

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Audits of Consolidated Financial Statements

June 30, 2022 and 2021



THE NATIONAL
WWII MUSEUM
NEW ORLEANS



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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The National World War II Museum, Inc. and Subsidiaries (the Museum), which comprise the consolidated statement of financial position as of June 30, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of June 30, 2022, 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.

Basis for Opinion

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

Prior Period Financial Statements

The consolidated financial statements of the Museum, as of and for the year ended June 30, 2021, were audited by other auditors, whose report dated November 2, 2021, expressed an unmodified opinion on those consolidated financial statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules, schedule of compensation, benefits, and other payments to agency head or chief executive officer, and schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis as required by Uniform Guidance and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying consolidating schedules, schedule of compensation, benefits, and other payments to agency head or chief executive officer, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2022, on our consideration of the Museum's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Museum's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Metairie, LA
December 13, 2022

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash and Cash Equivalents	\$ 67,667,467	\$ 57,587,879
Unconditional Promises to Give		
Capital Campaign, Net of Allowances	16,449,205	19,279,386
Endowment, Net of Allowances	907,187	3,070,950
Other, Net of Allowances	151,648	1,012,425
ERTC Receivable	4,012,896	-
Retail Store Inventory	1,022,556	957,471
Other Assets	7,320,903	5,682,584
Endowment Assets		
Cash and Cash Equivalents - Restricted	2,399,415	2,475,760
Investments	39,842,196	45,311,990
Property and Equipment, Net of Accumulated Depreciation	284,240,784	268,082,024
Collections	12,998,177	12,107,732
Total Assets	\$ 437,012,434	\$ 415,568,201
Liabilities and Net Assets		
Liabilities		
Accounts Payable Trade	\$ 2,899,266	\$ 2,198,457
Accrued Expenses	4,965,871	3,464,342
Unearned Revenue and Deposits	5,913,654	4,868,786
Taxes Payable	310,977	259,655
Other Liabilities	1,279,145	1,348,085
Notes Payable	58,889,778	63,916,207
Liability on Interest Rate Swap Agreement	55,373	1,590,980
Total Liabilities	74,314,064	77,646,512
Net Assets Without Donor Restrictions		
Designated	48,378,227	41,535,414
Undesignated	249,601,106	236,838,093
Total Net Assets Without Donor Restrictions	297,979,333	278,373,507
Net Assets With Donor Restrictions	64,719,037	59,548,182
Total Net Assets	362,698,370	337,921,689
Total Liabilities and Net Assets	\$ 437,012,434	\$ 415,568,201

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

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

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

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Operating Revenue	\$ 28,870,923	\$ -	\$ 28,870,923
Financial Contributions and Grants	9,692,679	14,805,343	24,498,022
In-Kind Contributions	24,113	-	24,113
Net Return on Investments	6,090,069	6,760,426	12,850,495
Hilton Franchise Debt Forgiveness	65,000	-	65,000
Paycheck Protection Program Forgiveness Income	4,356,000	-	4,356,000
Other Income	7,190	-	7,190
Net Assets Released from Restrictions	13,257,545	(13,257,545)	-
Total Revenue and Other Support	62,363,519	8,308,224	70,671,743
Expenses			
Program	43,886,832	-	43,886,832
General and Administrative	7,366,632	-	7,366,632
Fundraising	2,915,470	-	2,915,470
Total Expenses	54,168,934	-	54,168,934
Changes in Net Assets Before Change in Liability on Interest Rate Swap Agreement	8,194,585	8,308,224	16,502,809
Change in Liability on Interest Rate Swap Agreement	1,102,232	-	1,102,232
Change in Net Assets	9,296,817	8,308,224	17,605,041
Net Assets, Beginning of Year	269,076,690	51,239,958	320,316,648
Net Assets, End of Year	\$ 278,373,507	\$ 59,548,182	\$ 337,921,689

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

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

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

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services	Supporting Services		Total Expenses
		General and Administration	Fundraising	
Advertising	\$ 1,463,282	\$ 34,765	\$ 25,043	\$ 1,523,090
Cost of Goods Sold	1,336,079	-	-	1,336,079
Depreciation	9,553,564	1,685,923	-	11,239,487
Educational Travel Program Expense	114,714	-	-	114,714
Hotel Operating Expense	6,722,419	-	-	6,722,419
Insurance Expense	1,451,032	524,797	-	1,975,829
Interest Expense	2,634,490	-	-	2,634,490
Marketing Expense	838,136	53	38	838,227
Meeting, Events, and Conferences Expense	44,500	43,691	36,291	124,482
Office Supplies	943,464	80,403	8,926	1,032,793
Other Operating Expense	1,001,638	282,966	207,546	1,492,150
Other Personnel Costs	14,990	15,066	8,136	38,192
Other Program Expense	340,791	-	-	340,791
Payroll Taxes and Benefits	1,919,774	281,779	146,101	2,347,654
Printing and Postage Expense	1,666,175	1,407,633	948,858	4,022,666
Professional Services	1,589,133	1,442,791	589,106	3,621,030
Repair and Maintenance	895,057	3,000	-	898,057
Salaries	10,112,393	1,483,306	901,973	12,497,672
Staff and Volunteer Expenses	164,745	74,843	37,530	277,118
Staff Travel	43,812	2,060	5,004	50,876
Telephone Expense	132,655	3,556	918	137,129
Utilities	903,989	-	-	903,989
Total Expenses	\$ 43,886,832	\$ 7,366,632	\$ 2,915,470	\$ 54,168,934

