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**THE NATIONAL D-DAY MUSEUM
FOUNDATION, INC.**

**Financial Statements for the Year Ended
December 31, 1997 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 _____

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

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Deloitte & Touche



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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 December 31, 1997, and the related statements of activities and changes in net assets and cash flows for the year then ended. 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 December 31, 1997 and the changes in its net assets and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued our report dated December 22, 1998, 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

December 22, 1998

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 1997

	Unrestricted	Temporarily Restricted	Permanently Restricted (Endowment)	Total
ASSETS:				
Cash	\$ 122,973	\$ -	\$ 25,000	\$ 147,973
Investments	1,488	-	-	1,488
Pledges receivable	-	271,486	-	271,486
Other assets	855	-	-	855
Land and buildings	3,038,985	-	-	3,038,985
Collections (Note 2)	<u>1,596,728</u>	<u>-</u>	<u>-</u>	<u>1,596,728</u>
Total assets	<u>4,761,029</u>	<u>271,486</u>	<u>25,000</u>	<u>5,057,515</u>
LIABILITIES:				
Accounts payable	<u>1,378</u>	<u>-</u>	<u>-</u>	<u>1,378</u>
Total liabilities	<u>1,378</u>	<u>-</u>	<u>-</u>	<u>1,378</u>
NET ASSETS	<u>\$4,759,651</u>	<u>\$271,486</u>	<u>\$ 25,000</u>	<u>\$5,056,137</u>

See notes to financial statements.

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 1997

	Unrestricted	Temporarily Restricted	Permanently Restricted (Endowment)	Total
CHANGES IN NET ASSETS:				
Revenue and support:				
Grants	\$ -	\$ 1,689,183	\$ -	\$ 1,689,183
Contributions	42,625	38,092	-	80,717
Memberships and other	2,760	-	-	2,760
Interest	6,238	-	-	6,238
Net assets released from restriction	<u>2,053,314</u>	<u>(2,053,314)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>2,104,937</u>	<u>(326,039)</u>	<u>-</u>	<u>1,778,898</u>
EXPENSES:				
General and administrative	157,463	-	-	157,463
Legal, audit and consulting fees	20,187	-	-	20,187
Public relations and events	12,099	-	-	12,099
Travel, meetings and conventions	753	-	-	753
Professional fundraising and other	<u>7,790</u>	<u>-</u>	<u>-</u>	<u>7,790</u>
Total expenses	<u>198,292</u>	<u>-</u>	<u>-</u>	<u>198,292</u>
CHANGE IN NET ASSETS	1,906,645	(326,039)	-	1,580,606
NET ASSETS AT BEGINNING OF YEAR	<u>2,853,006</u>	<u>597,525</u>	<u>25,000</u>	<u>3,475,531</u>
NET ASSETS AT END OF YEAR	<u>\$4,759,651</u>	<u>\$ 271,486</u>	<u>\$ 25,000</u>	<u>\$5,056,137</u>

See notes to financial statements.

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 1997

	Unrestricted	Temporarily Restricted	Permanently Restricted (Endowment)	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ 1,906,645	\$ (326,039)	\$ -	\$ 1,580,606
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation	693	-	-	693
Pledges receivable	-	302,589	-	302,589
Advances from grantor	-	(314,183)	-	(314,183)
Other assets	376	-	-	376
Accounts payable	(60,899)	(3,439)	-	(64,338)
Net cash provided by (used in) operations	<u>1,846,815</u>	<u>(341,072)</u>	<u>-</u>	<u>1,505,743</u>
INVESTING ACTIVITIES:				
Construction of museum improvements	(1,689,113)	-	-	(1,689,113)
Purchase of collections	(61,092)	-	-	(61,092)
(Decrease) increase in investments	<u>(1,488)</u>	<u>100,000</u>	<u>-</u>	<u>98,512</u>
Net cash used in investing activities	<u>(1,751,693)</u>	<u>100,000</u>	<u>-</u>	<u>(1,651,693)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	95,122	(241,072)	-	(145,950)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>27,851</u>	<u>241,072</u>	<u>25,000</u>	<u>293,923</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 122,973</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 147,973</u>

See notes to financial statements.

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS 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.

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.

Land and Buildings - In 1996, the Museum purchased two parcels of real estate located in New Orleans, Louisiana, to begin construction of the National D-Day Museum's premises.

Collections - At December 31, 1997, collections consist of a film commissioned by the Museum, the St. Lo Collection acquired in 1995, and 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 are carried at cost which approximates fair market value at 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:

In one year or less	\$155,200
Between one and five years	<u>142,582</u>
	297,782
Less discount	<u>26,296</u>
Pledges receivable	<u>\$ 271,486</u>

5. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 1997 must be invested in perpetuity, but the income from these investments is expendable to support Museum operations.

