

Consolidated Financial Report

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

June 30, 2009



Bourgeois Bennett

Certified Public Accountants | Consultants
A Limited Liability Company

TABLE OF CONTENTS

The National World War II Museum, Inc. and Subsidiaries

June 30, 2009

Page Numbers

Financial Section

Independent Auditor's Report 1 - 2

Exhibits

A - Consolidated Statement of Financial Position 3

B - Consolidated Statement of Activities and Changes in Net Assets 4

C - Consolidated Statement of Cash Flows 5 - 6

D - Notes to Consolidated Financial Statements 7 - 35

Special Report of Certified Public Accountants

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 36 - 37

Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133 38 - 40

Schedule of Expenditures of Federal Awards 41

Notes to Schedule of Expenditures of Federal Awards 42 - 43

Schedule of Findings and Questioned Costs 44 - 45

TABLE OF CONTENTS - Continued

Page Numbers

Reports By Management.

Schedule of Prior Year Findings and Responses

46

Management's Corrective Action Plan
on Current Year Findings

47

FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statement of financial position of The National World War II Museum, Inc. and Subsidiaries (a nonprofit organization) (the "Museum") as of June 30, 2009, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the 2008 consolidated financial statements and in our report dated October 28, 2008; we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The National World War II Museum, Inc. and Subsidiaries as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2009 on our consideration of The National World War II Museum, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of The National World War II Museum, Inc. and Subsidiaries taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
October 28, 2009.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**The National World War II Museum, Inc. and Subsidiaries**

June 30, 2009
(with comparative totals for 2008)

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 23,397,409	\$ 40,553,969
Investments	3,088,141	3,755,695
Unconditional promises to give:		
Capital Campaign, net of allowances	8,328,676	3,900,025
Endowment, net of allowances	1,212,528	504,113
Other, net of allowances	670,386	629,535
Grants receivable	1,736,570	1,306,748
Interest receivable	11,042	32,231
Notes receivable	24,719,480	5,239,995
Gift shop inventory	401,923	432,208
Other assets	246,155	313,600
Property and equipment, net of accumulated depreciation	84,171,611	52,312,967
Collections	5,069,659	4,700,654
	<u>\$ 153,053,580</u>	<u>\$ 113,681,740</u>
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 4,248,037	\$ 4,543,495
Notes payable	49,474,108	34,156,672
Line of credit	1,500,000	-
	<u>55,222,145</u>	<u>38,700,167</u>
<u>NET ASSETS</u>		
Unrestricted:		
Undesignated	76,255,347	57,817,671
Board designated	736,999	331,315
	<u>76,992,346</u>	<u>58,148,986</u>
Total unrestricted net assets	76,992,346	58,148,986
Temporarily restricted	16,367,482	13,289,352
Permanently restricted	4,471,607	3,543,235
	<u>97,831,435</u>	<u>74,981,573</u>
Total net assets	97,831,435	74,981,573
Totals	<u>\$ 153,053,580</u>	<u>\$ 113,681,740</u>

See notes to consolidated financial statements.

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

For the year ended June 30, 2009
(with comparative totals for 2008)

	2009			Totals	2008 Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenues					
Grants	\$ 219,175	\$ 18,039,182		\$ 18,258,357	\$ 5,609,256
Contributions:					
Capital Campaign		7,735,483		7,735,483	3,422,511
Endowment			\$ 928,372	928,372	455,250
Other	1,064,241			1,064,241	10,269,971
Memberships	5,368,475			5,368,475	5,204,415
Admissions	1,409,074			1,409,074	1,226,393
Facilities and property rental	730,780			730,780	689,260
Sponsored events and conferences	636,997	141,650		778,647	1,658,720
Gift shop	521,567			521,567	634,318
Investment income (loss)	306,906	(29,616)		277,290	317,669
Sponsorships	163,250			163,250	55,645
Miscellaneous	4,621			4,621	485,908
Net assets released from restrictions	22,808,569	(22,808,569)		-	-
Total support and revenues	<u>33,233,655</u>	<u>3,078,130</u>	<u>928,372</u>	<u>37,240,157</u>	<u>30,029,316</u>
Expenses					
Capital Campaign fundraising and other	1,484,488			1,484,488	1,665,114
Fundraising	594,183			594,183	1,100,684
General and administrative	1,373,028			1,373,028	1,625,632
Gift shop merchandise sold	359,350			359,350	389,455
Loss on abandonment of buildings	-			-	1,055,311
Museum expansion	734,318			734,318	597,953
Museum operations	5,726,692			5,726,692	5,554,879
Public programs	4,118,236			4,118,236	3,747,804
Total expenses	<u>14,390,295</u>	<u>-</u>	<u>-</u>	<u>14,390,295</u>	<u>15,736,832</u>
Changes in Net Assets	18,843,360	3,078,130	928,372	22,849,862	14,292,484
Net Assets					
Beginning of year	<u>58,148,986</u>	<u>13,289,352</u>	<u>3,543,235</u>	<u>74,981,573</u>	<u>60,689,089</u>
End of year	<u>\$ 76,992,346</u>	<u>\$ 16,367,482</u>	<u>\$ 4,471,607</u>	<u>\$ 97,831,435</u>	<u>\$ 74,981,573</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS**The National World War II Museum, Inc. and Subsidiaries**