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Changes in Net Assets	\$ 24,776,681	\$ 17,605,041
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	11,629,916	11,239,487
Loss on Damage of Property and Equipment	420,967	-
Paycheck Protection Program Loan Forgiveness	(3,540,000)	(4,356,000)
Hilton Development Incentive Note Forgiveness	(65,000)	(65,000)
Amortization of Note Payable Discount	-	52,546
Interest on Notes Receivable	-	(165,526)
Realized and Unrealized Loss (Gain) on Investments	8,085,149	(11,785,703)
(Increase) Decrease in Operating Assets		
Other Unconditional Promises to Give, Net	860,777	328,779
ERTC Receivable	(4,012,896)	-
Retail Store Inventory	(65,085)	216,713
Other Assets	(1,638,319)	(1,298,320)
Increase (Decrease) in Operating Liabilities		
Accounts Payable Trade	700,809	156,633
Accrued Expenses	1,501,529	1,085,316
Unearned Revenue and Deposits	1,044,868	738,875
Taxes Payable	51,322	-
Other Liabilities	(68,940)	-
Changes in Liability on Interest Rate Swap Agreement	(1,535,607)	(1,102,232)
Revenues Restricted for the Acquisition of Property and Equipment		
State Grant	(7,666,892)	(4,455,257)
Capital Campaign Contributions, Net of Expenses	(5,321,914)	(9,081,601)
Increase (Decrease) in Discount on Unconditional Promises to Give:		
Capital Campaign	761,269	(62,642)
Increase in Allowance for Uncollectible Promises to Give:		
Capital Campaign	577,700	53,423
Contributions Restricted for Endowment Purposes	(1,199,207)	(1,908,226)
Net Cash Provided by (Used in) Operating Activities	25,297,127	(2,803,694)
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(29,100,088)	(14,645,147)
Investment Purchases	(12,380,078)	(18,504,810)
Proceeds from Sales and Maturities of Investments	9,764,723	15,021,644
Net Cash Used in Investing Activities	(31,715,443)	(18,128,313)

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Financing Activities		
Collections of State Grant Funds Restricted for the Acquisition of Property and Equipment	7,666,892	4,455,257
Collections of Endowment Gifts	3,362,970	974,936
Collections of Capital Campaign Contributions Restricted for the Acquisition of Property and Equipment, Net of \$3,438,241 and \$1,361,578 of Campaign Expenses in 2022 and 2021, Respectively	6,813,126	8,957,885
Proceeds from Paycheck Protection Loan	-	3,540,000
Repayments of Notes Payable	(1,421,429)	(250,598)
Borrowings on Construction Lines of Credit, Net	-	1,405,707
Net Cash Provided by Financing Activities	16,421,559	19,083,187
Net Increase (Decrease) in Cash and Cash Equivalents	10,003,243	(1,848,820)
Cash and Cash Equivalents, Beginning of Year	60,063,639	61,912,459
Cash and Cash Equivalents, End of Year	\$ 70,066,882	\$ 60,063,639
Supplemental Disclosures		
Reconciliation		
Cash and Cash Equivalents	\$ 67,667,467	\$ 57,587,879
Cash and Cash Equivalents Restricted for Endowments	2,399,415	2,475,760
Total Cash and Cash Equivalents	\$ 70,066,882	\$ 60,063,639
Cash Paid During the Year for Interest	\$ 2,616,631	\$ 2,565,249
Note Receivable Accepted as Full Satisfaction of Note Payable	\$ -	\$ 5,000,000
Line of Credit Converted to Term Note Payable	\$ -	\$ 53,209,200

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1. Nature of Activities

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

The Museum completed its initial phase of construction, the Louisiana Memorial Pavilion and D-Day Planning and Beaches Galleries, and opened in June 2000. An expansion of the Museum devoted to the war in the Pacific Theatre opened in December 2001. During 2003, the Museum was officially designated by Congress as America's National World War II Museum and was reincorporated under its new name with the State of Louisiana. In 2006, the Museum completed construction on the first major component of a new expansion project. The Discovery Hall addition is a 12,000 square-foot, multi-functional, education facility offering the Museum's first dedicated space to students and teachers, providing an exciting, dynamic place to learn.

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

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

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1. Nature of Activities (Continued)

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

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

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

Note 2. Organization and Summary of Significant Accounting Policies

Organization and Income Taxes

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Organization and Income Taxes (Continued)

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

On October 22, 2007, World War II Theatre, Inc. (the Theatre) was established as a non-profit corporation to operate exclusively for the benefit of the Museum and to support the educational, charitable, and social purposes of the Museum specifically to construct a theater, canteen, and restaurant adjacent to the existing museum. These assets were transferred to the Museum on January 25, 2017. The Theatre modified its purpose in 2017 such that, in addition to the theatre, canteen, and restaurant operations, the Theatre's purpose was expanded to take on the hotel and conference center development and operations. The corporation is organized on a stock basis with authority to issue 100 shares. There is one shareholder of the corporation who is known as the Corporate Shareholder and such Corporate Shareholder is The National World War II Museum, Inc.

On April 2, 2010, World War II Pavilions, Inc. was established as a non-profit corporation to operate exclusively for the benefit of the Museum and to support the educational, charitable, and social purposes of the Museum specifically to construct and operate the U.S. Freedom Pavilion: The Boeing Center adjacent to The National World War II Museum. The corporation is organized on a stock basis with authority to issue 100 shares. There is one shareholder of the corporation who is known as the Corporate Shareholder and such Corporate Shareholder is The National World War II Museum, Inc.

On February 3, 2011, Warehouse District Development, Inc. was established for the exclusive purposes of serving and/or providing investment capital for "Low-Income Communities" or "Low-Income Persons". The corporation is organized on a stock basis with authority to issue 100 shares. There is one shareholder of the corporation who is known as the Corporate Shareholder and such Corporate Shareholder is The National World War II Museum, Inc. There was no activity during 2022 and 2021.

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Organization and Income Taxes (Continued)

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

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

Use of Estimates

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

Basis of Accounting

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

Basis of Presentation

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

Net Assets

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

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

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Consolidation

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

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.

Cash and Cash Equivalents

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

Promises to Give

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

Allowances for Uncollectible Promises to Give

The Museum provides for estimated uncollectible promises to give based on prior years' experience and management's analysis of specific promises made. During the years ended June 30, 2022 and 2021, promises to give totaling \$412,000 and \$224,760, respectively, were written off. As of June 30, 2022 and 2021, the balance of the allowance related to the Capital Campaign (see Note 4) was \$490,180 and \$324,480 respectively, the allowance related to the Endowment (see Note 12) was \$457,800 and \$82,800, respectively, and the allowance for other promises to give was \$50,000 and \$64,900, respectively.

Retail Store Inventory

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Investments

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

Property and Equipment

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

Collections

As of June 30, 2022 and 2021, 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. The Museum uses a \$25,000 capitalization threshold for both purchased and donated collections.