6. GRANTS

In 1992, the United States Department of the Army awarded the Museum a \$4 million grant to be used for project costs. During 1997, qualifying grant expenditures of \$1,489,183 were incurred of which \$1,175,000 were funded during the year. There are no 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 1997, grant revenues of \$200,000 were received. Total funds remaining available under this grant at December 31, 1997 amounted to \$2.5 million.

7. SUBSEQUENT EVENTS

During 1998, an additional Federal grant of \$2 million was obtained and additional pledges of approximately \$1.4 million were received. A capital campaign to raise additional private funding was also initiated. Substantially all of these funds 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 year ended December 31, 1997, and have issued our report thereon dated December 22, 1998. 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 December 22, 1998.

This report is intended solely for the information and use of the Board of Directors, management, 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

December 22, 1998



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 year ended December 31, 1997. 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 year ended December 31, 1997.

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 year ended December 31, 1997, and have issued our report thereon dated December 22, 1998. 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, 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

December 22, 1998

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 1997**

Federal Grantor	Federal CFDA #	Federal Expenditures
The U.S. Department of Defense - Department of the Army	12.	\$1,489,183

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 1997

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 fiscal year ended December 31, 1997.

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 \$4,000,000 with \$1,175,000 being funded in 1997. There are no remaining funds to be awarded through this grant.

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 1997

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 fiscal year ended December 31, 1997 was:
 - U.S. Department of the Defense
 - Department of the Army, Fort Polk
- The dollar threshold used to determine major programs was \$300,000.
- The auditee did not 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 year ended December 31, 1997.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

There were no findings related to the federal awards for the year ended December 31, 1997.

Deloitte & Touche



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December 22, 1998

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

The approach of the year 2000 presents significant issues for many financial, information, and operational systems. Many systems in use today may not be able to interpret dates after December 31, 1999 appropriately, because such systems allow only two digits to indicate the year in a date. As a result, such systems are unable to distinguish January 1, 2000, from January 1, 1900, which could have adverse consequences on the operations of the entity and the integrity of information processing, causing safety, operational, and financial issues.

Our audit of The National D-Day Museum Foundation, Inc.'s (the "Museum") financial statements for the year ended December 31, 1997, will not provide any assurances, nor will we express any opinion, that the Museum's systems or any other systems, such as those of the Museum's vendors, service providers, customers, unconsolidated subsidiaries or joint ventures in which the Museum has an investment, or other third parties, are year 2000 compliant. In addition, we are not engaged to perform, nor will we perform as part of our audit engagement, any procedures to test whether the Museum's systems or any other systems are year 2000 compliant or whether the plans and activities of the Museum are sufficient to address and correct system or any other problems that might arise because of the year 2000, nor will we express any opinion or provide any assurances with respect to these matters.

However, during the week ended December 22, 1998, we made limited inquiries about the Museum's activities to address the year 2000 issue. We have not performed any procedures to test the accuracy or completeness of the responses to our inquiries, but we have included our observations resulting from those inquiries in the following paragraphs. Our observations supplement the communications that were previously made to the Board of Directors and are appropriate as of the date of this letter. Because year 2000 activities are currently in process, we may have had additional observations had we made inquiries after the date of this letter. Accordingly, we encourage the management and Board of Directors to continue its oversight of the Museum's year 2000 activities.

As a result of our inquiries about The National D-Day Museum Foundation, Inc.'s activities to address the Year 2000 issue, the following responses were noted:

The University of New Orleans Foundation (the "Foundation"), in its capacity as accountants for the Museum has developed a plan to address year 2000 issues. Robert Gremillion, Assistant Director/Business Manager, has oversight responsibility of the year 2000 project and presents monthly updates to senior management. All vendors of mission critical equipment such as computer software, and printers have sent written confirmation that the Museum's equipment is Year 2000 compliant. The

Museum has joined the University of New Orleans' plan to have computer technicians test all computers for Year 2000 compliance. This test will be completed by the end of January 1999. Financial institutions holding investments or operating cash for the Museum have been contacted and they have represented that they are Year 2000 compliant. Neither the Foundation nor the Museum anticipate any adverse effects resulting from year 2000 issues.

This report is intended solely for the information and use of management, the Board of Directors and others within the organization.

Yours truly,

Deloitte + Touche LLP

Deloitte & Touche



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December 22, 1998

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 year ended December 31, 1997 (on which we have issued our report dated December 22, 1998), 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. Such consideration 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.

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. STATUTORY REPORTING REQUIREMENTS

Observation:

The Louisiana Governmental Audit Guide requires audit engagements to be completed and audit reports to be issued within six months of the close of the fiscal year. As no audit report was issued before June 30, 1998, the Museum failed to comply with state law concerning the six month statutory issue date.