For the year ended June 30, 2009
(with comparative totals for 2008)

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 22,849,862	\$ 14,292,484
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,261,361	1,481,464
Loss on abandonment of buildings	-	1,055,311
Interest on notes receivable	(640,022)	(37,251)
Donations of property and equipment and collections	(4,031)	(16,315)
Unrealized (gain) loss on investments	667,554	(6,047)
(Increase) decrease in operating assets:		
Other unconditional promises to give, net	(40,851)	3,311
Grants receivable	185,081	(112,562)
Interest receivable	21,189	(32,231)
Gift shop inventory	30,285	(47,519)
Other assets	67,445	(136,705)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(295,458)	2,736,408
Revenues restricted for the acquisition of property and equipment:		
Federal grant	(1,200,000)	-
State grant	(16,755,732)	(4,289,277)
Capital Campaign contributions, net of expenses	(6,661,595)	(1,887,896)
Increase (decrease) in discount on unconditional promises to give:		
Capital Campaign	123,532	(143,931)
Increase (decrease) in allowance for uncollectible promises to give:		
Capital Campaign	90,381	(43,208)
Contributions restricted for endowment purposes	(926,585)	(392,299)
Decrease in allowance for uncollectible promises to give - endowment	<u>(1,787)</u>	<u>(62,951)</u>
Net cash provided by (used in) operating activities	<u>(1,229,371)</u>	<u>12,360,786</u>

**Exhibit C
(Continued)**

	2009	2008
Cash Flows From Investing Activities		
Purchase of property and equipment	(31,814,069)	(12,052,324)
Proceeds from sale of equipment	11,500	-
Purchase of collections	(364,974)	(420,430)
Advances on notes receivable	(18,839,463)	(5,202,744)
Investments - purchased	-	(1,394,874)
Net cash used in investing activities	(51,007,006)	(19,070,372)
Cash Flows From Financing Activities		
Collections of federal grant funds restricted for the acquisition of property and equipment	1,049,760	-
Collections of state grant funds restricted for the acquisition of property and equipment	16,291,069	3,344,841
Collections of Endowment gifts	219,957	1,651,315
Collections of Capital Campaign contributions restricted for the acquisition of property and equipment, net of \$1,287,801 and \$1,347,161 of campaign expenses in 2009 and 2008, respectively	2,019,031	4,192,223
New borrowings from bank	14,000,000	30,777,954
Borrowings on line of credit, net	1,500,000	-
Net cash provided by financing activities	35,079,817	39,966,333
Net Increase (Decrease) In Cash and Cash Equivalents	(17,156,560)	33,256,747
Cash and Cash Equivalents		
Beginning of year	40,553,969	7,297,222
End of year	\$ 23,397,409	\$ 40,553,969

See notes to consolidated financial statements.

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

June 30, 2009

Note 1 - NATURE OF ACTIVITIES

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

The Museum completed its initial phase of construction 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. This addition, named Discovery Hall, is a 12,000 sq. ft., multi-functional, education facility offering the Museum's first dedicated space to students and teachers providing an exciting, dynamic place to learn. The Museum also completed renovations in 2007 to the Eisenhower Center, a historical structure adjacent to the main building which houses research services and a recording studio for oral history and other video production.

During 2008, the Museum broke ground for construction of the Solomon Victory Theater and Stage Door Canteen complex. This major campus addition is comprised of a multi-sensory theater presenting a signature film experience titled *Beyond All Boundaries*, and a 1940's themed live performance venue with food and beverage service. This phase of the Museum's expansion also provides space for support services, administration, retail outlets, and central plant services.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Organization and Income Taxes

The National World War II Museum, Inc. is a non-profit corporation organized under the laws of the State of Louisiana for charitable purposes, principally the operation and maintenance of a museum dedicated to the history of World War II. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax under the authority of R.S. 47:121(5).

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 was to acquire and preserve a 1942 C-47 aircraft, gather and preserve the history of the C-47 aircraft, specifically with regard to its role in World War II, and to promote public awareness, appreciation, and education of the historic relevance of the C-47 aircraft. During the year ended June 30, 2007, ownership for the C-47 aircraft was transferred from Chalk #17, Inc. to the Museum.