Derivative Instruments

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

Revenue and Revenue Recognition

The Museum recognizes revenue in accordance with FASB Accounting Standards Update (ASU) 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 NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Revenue and Revenue Recognition

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

Admissions Revenue

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

Membership Revenue

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

Hotel Operating Revenue

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

Retail Store Revenue

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

Contribution and Grants

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

Donated Services of Volunteers

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Non-Cash In-Kind Contributions

The Museum's in-kind contributions, consisting of professional services and transportation, totaled \$82,908 and \$24,113 for the years ended June 30, 2022 and 2021, respectively. Professional services were valued using estimated average U.S. prices for identical or similar services using pricing data under a "like-kind" methodology. No in-kind contributions were restricted. The Museum only used those services for its own program and supporting service use.

Fundraising Expenses

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

Functional Allocation of Expenses

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

Allocated Expenses

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

Tax Matters

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. The Museum believes that it has taken appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements. Tax years June 30, 2019 and later remain subject to examination by the taxing authorities.

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

Concentrations

Financial instruments that potentially expose the Museum to concentrations of credit and market risk consist primarily of cash and investments. The Museum has not experienced any losses in these accounts. The Federal Deposit Insurance Corporation (FDIC) secures accounts in insured institutions up to \$250,000 per depositor. At June 30, 2022, the Museum had \$22,346,007 in excess of the FDIC insured limit.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Reclassifications and Restatement

Certain amounts in the 2021 consolidated financial statements have been reclassified to conform to the 2022 consolidated financial statement presentation. In addition, the classification of net assets were restated to decrease net assets without donor restrictions and increase net assets with donor restrictions by \$9,149,114 to include funding that was received with restrictions in prior years and had not yet been released and to include the total amount of the endowment. As a result of this restatement, there was no change to total net assets.

Recent Accounting Pronouncements - Adopted

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard addresses measurement of contributed nonfinancial assets recognized by not-for-profit organizations, and enhances disclosures with respect to these contributions. The ASU has been applied retrospectively to all periods presented. Implementation did not result in a change in net assets.

Recent Accounting Pronouncements - Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 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 changes in net assets and the consolidated statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU 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.

Note 3. Unconditional Promises to Give

Promises of donors to make contributions to the Museum are included in the consolidated financial statements as unconditional promises to give and revenue of the net assets with donor restrictions class after discounting projected future cash flows to the present value using an estimate of the Annual Federal Mid-Term Rate. Promises to give receivable balances of more than one year are discounted at approximately 3% for each of the years ended June 30, 2022 and 2021.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 3. Unconditional Promises to Give (Continued)

Unconditional promises to give for the years ended June 30, 2022 and 2021 consisted of the following:

June 30, 2022	Capital Campaign	Endowment	Other	Total
Unconditional Promises to Give:	\$ 17,911,544	\$ 2,022,211	\$ 203,257	\$ 20,137,012
Unamortized Discount	(972,159)	(657,224)	(1,609)	(1,630,992)
Allowance for Uncollectible Amounts	(490,180)	(457,800)	(50,000)	(997,980)
Net Unconditional Promises to Give	\$ 16,449,205	\$ 907,187	\$ 151,648	\$ 17,508,040

June 30, 2021	Capital Campaign	Endowment	Other	Total
Unconditional Promises to Give:	\$ 19,814,756	3,180,144	1,079,001	\$ 24,073,901
Unamortized Discount	(210,890)	(26,394)	(1,676)	(238,960)
Allowance for Uncollectible Amounts	(324,480)	(82,800)	(64,900)	(472,180)
Net Unconditional Promises to Give	\$ 19,279,386	\$ 3,070,950	\$ 1,012,425	\$ 23,362,761

Pledges are expected to be collected as follows:

Amounts Due In:	
Less than One Year	\$ 9,034,774
One to Five Years	11,102,238
Greater than Five Years	-
Total Amounts Due	\$ 20,137,012

Note 4. Capital Campaign

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 4. Capital Campaign (Continued)

The Museum's Capital Campaign goal of \$400,000,000 was reached and exceeded during the year ended June 30, 2022 with \$405,278,763 (unaudited) raised as of the end of the fiscal year. \$33,590,000 has been committed by Federal sources; \$91,500,000 has been appropriated by the State of Louisiana (this excludes \$7,000,000 for the parking garage), \$19,027,032 has been funded/financed through tax incentives, \$261,161,731 has been raised from private sector sources for property acquisitions and campaign expenses. An additional \$13,000,000 (unaudited) is reported by the Museum as planned gifts which will be recognized in subsequent periods in accordance with accounting principles generally accepted in the United States of America (for items such as the Museum being named as a beneficiary in a will or life insurance policy).

Promises receivable from private sector sources (excluding Endowment) as of June 30, 2022 and 2021 are as follows:

	2022	2021
Promises Receivable at Beginning of Year	\$ 19,814,756	\$ 19,695,402
New Promises Made During the Year	8,760,155	10,443,177
Less:		
Cash Received	(10,231,367)	(10,319,463)
Write Offs	(432,000)	(4,360)
	17,911,544	19,814,756
Unamortized Discount	(972,159)	(210,890)
Allowance for Doubtful Promises	(490,180)	(324,480)
Total	\$ 16,449,205	\$ 19,279,386

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 4. Capital Campaign (Continued)

The activities of the Capital Campaign funding from private sector sources for property acquisitions and campaign expenses through June 30, 2022 are as follows:

Total Capital Campaign Gifts and Promises (Excluding Endowment)	\$ 208,311,130
Less: Amounts Written Off Since Inception	<u>(1,932,559)</u>
	206,378,571
Discount to Net Present Value at June 30, 2022	(972,159)
Allowance for Doubtful Promises at June 30, 2022	<u>(490,180)</u>
Gifts and Promises, Net	<u>204,916,232</u>

Net Assets Released from Restrictions Through Acquisition of Property or Payment of Capital Campaign Expenses:

2004	3,605,658
2005	2,467,099
2006	2,973,040
2007	5,396,033
2008	7,967,652
2009	3,306,833
2010	9,493,949
2011	6,994,170
2012	7,732,418
2013	7,976,221
2014	14,351,372
2015	28,199,679
2016	10,347,977
2017	15,372,339
2018	16,132,564
2019	18,999,006
2020	8,960,340
2021	10,319,465
2022	<u>7,871,212</u>

