding qualifications for the respective grants. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

Accrued Reimbursement - Various reimbursement procedures are used for federal awards received by the Museum. Consequently, timing differences between expenditures and program reimbursements exist at the beginning and end of the year.

Payments to Subrecipients - There were no payments to subrecipients for the eighteen month period ended June 30, 1999.

2. DESCRIPTION OF GRANTS

United States Department of Defense Department of the Army

The Army provides the Museum with funds on a reimbursement basis for expenditures incurred by the Museum in connection with activities that meet requirements set forth in the grant agreement. Total grant awards were \$2,000,000 with \$902,337 being funded from January, 1998 to June, 1999. There are \$1,097,663 of available funds remaining through this grant as of June 30, 1999.

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS EIGHTEEN MONTH PERIOD ENDED JUNE 30, 1999

SUMMARY OF THE AUDITORS' RESULTS

- An unqualified opinion was expressed on the financial statements of the auditee.
- The statement that reportable conditions in internal controls were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
- The audit disclosed no instances of noncompliance that were material to the financial statements of the auditee.
- The statement that reportable conditions in internal controls over major programs were disclosed by the audit and whether any such conditions were material weaknesses is not applicable.
- An unqualified opinion was expressed on compliance for major programs.
- There were no findings which are required to be reported in accordance with Section 510(a) of Circular A-133.
- Major program for the eighteen month period ended June 30, 1999 was:
 - U.S. Department of Defense
 - Department of the Army, Fort Polk
- The dollar threshold used to determine major programs was \$300,000.
- The auditee did qualify as a low risk auditee.

SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no findings related to the financial statements for the eighteen month period ended June 30, 1999.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

There were no findings related to the federal awards for the eighteen month period ended June 30, 1999.

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
EIGHTEEN MONTH PERIOD ENDED JUNE 30, 1999**

There were no findings noted in prior year.

**Deloitte &
Touche**



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2000 JAN - 3 AM 10: 05
Deloitte & Touche
Suite 3700
One Shell Square
701 Poydras Street
New Orleans, Louisiana 70139-3700

Telephone: (504) 581-2727
Facsimile: (504) 561-7293

November 19, 1999

The Board of Directors
The National D-Day Museum Foundation, Inc.
New Orleans, Louisiana

Dear Members of the Board of Directors:

In planning and performing our audit of the financial statements of The National D-Day Museum Foundation, Inc. (the "Museum") for the eighteen month period ended June 30, 1999 (on which we have issued our report dated December 19, 1999), we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Museum's internal control. Our consideration of the Museum's internal control would not necessarily disclose all matters in the Museum's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the Museum's internal control and its operations that we consider to be material weaknesses as defined above.

We did note other matters related to the Museum's internal control and certain other accounting, administrative, and operating matters. Our comments are presented in Exhibit I and are listed in the table of contents thereto. The resolution of our prior year management letter comments is presented in Exhibit II.

This report is intended solely for the information and use of the board of directors, management, others within the organization the State of Louisiana Legislative Auditor and officials of applicable federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss these comments with you and, if desired, to assist you in implementing any of the suggestions.

Yours truly,

Deloitte & Touche LLP

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

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THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

EXHIBIT I

OPERATIONAL AND ADMINISTRATIVE COMMENTS

1. FIXED ASSETS

Observation:

During our test of depreciation expense, we noted that depreciation was not calculated correctly on certain assets. We noted one instance in which no depreciation was recorded for an asset acquired in a prior period. We noted one instance in which a building was depreciated over only 12 months of the eighteen month period.

Recommendation:

The fixed asset detail and depreciation schedule should be reviewed on a periodic basis to ensure that the depreciation taken on each asset is consistent with the asset life and time the asset has been in service.

Management's Response:

Beginning January 1, 1998, the University of New Orleans Foundation assumed the accounting duties for the D-Day Museum Foundation. At this time it was determined that the D-Day Museum Foundation would convert its financial reporting year from a calendar year to a fiscal year June 30. Prior to this time no policies were in place for calculation of depreciation or asset management. The UNO Foundation developed policies and procedures for management of the D-Day Museum's fixed assets. During the conversion of the accounting system to the UNO Foundation and the conversion of the financial reporting period, depreciation was not calculated until fiscal year end. A couple of calculation errors occurred due to these factors. We have adopted the auditors' recommendation for period calculation and review of fixed asset depreciation.

2. GRANT REVENUE

Observation:

The Museum did not record revenue or the corresponding receivable related to reimbursable expenses incurred prior to period end. This resulted in revenue and receivables being understated in the current period.

Recommendation:

The Museum should closely monitor reimbursable expenditures incurred near period end in order to ensure the appropriate matching of expense and revenue for each reporting period.

Management's Response:

The grant from the State of Louisiana is rewarded on a reimbursable basis. The State requests copies of all reimbursable invoices as well as copies of checks written to vendors. The expenses are accrued to the period for which the services are provided. The State is then invoiced for the expenses of the period in which they are paid. Due to the delay in the receiving and processing of invoices many times the invoices are not paid for several months after the date of the services. Due to the delay of payments of vendor invoices the reporting of receivables from the State Grant are also delayed. Year-end adjustments for invoices paid after period end are made, but one invoice was overlooked because it was received so late after year-end. The grant revenue was reported in the period in which the vendor invoice was paid. We have adopted the auditors' recommendation to more closely monitor reimbursable expenditures incurred after period end.

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

EXHIBIT II

RESOLUTION OF PRIOR YEAR MANAGEMENT LETTER COMMENTS

The following is a summary of our recommendations for the year ended December 31, 1997 and the status of implementation thereof:

	Implemented	Partially Implemented	Not Implemented
<u>OPERATIONAL AND ADMINISTRATIVE COMMENTS</u>			
Statutory Reporting Requirements (1)	X		
Report of Federal Cash Transactions (1)	X		
Collections (1)	X		
Payroll (1)	X		
Grant Reimbursement Requests (1)	X		
Land and Buildings (1)	X		

(1) Not repeated in the current year's management letter.