On October 22, 2007, World War II Theatre, Inc. was established as a non-profit corporation to operate exclusively for the benefit of the Museum and to support the educational, charitable, and social purposes of the Museum specifically to construct and operate a theater and U.S.O. themed canteen and restaurant adjacent to the existing museum. The corporation is organized on a stock basis. The aggregate number of shares that this corporation shall have authority to issue is 100 shares, and there shall be one shareholder of the corporation who shall be known as the Corporate Shareholder and such Corporate Shareholder shall be The National World War II Museum, Inc.

b. Use of Estimates

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

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Basis of Accounting

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

d. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements for Not-For-Profit Organizations*. Under SFAS No. 117, net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Museum and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

The Board has designated unrestricted net assets for the following purposes:

	2009	2008
Debt service	\$ 667,273	\$ 37,251
Construction in progress	69,726	294,064
Totals	\$ 736,999	\$ 331,315

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Museum and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor - imposed stipulations that they be maintained permanently by the Museum. The donors of these assets permit the Museum to use all of the income earned on related investments for general or specific purposes.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Consolidation

The accompanying consolidated financial statements show the combined assets, liabilities, and transactions of the Museum and its subsidiaries, Chalk #17, Inc. and World War II Theatre, Inc (the Subsidiary). As described on the previous page, ownership for the C-47 plane was transferred from Chalk #17, Inc., to the Museum. For the years ended June 30, 2009 and 2008, Chalk #17, Inc. had no assets or liabilities nor were there any revenue or expenses. The only activities of the Subsidiary relate to the new museum expansion. During the year ended June 30, 2009, loan proceeds of \$14,000,000 were received to fund construction costs. During the year ended June 30, 2008, loan proceeds of \$40,000,000 (discounted to net present value of future principal payments of \$30,777,954 at inception) were received to fund construction costs. This debt, investments, and corresponding construction in progress costs were combined with amounts for the Museum and presented in the consolidated financial statements. All intercompany transactions and resulting balances have been eliminated in the consolidated financial statements.

f. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Museum considers all short-term, highly liquid investments (including certificates of deposit) with an original maturity of three months or less when purchased to be cash equivalents. The Museum considers investments in money market funds to be cash equivalents. Included in cash and cash equivalents at year end are loan proceeds restricted for construction projects (see Note 4).

g. Investments

Investments in marketable securities and in mutual funds and other investments are generally carried at fair market value. Investments acquired through donations are recorded at fair market value on the date of donation.

h. Promises To Give

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

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Contributions and Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

j. 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. At June 30, 2009 and 2008, the balance of the allowance related to the Capital Campaign was \$169,973 and \$79,592 respectively, the allowance related to the Endowment was \$24,745 and \$26,532, respectively, and the allowance for other promises was \$52,920 and \$94,068, respectively.

k. Gift Shop Inventory

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

l. 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.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Collections

At June 30, 2009 and 2008, collections consist of three films commissioned by the Museum, a collection of German, French and American artifacts acquired from the St. Lo Museum in France in 1995, aircraft, tanks, certain military vehicles, and miscellaneous artifacts. The Museum does not record depreciation on its collections because depreciation is not presently required to be recognized on individual works of art or historical treasures whose economic benefit or service potential is used so slowly that their estimated useful lives are extraordinarily long. It is the Museum's policy to capitalize only those items purchased, not those donated, unless the item's cost is significant and is able to be valued objectively. Donated collection items are not recorded, except in rare circumstances, due to the lack of an objective basis of valuation.

n. 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 feels that the requirements of SFAS No. 116, "Accounting for Contributions Received and Contributions Made" for recording in-kind services have not been satisfied.

o. Fundraising Expenses

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

p. Allocated Expenses

The costs of providing the various programs and other activities are summarized in Note 21. Certain expenses have been allocated among the programs and supporting services based on management's estimate of the costs involved.

q. Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. New Accounting Pronouncements

In December 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. FSP FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes*, to its annual financial statements for fiscal years beginning after December 15, 2008. The Museum has elected to defer the application of the uncertain tax position provisions of FASB Interpretation 48 for the year ended June 30, 2009. The Museum evaluates its uncertain tax positions using the provisions of SFAS No. 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the consolidated financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

The consolidated financial statements reflect the prospective adoption of SFAS No. 157, *Fair Value Measurements*, as of the beginning of the year ended June 30, 2009 (see Note 6). SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and establishes a single authoritative definition of fair value, sets a framework for measuring value, and requires additional disclosures about fair value measurements. The effect of the adoption of SFAS No. 157 had no impact on the Consolidated Statement of Financial Position and the Consolidated Statement of Activities and Changes in Net Assets.

s. Subsequent Events

Management evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through October 28, 2009, which is the date the consolidated financial statements were available to be issued.