Total Net Assets Released from Restrictions 188,467,027

**Temporarily Restricted Net Assets - Capital Campaign,
as of June 30, 2022** \$ 16,449,205

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 5. Investments

Investments held as of June 30, 2022 and 2021 are summarized below:

	2022	2021
Common Stocks	\$ 13,506,276	\$ 17,006,567
Mutual Funds	13,036,376	15,934,805
Real Estate Investment Trusts	2,219,952	2,334,642
Alternative Investments	11,079,592	10,035,976
Total	\$ 39,842,196	\$ 45,311,990

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

	2022	2021
Net Unrealized (Losses) Gains	\$ (10,183,365)	\$ 10,961,299
Net Realized Gains	2,098,216	824,404
Interest and Dividend Income	1,686,853	1,163,369
Investment Expenses	(193,627)	(98,577)
Total Investment Return, Net	\$ (6,591,923)	\$ 12,850,495

Note 6. Property and Equipment

Property and equipment as of June 30, 2022 and 2021 consists of the following:

	2022	2021
Land	\$ 7,397,345	\$ 7,397,345
Buildings	257,071,031	225,719,003
Exhibits	48,750,512	48,795,016
Equipment, Video Productions, and Furniture	32,518,985	32,093,863
Construction in Progress	42,068,224	46,012,198
	387,806,097	360,017,425
Less: Accumulated Depreciation	(103,565,313)	(91,935,401)
Total	\$ 284,240,784	\$ 268,082,024

Depreciation expense for the years ended June 30, 2022 and 2021 totaled \$11,629,915 and \$11,239,487, respectively.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 7. Split-Interest Agreements

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

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

The present value of estimated future payments of \$408,612 and \$413,086 as of June 30, 2022 and 2021, respectively, is included in other liabilities 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 \$169,721 and \$200,379 as of June 30, 2022 and 2021, respectively, is included in the unconditional promises to give section in the Museum's consolidated statement of financial position.

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

The Museum has a \$2,500,000 line of credit loan which was evidenced by a promissory note. The line of credit 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% (4.2% as of June 30, 2022). As of June 30, 2022 and 2021, the Museum had no outstanding balance.

On August 25, 2017, the Museum entered into a development incentive note with Hilton Franchise Holding LLC for the development of the Hotel to be operated as part of the Curio Collection by Hilton. This note bears no interest. On each anniversary of the Hotel's opening date, one-twentieth (1/20th) of the original principal amount will be forgiven without payment. The outstanding principal balance of the note payable shall be payable if: (1) a termination of the franchise agreement occurs for any reason; or (2) a transfer occurs and the transferee does not assume the note. As of June 30, 2022 and 2021, the Museum had an outstanding balance of \$1,170,000 and \$1,235,000, respectively.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

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 9). 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, 2022 and 2021, the Museum had an outstanding balance of \$52,075,935 and \$53,209,200, respectively, 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% (4.2% as of June 30, 2022). Interest expense for the years ended June 30, 2022 and 2021 was \$2,328,173 and \$2,261,449, 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 (\$41,207,376 as of June 30, 2022) 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 \$55,373 and \$1,590,980 as a derivative liability on the consolidated statement of financial position as of June 30, 2022 and 2021, respectively, and recorded an unrealized gain of \$1,535,607 and \$1,102,232 on the consolidated statement of activities and changes in net assets for the year ended June 30, 2022 and 2021, respectively.

With respect to the notes payable to Hancock Whitney Bank and First Horizon Bank that mature on December 21, 2022, the Museum entered into a preliminary term sheet agreement with the lenders to renew the loan. The executed term sheet, issued subsequent year end on October 26, 2022, calls for a three-year loan with a one-year option provided certain conditions are met. The term sheet calls for a \$6,000,000 reduction in principal to be funded by amounts in the Higgins Debt Service Fund. A new swap agreement must be entered into in connection with the new loan agreement. Loan pricing is Secured Overnight Financing Rate (SOFR) + 2.25%. The Museum anticipates that the new loan agreement will be executed on or before December 21, 2022.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 9. Notes Payable

Notes payable as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
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 (4.2%) as of June 30, 2022. 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. The Museum entered into a preliminary term sheet agreement subsequent to year end on October 26, 2022. See Note 8.	\$ 52,075,935	\$ 53,209,200
Note payable dated March 4, 2016 to Hancock Whitney Bank for the construction of the Solomon Victory Theatre. The note bears interest at 5.00% payable in monthly principal and interest payments of \$22,154 and a balloon payment at the end of the note term. The note is cross collateralized by other loans at Hancock Whitney Bank. The note was extended on March 4, 2021 to March 4, 2026 with principal and interest payments of \$22,244 and a balloon payment of \$2,103,977 plus accrued interest due on March 4, 2026.	2,638,480	2,768,061
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.	3,005,363	3,163,945
Development incentive note, dated August 25, 2017 to Hilton Franchise Holding, LLC for the development of the Hotel. The note bears no interest. 1/20th of principal is forgiven on each anniversary of the Hotel's opening if terms as described in Note 8 are met.	1,170,000	1,235,000
Total	\$ 58,889,778	\$ 60,376,206

Interest expense on notes payable totaled \$2,616,631 and \$2,565,249 for the years ended June 30, 2022 and 2021, respectively.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 9. Notes Payable (Continued)

Aggregate maturities of long-term debt are as follows:

Year Ended June 30,	Amount
2023	\$ 52,444,051
2024	383,122
2025	400,351
2026	4,752,254
2027	65,000
Thereafter	845,000
Total	\$ 58,889,778

Note 10. Governing Board Designations

Governing Board designations consisted of the following as of June 30, 2022 and 2021:

	2022	2021
Endowment Purposes	\$ 12,246,495	\$ 15,978,377
Operating Reserve	16,226,536	10,208,329
Capital Maintenance Reserve	8,894,478	7,121,904
Capital Improvements Reserve	3,212,517	-
New Ventures	713,051	712,331
Higgins Reserve Fund	1,259,896	2,296,763
Higgins Debt Service Fund	5,825,254	5,217,710
Total	\$ 48,378,227	\$ 41,535,414

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 11. Net Assets With Donor Restrictions

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

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2022 and 2021:

	2022	2021
Subject to Expenditure for a Specified Purpose		
Acquisition of Property and Equipment - Capital Campaign	\$ 16,449,205	\$ 19,279,386
Capital Construction - State of Louisiana	7,666,892	4,455,257
Institute for the Study of War and Democracy	5,109,560	162,303
Operating and Event Support	1,564,658	682,100
Lender Restrictions	1,276,388	-
Curatorial Services	1,036,810	738,137
Education	900,759	1,181,801
Exhibits	508,417	1,008,158
Student Travel	138,630	55,730
Media and Education Center	72,602	175,936
	<hr/>	<hr/>
Total Subject to Expenditure for a Specified Purpose	34,723,921	27,738,808
Subject to Museum Spending Policy and Appropriation		
Funds Held in Perpetuity	25,313,852	25,035,752
Accumulated Earnings	4,681,264	6,773,622
	<hr/>	<hr/>
Total Donor Restricted Endowment	29,995,116	31,809,374
	<hr/>	<hr/>
Total	\$ 64,719,037	\$ 59,548,182

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 12. Donor and Board Designated Endowment

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

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

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated funds, are classified and reported based on the existence or absence of donor imposed restrictions.

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 12. Donor and Board Designated Endowment (Continued)

The Board of Trustees has interpreted SPMIFA as requiring the preservation of the fair value of an original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies the following amounts as restricted net assets in the accompanying consolidated financial statements:

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

In accordance with SPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment net asset composition by type of fund as of June 30, 2022 and 2021 is as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 29,995,116	\$ 29,995,116
Board-Designated Funds	12,246,495	-	12,246,495
Total Funds	\$ 12,246,495	\$ 29,995,116	\$ 42,241,611
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	\$ -	\$ 31,809,373	\$ 31,809,373
Board-Designated Funds	15,978,377	-	15,978,377
Total Funds	\$ 15,978,377	\$ 31,809,373	\$ 47,787,750

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 12. Donor and Board Designated Endowment (Continued)

Changes in endowment net assets for the years ending June 30, 2022 and 2021 are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 15,978,377	\$ 31,809,373	\$ 47,787,750
Contributions	756,507	374,410	1,130,917
Investment Loss, Net	(4,488,389)	(1,886,818)	(6,375,207)
Endowment Expended	(301,849)	-	(301,849)
Endowment Net Assets, Reclassified from Restriction	301,849	(301,849)	-
Endowment Net Assets, End of Year	\$ 12,246,495	\$ 29,995,116	\$ 42,241,611
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 9,120,864	\$ 24,650,355	\$ 33,771,219
Contributions	929,031	470,860	1,399,891
Investment Income, Net	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	\$ 15,978,377	\$ 31,809,373	\$ 47,787,750

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, 2022 and 2021.

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 12. Donor and Board Designated Endowment (Continued)

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

Note 13. Grants

The State of Louisiana has provided capital appropriations through Cooperative Endeavor Agreements with The National World War II Museum, Inc. in the total amount of \$98,500,000. The State awards are restricted for the planning and construction of buildings needed for the expansion program. For the years ended June 30, 2022 and 2021, the Museum recognized revenue under this grant in the amount of \$7,666,892 and \$4,955,257, respectively.

For years ended June 30, 2022 and 2021, the Museum also recognized \$12,667,008 and \$1,745,770, respectively, of grant revenues from private sources, federal and other sources. The \$12,667,008 received for the year ended June 30, 2022 includes one-time federal Coronavirus (COVID-19) relief of \$8,000,000 received from the Shuttered Venue Operators Grants and \$4,012,896 accrued for the Employee Retention Tax Credit, both of which are discussed in Note 14.

Note 14. Government Assistance Programs

Paycheck Protection Program

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 14. Government Assistance Programs (Continued)

Paycheck Protection Program (Continued)

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

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

In 2021, the Museum and Hotel applied to the financial institutions for forgiveness and, in 2021, received forgiveness of the PPP loan first draws in the amount of \$1,193,300 and \$3,162,700, thus it recognized PPP grant income for the amount of \$4,356,000, which is included in the statement of activities and changes in net assets for the year ended June 30, 2021.

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

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

Shuttered Venue Operators Grant

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 14. Government Assistance Programs (Continued)

Employee Retention Tax Credit

The Employee Retention Credit (ERTC) was originally introduced under the CARES Act, but was later extended and expanded under Consolidated Appropriations Act. The ERTC is a refundable tax credit against certain employment taxes related to qualified wages, including certain health care costs, an eligible employer paid to employees after March 12, 2020 and before October 1, 2021. The Museum has determined that it qualifies for the ERTC program and is eligible for the credit. As of June 30, 2022, the Museum was in the process of applying for the ERTC by amending the applicable payroll tax returns for 2021. In accordance with FASB ASC 958-605, the ERTC funds are deemed a conditional grant. Conditions for this grant include meeting eligibility requirements.

As of June 30, 2022, the Museum recognized grant receivable of \$4,012,896 related to the ERTC in the accompanying consolidated statement of financial position and as grant revenue in the accompanying statements of activities and changes in net assets as of and for the year ended June 30, 2022, as conditions have been substantially met.

Note 15. Functional Allocation of Expenses

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 16. Fair Value of Financial Instruments

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

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

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

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

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

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 16. Fair Value of Financial Instruments (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2022 and 2021.

Common Stocks: Valued at the closing price reported on the active market on which the individual securities are traded. These are included in Level 1 of the fair value hierarchy.

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

Real Estate Investment Trusts: Valued at quoted market prices, which represent the NAV per unit. These are included in Level 1 of the fair value hierarchy.