Background:

Through conversation with present Museum management, we noted numerous changes in the administrative staff of the Museum in the first and second quarter of fiscal year 1998, including the positions of Executive Director and Administrator. We also noted that the accounting and administrative function was transferred to the University of New Orleans Foundation (the "Foundation") in November, 1997. Per discussions with the Business Manager of the Foundation, the Foundation was unaware of the reporting requirements of the Museum. Communication from the legislative auditor regarding the Museum's reporting requirements was not forwarded to the Museum's new administrative management or the Foundation on a timely basis. In addition, the Museum's predecessor auditor, Arthur Andersen LLP, did not contact new administrative management regarding the Museum's reporting requirements and was not engaged to perform an audit for the fiscal year ended December 31, 1997. The current auditor, Deloitte & Touche LLP, was not engaged to perform an audit of the Fiscal year ended December 31, 1997 until October 27, 1998.

Recommendation:

As the Museum has changed its fiscal year end to June 30, the Museum should obtain written approval from the legislative auditor to have an audit performed for the eighteen-month period ended June 30, 1999. We understand that such approval was obtained orally from the Legislative Auditor's office. The Museum should engage its independent auditor to audit the eighteen-month period ended June 30, 1999 before the close of the fiscal year and make every effort to comply with statutory reporting deadlines.

Management's Response:

Recommendation accepted. The delay was attributable to the change in administration of the Museum during 1998. Deloitte & Touche has been notified of the Museum's intent to engage the Firm for the audit of the eighteen-month period ended June 30, 1999.

2. REPORT OF FEDERAL CASH TRANSACTIONS

Observation:

Per review of the grant agreement, when funds are advanced to the Museum, the Museum must submit a Report of Federal Cash Transactions within 15 days following the close of every month during the project period. We noted two reports which were submitted after the 15th of the following month.

Recommendation:

In order to maintain compliance with the provisions of the grant agreement, the Museum should make every effort to submit a Report of Federal Cash Transactions within 15 days following the close of every month during the project period.

Management's Response:

Recommendation accepted. As noted in the previous comment, the accounting and administrative functions have been transferred to the University of New Orleans Foundation (UNO Foundation). The UNO Foundation has an experienced accounting staff that is familiar with state and federal provisions of the grant agreements.

3. COLLECTIONS

Observation:

It was noted during testing of collections, that there is no written agreement concerning ownership of the Spitfire plane being refurbished for the Museum by Star Aircraft. It appears that a major donor acted as the Museum's agent in the purchase of the aircraft and is funding the renovation through contributions to the Museum. It is the understanding of Museum management that a verbal agreement exists concerning ownership of the aircraft.

Recommendation:

The Museum should obtain a written agreement evidencing ownership of the aircraft.

Management's Response:

All payments for the aircraft, including renovations, are paid directly by the D-Day Museum. Although there is no written agreement, the Museum believes there is sufficient legal evidence of ownership. A written agreement will not be necessary unless the Museum decides to sell the aircraft.

4. PAYROLL

Observation:

It was noted during our testing of expenditures that timesheets were not maintained as support for payroll records. We noted no tracking of vacation or other salary related expenses for any of the employees.

Recommendation:

In order to maintain effective payroll records, time sheets should be maintained. To ensure the accuracy of salary expense and related benefits, the Museum should maintain a record of all time worked, including time taken off for vacation, sick time, and other related benefits.

Management's Response:

Recommendation accepted. The processing of payroll was transferred to the UNO Foundation as of January 1998. The D-Day Museum staff is comprised of salaried employees who are paid on a monthly basis. The UNO Foundation maintains records of leave and all other employee related benefits.

5. GRANT REIMBURSEMENT REQUESTS

Observation:

During our test of grant reimbursement requests, we noted two invoices totaling \$55,000 which were used as support for reimbursement for both the federal and state grants. Since the last submission to the Department of the Army included invoices well in excess of amounts remaining available under the federal grant, the Museum obtained written permission from the Grant Administrator, Directorate of Resource Management to reduce the balance of the Museum's final request for the duplicate invoices.

Recommendation:

In order to ensure that all grant requests are accurate and properly supported, the Museum should develop and maintain a system of checks and balances to ensure that duplication of expense reimbursements does not occur.

Management's Response:

Recommendation accepted. The UNO Foundation accounting system is designed for project management whereby every expense is allocated to a specific project or funding source. This system should eliminate allocation of expenses to more than one grant.

6. LAND AND BUILDINGS

Observation:

During our testing of property, we noted no allocation of value between land and building for the properties located at 923 Magazine Street.

Recommendation:

In order to accurately determine the depreciable basis of the property to be occupied by the Museum, the Museum should develop a reasonable basis for allocating the purchase price of the properties between land and building. The building, capital improvements, and furniture and fixtures should be depreciated as the assets are placed into service.

Management's Response:

Recommendation accepted. The D-Day Museum is currently developing an allocation of the purchase price for the 923 Magazine property between land and building.

THE NATIONAL D-DAY MUSEUM FOUNDATION, INC.

EXHIBIT II

RESOLUTION OF PRIOR YEAR MANAGEMENT LETTER COMMENTS

There were no comments in prior years.