Note 3 - RESTRICTIONS ON ASSETS

Temporarily restricted net assets are restricted by the donor for specific purposes or are available for subsequent periods. Cash, investments, and 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.

Temporarily restricted net assets are available for the following purposes or periods:

	2009	2008
Acquisition of property and equipment -		
Capital Campaign	\$ 8,328,676	\$ 3,900,025
Other restricted purposes	122,528	196,464
For subsequent periods:		
Unconditional promises to give	670,386	629,535
Unamortized discount on notes payable (see Note 15 and 16)	7,245,892	8,563,328
Totals	\$ 16,367,482	\$ 13,289,352

Permanently restricted net assets of \$4,471,607 and \$3,543,235 at June 30, 2009 and 2008, respectively, consist of cash, investments, and unconditional promises to give which are restricted for endowment purposes, the earnings from which are available for operations and accordingly are recognized as unrestricted revenue.

Note 4 - LIMITED USE ASSETS

Pursuant to the 2007 issuance of the New Markets Tax Credits Financing Commitment (as described in Note 15) between the Museum and Capital One, the Museum is required to maintain certain funds until disbursements are approved by the bank. These funds are restricted for the construction of the Solomon Victory Theater/ Stage Door Canteen/ American Sector Restaurant-Bar/ and Support Facilities phase of the Museum expansion. The amount of restricted cash at June 30, 2009 and 2008 totaled \$10,603,171 and \$34,959,934, respectively.

Note 4 - LIMITED USE ASSETS (Continued)

Pursuant to the 2008 issuance of the New Markets Tax Credits Financing Commitment (as described in Note 15) between the Museum and Whitney National Bank, the Museum is required to maintain certain funds until disbursements are approved by the bank. These funds are restricted for the construction of the Solomon Victory Theater/ Stage Door Canteen/ American Sector Restaurant-Bar/ and Support Facilities phase of the Museum expansion. The amount of restricted cash at June 30, 2009 totaled \$8,446,141.

Note 5 - INVESTMENTS

Marketable securities are summarized as follows:

	June 30, 2009		
	Cost	Market Value	Excess of Market Over Cost (Cost Over Market)
Mutual funds at June 30, 2009	\$ 3,481,718	\$ 3,088,141	\$ (393,577)
Mutual funds at June 30, 2008	\$ 3,481,718	\$ 3,755,695	273,977
Decrease in unrealized depreciation			(667,554)
Dividends, net of investment expenses			19,161
Interest on cash and cash equivalents			925,683
Total investment income			\$ 277,290

Note 5 - INVESTMENTS (Continued)

	June 30, 2008		Excess of Market Over Cost
	Cost	Market Value	
Mutual funds at June 30, 2008	\$ 3,481,718	\$ 3,755,695	\$ 273,977
Mutual funds at June 30, 2007	\$ 2,086,844	\$ 2,354,774	\$ 267,930
Increase in unrealized appreciation			6,047
Dividends, net of investment expenses			23,674
Interest on cash and cash equivalents			287,948
Total investment income			\$ 317,669

Note 6 - FAIR VALUE MEASUREMENTS

SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value. Fair value concepts are applied in recording investments. SFAS No. 157 establishes a fair value hierarchy which has three levels based on the reliability of the inputs used to determine fair value. These levels include: Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore requiring an entity to develop its own assumptions.

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

The Museum uses the market approach for valuing mutual funds which is within the Level 2 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. Furthermore, while the Museum believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

Assets measured at fair value on a recurring basis are comprised of and determined as follows:

Description	Based on			
	Total Assets Measured At Fair Value	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds	\$ 3,088,141	\$ -	\$ 3,088,141	\$ -
Totals	\$ 3,088,141	\$ -	\$ 3,088,141	\$ -

At June 30, 2009, there were no assets measured at fair value on a non-recurring basis.

Note 7 - 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 would materially affect the market value of investments held by the Museum.

Note 8 - CONCENTRATION OF CREDIT RISK

The Museum maintains cash balances at several local financial institutions where they are insured by the Federal Deposit Insurance Corporation up to \$250,000 per Bank. At June 30, 2009, cash deposits in excess of the insured limits were approximately \$22,729,000.

Note 9 - 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 temporarily restricted net assets class after discounting projected future cash flows to the present value using the Annual Federal Mid-Term Rate published at June 30, 2009.