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

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

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 16. Fair Value of Financial Instruments (Continued)

The following tables set forth by level within the fair value hierarchy the Museum's investments and interest rate swap hedge as of June 30, 2022 and 2021:

Description	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3	Fair Value As of December 31, 2022 Total
Investments				
Common Stocks	\$ 13,506,276	\$ -	\$ -	\$ 13,506,276
Mutual Funds	13,036,376	-	-	13,036,376
Real Estate Investment Trusts	2,219,952	-	-	2,219,952
Total Investments in Fair Value Hierarchy	\$ 28,762,604	\$ -	\$ -	28,762,604
Alternative Investments Measured at NAV (1)				11,079,592
Total Investments				\$ 39,842,196
Interest Rate Swap Hedge				
Market-To-Market Valuation	\$ -	\$ (55,373)	\$ -	\$ (55,373)

Description	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3	Fair Value As of December 31, 2021 Total
Investments				
Common Stocks	\$ 17,006,567	\$ -	\$ -	\$ 17,006,567
Mutual Funds	15,934,805	-	-	15,934,805
Real Estate Investment Trusts	2,334,642	-	-	2,334,642
Total Investments in Fair Value Hierarchy	\$ 35,276,014	\$ -	\$ -	35,276,014
Alternative Investments Measured at NAV (1)				10,035,976
Total Investments				\$ 45,311,990
Interest Rate Swap Hedge				
Market-To-Market Valuation	\$ -	\$ (1,590,908)	\$ -	\$ (1,590,908)

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

As of June 30, 2022 and 2021, there were no assets measured at fair value on a non-recurring basis.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 16. Fair Value of Financial Instruments (Continued)

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

Alternative Investments	Fair Value	Unfunded Commitments
Private Equity Funds ^(a)	\$ 8,117,305	\$ 3,655,295
Private Credit Funds ^(b)	<u>2,962,287</u>	2,041,788
Total	<u>\$ 11,079,592</u>	

(a) This category includes limited partnership investments in five private equity funds that seek to pursue capital appreciation by pursuing investment strategies through private security purchases, venture capital, or other means in various sectors including technology, media, and telecommunications among others. One fund with a balance of \$4,026,299 allows redemption of all or part of the investment at the end of each calendar quarter with 60 days' notice. The remaining four funds do not have redemption terms.

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

Note 17. Liquidity and Availability

As part of the Museum's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, the Museum invests cash in excess of daily requirements in 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 Museum also maintains a line of credit as described in Note 8 to meet short term needs.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 17. Liquidity and Availability (Continued)

The following table represents financial assets available for general expenditures within one year as of June 30, 2022:

Financial Assets	
Cash and Cash Equivalents	\$ 70,066,882
Investments	39,842,196
Unconditional Promises to Give, Net	17,508,040
ERTC Receivable	<u>4,012,896</u>
Financial Assets at Year End	131,430,014
Less Those Unavailable for General Expenditure	
Within One Year Due to:	
Governing Board Designations	(48,378,227)
Donor Imposed Restrictions:	
Restricted by Donors with Purpose or Time Restrictions	(64,719,037)
Unconditional Promises to Give, Due in Greater Than One Year	<u>(11,102,238)</u>
Total Financial Assets Unavailable for General Expenditure	<u>(124,199,502)</u>
Financial Assets at Year End Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 7,230,512</u>

Note 18. Risks and Uncertainties

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

The Museum is exposed to the impact of interest rate changes primarily through floating-rate borrowings that require it to make interest payments based on 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.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 19. Retirement Plans

The Museum adopted a defined contribution plan covering all of its employees who are age 18 and over, who have completed three months of service. The plan allows participants to contribute by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The plan allows the Museum to contribute a discretionary amount on a uniform basis to all participants. The Museum's contribution to the plan totaled \$269,898 and \$213,492 for the years ended June 30, 2022 and 2021, respectively.

Additionally, the Museum sponsors a deferred compensation plan under Internal Revenue Code (IRC) sections 457(f) for the benefit of a highly compensated employee. The Museum's contributions to the plans totaled \$75,000 and \$37,500 for the years ended June 30, 2022 and 2021, respectively.

Note 20. Commitments

The Museum entered into an employment contract with an employee to serve as President and CEO, effective July 1, 2021 through June 30, 2026, which provides for a minimum annual salary, and bonus at the sole discretion of the Museum Board of Trustees. The contract provides for retention bonuses provided the employee meets certain levels of performance. The total commitment (undiscounted) is \$530,000 for salary and \$75,000 for contributions to the deferred compensation plan.

The Museum entered into an employment contract with an employee to serve as Senior Vice-President of Operations and Chief Operating Officer effective July 1, 2021 through June 30, 2026, which provides for a minimum annual salary, and bonus at the sole discretion of the Museum Board of Trustees. The contract provides for retention bonuses provided the employee meets certain levels of performance. The total commitment (undiscounted) is \$380,000 for salary and \$37,500 for contributions to the deferred compensation plan.

On March 1, 2005, the Museum entered into a contract for the architectural design of the Capital Expansion Project. Under the terms of the contract, fees are determined by a lump sum total of \$250,000, 9.9% of the first \$80,170,115, and 6% of costs in excess of \$80,170,115 and totals \$15,593,000. As of June 30, 2022, the Museum has incurred construction completed or in progress related to this architectural design contract totaling approximately \$15,482,000.

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, 2022, the Museum has incurred construction completed or in progress related to this architectural design contract totaling approximately \$9,990,000.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 20. Commitments (Continued)

The Museum entered into a contract related to the design of the Liberation Theater totaling approximately \$40,094,000. As of June 30, 2022, the Museum has incurred construction in progress related to this project totaling approximately \$24,547,000.

The Museum entered into a contract for the Sound and Light Show totaling approximately \$3,712,000. As of June 30, 2022, the Museum has incurred construction in progress related to this project totaling approximately \$2,692,000.

During the year ended June 30, 2022, the Museum entered into a contract for the Louisiana Pavilion HVAC totaling approximately \$503,000. As of June 30, 2022, the Museum has not incurred any construction costs related to this project.

During the year ended June 30, 2022, the Museum entered into a contract for the Parade Ground totaling approximately \$838,000. As of June 30, 2022, the Museum has incurred construction in progress related to this project totaling approximately \$93,000.

Note 21. COVID-19 Impact

On March 11, 2020, the World Health Organization declared the outbreak of the novel 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.

The pandemic had a significant and immediate unfavorable impact of the Museum's financial condition but the Museum took actions to preserve financial flexibility in that 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, both of which had been forgiven in full as of June 30, 2021, as described in Note 14. 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. The educational travel program was suspended until Spring 2022. The latter few months of the fiscal year did reflect significant recovery in New Orleans tourism and favorably impacted the Museum's visitation. A fourth and fifth wave of COVID-19 spikes resulting from the Delta and Omicrons variants impacted the Museum's operations in August 2021 and January 2022, respectively, and again adversely impacted Museum visitation.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 21. COVID-19 Impact (Continued)

The Museum and its World War II Theatre, Inc. subsidiary applied for and received a second round of PPP loans in the amount of \$2,000,000 and \$1,540,000, respectively, both of which have been forgiven in full as of June 30, 2022, as described in Note 14.

The Museum also applied for and received an \$8,000,000 grant under the SVOG program as discussed further in Note 14.

Note 22. Lease and Licensing Agreements

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

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

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

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.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 22. Lease and Licensing Agreements (Continued)

Due to the continued impact of COVID-19 (see Note 21) 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 reverted back to the original lease and licensing agreement described in the paragraphs above.

Note 23. Related-Party Transactions

The Museum maintained certain cash and cash equivalents, investments and notes payable with an institution of which one Board Member is the President/CEO and another institution where the Board Member is a member of the executive team as of June 30, 2022 and 2021.

Note 24. Subsequent Events

In preparing the consolidated financial statements, the Museum's management has evaluated events and transactions for potential recognition or disclosure through December 13, 2022, the date on which the financial statements were available to be issued. The following events were determined to require disclosure:

On July 9, 2022, the Museum's patrol torpedo (PT) boat 305 returned to her permanent home on the Museum's campus. PT-305 had been fully restored and readied for sea in early 2017. From 2017 through 2020, PT-305 provided passenger rides on Lake Pontchartrain as a separate ticketed event. In connection with disruption from COVID-19 in March 2020, the boat's operations were suspended and she was placed in storage until the return to campus in July 2022. PT-305 will undergo a reset to prepare her for permanent display in the Museum's galleries. The cost of the boat will be reclassified from equipment and moved to collections assets.

On November 10, 2022, the Museum premiered its newest attraction Expressions of America, a 90-minute experience that includes live entertainment, food and beverage, an original exhibit, and an outdoor sound and light show. *Expressions of America* immerses the audience in the personal reflections of the men and women who served during World War II. Expressions of America is a separate ticketed event and represents the first time the Museum is open to the public after hours.

No events occurring after December 13, 2022 have been evaluated for inclusion in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

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

	World War II Theatre, Inc., Owner of Higgins		
	Hotel and Conference Center	The National World War II Museum (*)	2022
Assets			
Cash and Cash Equivalents	\$ 11,628,289	\$ 56,039,178	\$ 67,667,467
Unconditional Promises to Give			
Capital Campaign, Net of Allowances	-	16,449,205	16,449,205
Endowment, Net of Allowances	-	907,187	907,187
Other, Net of Allowances	-	151,648	151,648
ERTC Receivable	-	4,012,896	4,012,896
Retail Store Inventory	142,146	880,410	1,022,556
Intercompany Receivables (Payables)	(25,472,437)	25,472,437	-
Other Assets	1,384,245	5,936,658	7,320,903
Endowment Assets			
Cash and Cash Equivalents - Restricted	-	2,399,415	2,399,415
Investments	-	39,842,196	39,842,196
Property and Equipment, Net of Accumulated Depreciation	60,757,901	223,482,883	284,240,784
Collections	-	12,998,177	12,998,177
Total Assets	\$ 48,440,144	\$ 388,572,290	\$ 437,012,434
Liabilities and Net Assets			
Liabilities			
Accounts Payable Trade	\$ 544,008	2,355,258	\$ 2,899,266
Due to (from) National World War II Museum	1,739,052	(1,739,052)	-
Accrued Expenses	892,322	4,073,549	4,965,871
Unearned Revenue and Deposits	158,640	5,755,014	5,913,654
Taxes Payable	209,872	101,105	310,977
Other Liabilities	-	1,279,145	1,279,145
Notes Payable	53,245,935	5,643,843	58,889,778
Liability on Interest Rate Swap Agreement	55,373	-	55,373
Total Liabilities	56,845,202	17,468,862	74,314,064
Net Assets	(8,405,058)	371,103,428	362,698,370
Total Liabilities and Net Assets	\$ 48,440,144	\$ 388,572,290	\$ 437,012,434

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidating Schedule of Financial Position
For the Years Ended June 30, 2021

	World War II Theatre, Inc., Owner of Higgins		
	Hotel and Conference Center	The National World War II Museum (*)	2021
Assets			
Cash and Cash Equivalents	\$ 7,198,695	\$ 50,389,184	\$ 57,587,879
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
Retail Store Inventory	102,968	854,503	957,471
Intercompany Receivables (Payables)	(23,264,893)	23,264,893	-
Other Assets	482,139	5,200,445	5,682,584
Endowment Assets			
Cash and Cash Equivalents - Restricted	-	2,475,760	2,475,760
Investments	-	45,311,990	45,311,990
Property and Equipment, Net of Accumulated Depreciation	63,296,640	204,785,384	268,082,024
Collections	-	12,107,732	12,107,732
Total Assets	\$ 47,815,549	\$ 367,752,652	\$ 415,568,201
Liabilities and Net Assets			
Liabilities			
Accounts Payable Trade	\$ 461,930	1,736,527	\$ 2,198,457
Accrued Expenses	431,769	3,032,573	3,464,342
Unearned Revenue and Deposits	218,367	4,650,419	4,868,786
Taxes Payable	160,821	98,834	259,655
Other Liabilities	-	1,348,085	1,348,085
Notes Payable	55,984,200	7,932,007	63,916,207
Liability on Interest Rate Swap Agreement	1,590,980	-	1,590,980
Due to (from) National World War II Museum	1,293,102	(1,293,102)	-
Total Liabilities	60,141,169	17,505,343	77,646,512
Net Assets	(12,325,620)	350,247,309	337,921,689
Total Liabilities and Net Assets	\$ 47,815,549	\$ 367,752,652	\$ 415,568,201