Note 9 - UNCONDITIONAL PROMISES TO GIVE (Continued)

Unconditional promises to give consist of the following:

	2009	2008
Unconditional promises to give:		
Capital Campaign	\$ 9,101,294	\$ 4,458,730
Endowment	1,319,741	590,038
Other	752,748	786,481
Gross unconditional promises to give	11,173,783	5,835,249
Less:		
Unamortized discount:		
Capital Campaign	(602,645)	(479,113)
Endowment	(82,468)	(59,393)
Other	(29,442)	(62,878)
Allowance for uncollectible amounts:		
Capital Campaign	(169,973)	(79,592)
Endowment	(24,745)	(26,532)
Other	(52,920)	(94,068)
Net unconditional promises to give	\$ 10,211,590	\$ 5,033,673
Net unconditional promises to give:		
Capital Campaign	\$ 8,328,676	\$ 3,900,025
Endowment	1,212,528	504,113
Other	670,386	629,535
Totals	\$ 10,211,590	\$ 5,033,673
	2009	2008
Amounts due in:		
Less than one year	\$ 4,950,970	\$ 3,256,806
One to five year	6,222,813	2,578,443
Totals	\$ 11,173,783	\$ 5,835,249

Note 10 - NOTES RECEIVABLE

The Museum entered into an agreement on October 31, 2008 to lend Whitney New Markets Investor 5, L.L.C. a maximum aggregate amount of \$1,500,000. The note is secured by certain bank accounts of Whitney New Markets Investor 5, L.L.C. Outstanding principal and accrued interest at June 30, 2009 totaled \$1,510,000. Interest accrues at a fixed rate of 1% per year and is payable at maturity. Interest earned on this note for the year ended June 30, 2009 was \$10,000, which is included in the note receivable balance. The note matures on October 31, 2015, at which time all outstanding principal and interest will be paid.

The Museum entered into an agreement on December 4, 2007 to lend COCRF Investor I, L.L.C. a maximum aggregate amount of \$27,000,000. The note is secured by certain bank accounts of COCRF Investor I, L.L.C. Outstanding principal and accrued interest at June 30, 2009 and 2008 totaled \$23,209,480 and \$5,239,995, respectively. Interest accrues at a fixed rate of 5.02% per year and is payable at maturity. Interest earned on this note for the year ended June 30, 2009 and 2008 was \$630,022 and \$37,251, respectively, which is included in the note receivable balances. The note matures on December 4, 2014, at which time all outstanding principal and interest will be paid.

Note 11 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2009	2008
Land	\$ 3,953,125	\$ 3,953,125
Buildings	28,447,179	28,451,315
Exhibits	3,137,473	3,137,473
Equipment	4,095,827	4,026,199
Construction in progress	55,803,599	22,848,209
	95,437,203	62,416,321
Less accumulated depreciation	(11,265,592)	(10,103,354)
Totals	\$ 84,171,611	\$ 52,312,967

Depreciation expense for the year ended June 30, 2009 and 2008 totaled \$1,261,361 and \$1,481,464, respectively.

Note 12 - SPLIT-INTEREST AGREEMENT

During the year ended June 30, 2008, a charitable gift annuity was established in which assets were transferred to the Museum. The Museum pays \$7,757 annually to the donor until the donor's death, then to his wife until her death. The assets donated were valued at \$121,200 on the date of donation. The present value of estimated future payments of \$58,553 and \$61,359 at June 30, 2009 and 2008, respectively, is included in the liabilities section in the Museum's Consolidated Statement of Financial Position.

Note 13 - GRANTS

The State of Louisiana provided a capital appropriation through a Cooperative Endeavor Agreement with The National World War II Museum, Inc. and The World War II Theatre, Inc. in the amount of \$33,000,000. The Museum must use the State award for the planning and construction of buildings needed for the expansion program. During the years ended June 30, 2009 and 2008, the Museum recognized revenue under this grant of \$16,755,732 and \$4,289,277, respectively.

The U.S. Department of Commerce, Economic Development Administration awarded a grant totaling \$1,200,000 to the Museum toward the purchase and installation of technological components for the advanced format, multi-sensory 4-D Solomon Victory Theater to create an experience to immerse visitors in an emotional journey that spans the entirety of World War II. This grant was fully recognized in the year ended June 30, 2009.

The Institute of Museum and Library Services awarded a grant totaling \$942,400 to fund the costs of some professional staff members directly involved in collecting and managing the artifact and personal history collections and in the development and presentation of on-site and outreach events, activities and programs and the 2006 history conference. The Museum used the award for the expansion of education activities including collection of oral histories, school outreach, and exhibitions. This grant was completed in the prior year and therefore, no revenue has been recognized in the current year. For the year ended June 30, 2008, the Museum recognized revenue under this grant of \$336,195.

Note 14 - BANK LINE OF CREDIT

On March 18, 2005, the Museum entered into a loan agreement with the Whitney National Bank in New Orleans. The loan agreement provides for a \$2,000,000 line of credit loan which is evidenced by a promissory note and has been extended to January 29, 2010. The line of credit loan was established to purchase property for expansion and refinance a mortgage loan. The line of credit loan is secured by a first mortgage on the property acquired, the assignment of rents and leases, and all property and deposits held by the financial institution. At June 30, 2009, the Museum had borrowings totaling \$1,500,000 and the Museum has \$500,000 of additional borrowings available under the line of credit. At June 30, 2008, the Museum had no outstanding borrowings under this loan agreement. Interest on the loan is payable monthly at an adjusted rate equal to the one month LIBOR + 1.5% (1.82% and 3.9575% at June 30, 2009 and 2008, respectively).

During the year ended June 30, 2009, interest expense totaled \$19,001. During the year ended June 30, 2008, no interest expense on the line of credit was incurred.

Note 15 - NEW MARKET TAX CREDITS

In December 2007, World War II Theatre, Inc. executed a New Markets Tax Credits Financing Transaction with Capital One (see Note 16) to fund construction costs for the Solomon Victory Theater/ Stage Door Canteen/ American Sector Restaurant-Bar/ and Support Facilities (the Project). The Museum is a guarantor of the Subsidiary's obligation. The structure will realize benefits from the New Market Tax Credit Program of the Community Development Financial Institution Fund (CDFI), a branch of the U.S. Department of Treasury, and from the State of Louisiana New Markets Tax Credits Program.

The transaction includes multiple loans totaling \$40 million toward this \$58 million phase of the expansion. The Museum has sources of funding in place to satisfy a significant portion of the loans, including over \$25,000,000 in State capital outlay, and over \$6,700,000 in existing donor pledges and contributions as of the date of the transaction closing.

Note 15 - NEW MARKET TAX CREDITS (Continued)

The total loan amount is split between three loans which are referred to as Facility A, Facility B, and Facility C, as described in Note 16.

The Museum will realize a projected benefit in positive cash flow from the federal and state incentives totaling \$9,560,000 (unaudited), which will be used to fund the expansion.

In October 2008, World War II Theatre, Inc. executed a New Markets Tax Credits Financing Transaction with Whitney New Markets Fund (see Note 16) to fund construction costs for the Solomon Victory Theater / Stage Door Canteen / American Sector Restaurant-Bar/ and Support Facilities (the Project). The Museum is a guarantor of the Subsidiary's obligation. The structure will realize benefits from the New Market Tax Credit Program of the Community Development Financial Institution Fund (CDFI), a branch of the U.S. Department of Treasury, and from the State of Louisiana New Markets Tax Credits Program.

The transaction includes multiple loans totaling \$14 million toward this \$58 million phase of the expansion. The total loan amount is split between three loans which are referred to as Facility A, Facility B, and Facility C, as described in Note 16.

The Museum may realize a projected benefit in positive cash flow from the federal incentives incorporated into the exercise of the Facility B totaling \$2,800,000 (unaudited), which will be used to fund the expansion.

Note 16 - NOTES PAYABLE

Notes payable consist of the following:

	2009	2008
<p>Note payable to Whitney National Bank, bearing interest at a one month LIBOR + 1.5% (1.82% at June 30, 2009). Interest is due monthly with a balloon payment of \$2,720,000 due January 29, 2010, secured by a first mortgage on the buildings.</p>	\$ 2,720,000	\$ 2,720,000
<p>Notes payable, dated December 4, 2007, to four community development financial institutions, Capital One Community Renewal Fund, LLC, Stonehenge Community Development XIII, LLC, Enhanced Delta Small Business Investment Fund, LLC, and NNMF Sub-CDE I, LLC (Facility A), bearing interest at 5.2035% per year with interest due quarterly through December 4, 2014 (maturity), principal payments are to be made quarterly beginning January 5, 2010 at .625% of the amount funded on the note through October 2013 and 2.5% of the amount funded on the note quarterly to maturity date, secured by all accounts receivable, deposits held by financial institutions, and the assignment of certain revenues of the Museum. (See Note 15).</p>	6,000,000	6,000,000

Note 16 - NOTES PAYABLE (Continued)