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

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

	World War II Theatre, Inc., Owner of Higgins Hotel and Conference Center	The National World War II Museum (*)	2022 Total
Revenue and Other Support			
Operating Revenue	\$ 16,009,431	\$ 37,617,183	\$ 53,626,614
Financial Contributions and Grants	-	38,373,834	38,373,834
In-Kind Contributions	-	82,908	82,908
Net Return on Investments	-	(6,591,923)	(6,591,923)
Hilton Franchise Debt Forgiveness	65,000	-	65,000
Insurance Proceeds	2,700,000	-	2,700,000
Paycheck Protection Program Forgiveness Income	1,540,000	2,000,000	3,540,000
Employee Retention Tax Credit Revenue	-	4,012,896	4,012,896
Other Income	103,125	-	103,125
Total Revenue and Other Support	20,417,556	75,494,898	95,912,454
Expenses	18,032,601	54,217,812	72,250,413
Loss on Damage of Property and Equipment	-	420,967	420,967
Total Expenses and Losses	18,032,601	54,638,779	72,671,380
Changes in Net Assets Before Change in Liability on Interest Rate Swap Agreement	2,384,955	20,856,119	23,241,074
Change in Liability on Interest Rate Swap Agreement	1,535,607	-	1,535,607
Change in Net Assets	3,920,562	20,856,119	24,776,681
Net Assets, Beginning of Year	(12,325,620)	350,247,309	337,921,689
Net Assets, End of Year	\$ (8,405,058)	\$ 371,103,428	\$ 362,698,370

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidating Schedule of Activities and Changes in Net Assets
For the Years Ended June 30, 2021

	World War II Theatre, Inc., Owner of Higgins	Hotel and Conference Center	The National World War II Museum (*)	2021 Total
Revenue and Other Support				
Operating Revenue	\$	6,720,241	\$ 22,150,682	\$ 28,870,923
Financial Contributions and Grants		-	24,498,022	24,498,022
In-Kind Contributions		-	24,113	24,113
Net Return on Investments		-	12,850,495	12,850,495
Hilton Franchise Debt Forgiveness		65,000	-	65,000
Paycheck Protection Program Forgiveness Income		1,193,300	3,162,700	4,356,000
Other Income		7,190	-	7,190
Total Revenue and Other Support		7,985,731	62,686,012	70,671,743
Expenses		13,639,047	40,529,887	54,168,934
Changes in Net Assets Before Change in Liability on Interest Rate Swap Agreement				
Change in Liability on Interest Rate Swap Agreement		(5,653,316)	22,156,125	16,502,809
		1,102,232	-	1,102,232
Change in Net Assets		(4,551,084)	22,156,125	17,605,041
Net Assets, Beginning of Year		(7,774,536)	328,091,184	320,316,648
Net Assets, End of Year	\$	(12,325,620)	\$ 350,247,309	\$ 337,921,689

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

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

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

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Consolidating Schedule of Expenses
For the Years Ended June 30, 2021

	World War II Theatre, Inc., Owner of Higgins		
	Hotel and Conference Center	The National World War II Museum	2021 Total
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 Program 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
Total Expenses	\$ 13,639,047	\$ 40,529,887	\$ 54,168,934

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

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
For the Years Ended June 30, 2022

Agency Head Name

Stephen Watson, President and Chief Executive Officer

Purpose	Amount
Salary	\$665,288
Benefits-Insurance	\$17,323
Benefits-Retirement	\$9,603
Car Allowance	\$14,400
Gas	\$0
Cell Phone	\$0
Dues and Registration Fees	\$0
Reimbursements	\$0
Travel	\$0
Travel - Conference	\$0
Special Meals	\$0
Other	\$0

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The National World War II Museum, Inc. and Subsidiaries (a nonprofit organization) (the Museum) which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 13, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Museum's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

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

A Professional Accounting Corporation

Metairie, LA
December 13, 2022

REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited The National World War II Museum, Inc. and Subsidiaries (a nonprofit organization) (the Museum), compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Museum's major federal program for the year ended June 30, 2022. The Museum's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Museum complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibility under those standards and the Uniform Guidance are further described in the Audit Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Museum's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Museum's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Museum's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Museum's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Museum's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Museum's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

A Professional Accounting Corporation

Metairie, LA
December 13, 2022

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

Federal Grantor or Pass-Trough Grantor and Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Small Business Administration				
Shuttered Venue Operators Grant Program - COVID-19	59.075	n/a	\$ -	\$ 8,000,000
U.S. Department of Defense				
Congressionally Directed Assistance	12.599	n/a	-	54,219
Legacy Resource Management Program Passed Through Ohio State University	12.632	W9128F-16-2-0014	-	63,664
Total U.S. Department of Defense			-	117,883
U.S. Department of the Interior				
Preservation of Japanese American Confinement Sites	15.933	n/a	-	13,464
U.S. Department of Commerce				
Economic Adjustment Assistance	11.307	n/a	-	297,318
Total			\$ -	\$ 8,428,665

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the SEFA) includes the federal grant activity of The National World War II Museum, Inc. and Subsidiaries (the Museum) under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Museum, it is not intended to and does not present the financial position, changes in net assets, or cash flow of the Museum.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. De Minimus Cost Rate

During the year ended June 30, 2022, the Museum elected to use the 10% de minimus cost rate as covered in section 200.414 of the Uniform Guidance.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Part I - Summary of Auditor's Results
Financial Statements

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

Internal Control Over Financial Reporting:

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

Noncompliance Material to Financial Statements Noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

<u>AL Number</u>	<u>Name of Federal Program</u>
59.075	Shuttered Venue Operators Grant Program - COVID-19

Dollar threshold used to determine Type A Programs: \$750,000

Auditee qualified as low-risk auditee? No

Part II - Financial Statement Findings

No matters were reported.

Part III - Findings and Questioned Costs for Federal Awards

No matters were reported.

THE NATIONAL WORLD WAR II MUSEUM, INC. AND SUBSIDIARIES
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

Findings Related to the Financial Statements

None.

Findings and Questioned Costs Related to Major Federal Award Programs

None.

AGREED-UPON PROCEDURES REPORT

The National World War II Museum, Inc.

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period July 1, 2021 - June 30, 2022

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. The National World War II Museum, Inc. (the Museum) management is responsible for those C/C areas identified in the SAUPs.

The National World War II Museum, Inc. has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

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

Board or Finance Committee

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

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

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

Bank Reconciliations

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

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

Collections (excluding electronic funds transfers)

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

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

Not applicable.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
 - a) Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

[Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

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

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Not applicable.

Contracts

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

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

Payroll and Personnel

16. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select 2 employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.
19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

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

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
 - a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b) Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Not applicable.

Debt Service

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Not applicable.

Fraud Notice

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

Information Technology Disaster Recovery/Business Continuity

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

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

Sexual Harassment

26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.
27. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1st, and observe that it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint.

Not applicable.

We were engaged by The National World War II Museum, Inc. to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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



A Professional Accounting Corporation

Metairie, LA
December 13, 2022