	2009	2008
<p>Notes payable, dated December 4, 2007, to four community development financial institutions, Capital One Community Renewal Fund, LLC, Stonehenge Community Development XIII, LLC, Enhanced Delta Small Business Investment Fund, LLC, and NNMF Sub-CDE I, LLC (Facility B), bearing no interest (discount is based on imputed interest rates between 4.39% and 4.64% per year), principal outstanding is due on the maturity date of the note (December 4, 2014) secured by all accounts receivable, deposits held by financial institutions, and the assignment of certain revenues of the Museum. (See Note 15).</p>	27,000,000	27,000,000
<p>Notes payable, dated December 4, 2007, to four community development financial institutions, Capital One Community Renewal Fund, LLC, Stonehenge Community Development XIII, LLC, Enhanced Delta Small Business Investment Fund, LLC, and NNMF Sub-CDE I, LLC (Facility C), bearing no interest (discount is based on imputed interest rates between 4.39% and 4.64%), principal outstanding is due on the maturity date of the notes (December 4, 2014) secured by all accounts receivable, deposits held by financial institutions, and the assignment of certain revenues of the Museum. (See Note 15).</p>	7,000,000	7,000,000

Note 16 - NOTES PAYABLE (Continued)

	2009	2008
<p>Notes payable, dated October 31, 2008, to a community development financial institution, Whitney New Markets CDE 7, LLC, (Facility A), interest at 69.2858% of the one month LIBOR + .9757% (1.19741% at June 30, 2009) due quarterly, principal outstanding is due on the maturity date of the notes (October 31, 2015) secured by all accounts receivable, deposits held by financial institutions, and the assignment of certain revenues of the Museum. (See Note 15).</p>	9,700,000	-
<p>Notes payable, dated October 31, 2008, to a community development financial institution, Whitney New Markets CDE 7, LLC, (Facility B), interest at 69.2858% of the one month LIBOR + .9757% (1.19741% at June 30, 2009) due quarterly, principal outstanding is due on the maturity date of the notes (October 31, 2038) secured by all accounts receivable, deposits held by financial institutions, and the assignment of certain revenues of the Museum. This loan may be prepaid without penalty after October 31, 2015. In addition, beginning October 31, 2015, the lender has the right to require the Museum to purchase the loan for a put price of \$1,000. (See Note 15).</p>	2,800,000	-

Note 16 - NOTES PAYABLE (Continued)

	2009	2008
Notes payable to a Community Development Financial Institution, Whitney New Markets CDE 7, LLC, (Facility C), interest at 69.2858% of the one month LIBOR + .9757% (1.19741% at June 30, 2009) due quarterly, principal outstanding is due on the maturity date of the notes (October 31, 2015) secured by all accounts receivable, deposits held by financial institutions, and the assignment of certain revenues of the Museum. (See Note 15).	1,500,000	-
	56,720,000	42,720,000
Less unamortized discount	(7,245,892)	(8,563,328)
Totals	\$ 49,474,108	\$ 34,156,672

Interest expense on the note payable to Whitney National Bank totaled \$84,163 and \$158,228 for the years ended June 30, 2009 and 2008, respectively. Interest recognized on the notes payable to the five Community Development Financial Institutions, which was capitalized as construction in progress, totaled \$1,792,636 and \$658,718 for the years ended June 30, 2009 and 2008, respectively.

Note 17 - DONOR AND BOARD DESIGNATED ENDOWMENT

The Endowments. The Museum's endowments consist of four funds established for the purpose of a general endowment, the George Schultz Lecture Series, the Selley Foundation Special Exhibits and Collections Fund, and the Raymond E. Mason Jr. Endowed Fund for Distinguished Lectures. The general endowment consists of both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including board designated funds, are classified and reported based on the existence or absence of donor imposed restrictions.

Note 17 - DONOR AND BOARD DESIGNATED ENDOWMENT (Continued)

Interpretation of Relevant Law. The Board of Trustees has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the historic dollar value of an original, permanently restricted gift as the gift date, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies the following amounts as permanently restricted net assets in the accompanying financial statements:

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

Endowment net asset composition by type of fund as of June 30, 2009 is as follows:

	June 30, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 4,471,607	\$ 4,471,607
Board-designated funds	69,726	-	-	69,726
Total funds	\$ 69,726	\$ -	\$ 4,471,607	\$ 4,541,333

Note 17 - DONOR AND BOARD DESIGNATED ENDOWMENT (Continued)

Changes in endowment net assets for the year ending June 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 294,064	\$ 29,616	\$ 3,543,235	\$ 3,866,915
Contributions	23,595	-	928,372	951,967
Investment return:				
Investment income	9,330	9,831	-	19,161
Net depreciation, realized and unrealized	(296,710)	-	-	(296,710)
Endowment net assets, reclassified from restriction	<u>39,447</u>	<u>(39,447)</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 69,726</u>	<u>\$ -</u>	<u>\$ 4,471,607</u>	<u>\$ 4,541,333</u>

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, 2009 and 2008.

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.

Note 17 - 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 to be approved 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 18 - CAPITAL CAMPAIGN

In 2004, the Museum began the Capital Campaign to raise funds for the expansion of the Museum facilities and campaign expenses. The goal of the Capital Campaign is to raise \$300,000,000, of which \$60,000,000 is targeted from Federal sources, \$60,000,000 from State funding, and \$180,000,000 from private sector donations. An additional \$60,000,000 from commercial funding sources will be pursued for the hotel and conference center, should that segment of the expansion prove to be feasible.

As of June 30, 2009, \$10,750,000 has been funded by Federal sources; \$33,000,000 has been appropriated by the State of Louisiana; \$34,812,621 has been raised from private sector sources for property acquisitions and campaign expenses and \$4,511,244 has been raised from private sector sources for the Endowment Fund, net of promises written off (including cash received through that date and promises to give in subsequent periods). An additional \$4,519,176 (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 State of America (for items such as the Museum being named as a beneficiary in a will or life insurance policy).

Note 18 - CAPITAL CAMPAIGN (Continued)

Promises receivable from private sector sources (excluding Endowment) are as follows:

	2009	2008
Promises receivable at beginning of year	\$ 4,458,730	\$ 6,763,057
New promises made during the year	7,949,397	3,235,056
Less:		
Cash received	(3,306,833)	(5,539,383)
Promises receivable at end of year	9,101,294	4,458,730
Unamortized discount	(602,645)	(479,113)
Allowance for doubtful promises	(169,973)	(79,592)
Totals	\$ 8,328,676	\$ 3,900,025

The activities of the Capital Campaign funding from private sector sources for property acquisitions and campaign expenses through June 30, 2009 are as follows:

Total Capital Campaign gifts and promises (excluding Endowment)	\$ 34,917,609
Less amounts written off since inception	(100,000)
	34,817,609
Discount to net present value at June 30, 2009	(602,645)
Allowance for doubtful promises at June 30, 2009	(169,973)
Gifts and promises, net	34,044,991

Note 18 - CAPITAL CAMPAIGN (Continued)

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	<u>3,306,833</u>	
Total net assets released	<u>25,716,315</u>	
Temporarily restricted net assets - Capital Campaign	<u>\$ 8,328,676</u>	

Note 19 - RETIREMENT PLANS

The Museum adopted a defined contribution plan covering all of its employees who are age eighteen 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 \$81,140 and \$64,474 for the years ended June 30, 2009 and 2008, respectively.

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

The Museum sponsors deferred compensation plans pursuant to Sections 457(b) and (f) of the Internal Revenue Code for the benefit of several employees. The Museum's contributions to the plans totaled \$57,000 for the years ended June 30, 2009 and 2008. These funds are transferred to separate trusts outside the control of the Museum with the two employees as the beneficiaries.

Note 20 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Unconditional Promises to Give - The carrying value of unconditional promises to give at June 30, 2009 and 2008 is \$10,211,590 and \$5,033,673, respectively are discounted to their net present value, which approximates fair value.

Grants Receivable - The carrying value of grants receivable at June 30, 2009 and 2008 is \$1,736,570 and \$1,306,748, respectively, which approximates fair value.

Notes Receivable - The carrying value of notes receivable at June 30, 2009 and 2008 is \$24,719,480 and \$5,239,995, respectively, which approximates fair value.

Notes Payable To Banks - The carrying value of note payable to bank at June 30, 2009 and 2008 is \$49,474,108 and \$34,156,672, respectively, which approximates fair value.

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

Note 21 - FUNCTIONAL ALLOCATION OF EXPENSES

Expenses have been reported on the Statement of Activities and Changes in Net Assets by natural classification. To present expenses by functional classifications, expenses are charged to program services and supporting services (general and administrative expense, Capital Campaign expense and fundraising expenses) based on management's estimate of periodic time and expense evaluations. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Museum.

Note 21 - FUNCTIONAL ALLOCATION OF EXPENSES (CONTINUED)

Total expenses are allocated as follows:

	2009	2008
Program services	\$ 9,663,263	\$ 10,726,095
Supporting services:		
General and administrative	2,166,629	1,982,135
Fundraising	1,184,013	1,369,213
Fundraising - Capital Campaign	1,376,390	1,659,389
Total expenses	\$ 14,390,295	\$ 15,736,832

Note 22 - COMMITMENTS

The Museum entered into employment contracts with two employees expiring on various dates through July 31, 2012, which provides for a minimum annual salary for each, and incentives based on the Museum's attainment of specified levels of financial performance for one employee. The contracts provide for retention bonuses provided the employees meet certain levels of performance and extend their employment contracts by the end of the initial terms. At June 30, 2009, the total combined commitment of 5 years of service for these contracts, excluding incentives, was \$1,403,000 for salary and \$135,000 for contributions to the deferred compensation plans.

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. As of June 30, 2009, the Museum has incurred construction in progress related to this project totaling approximately \$5,830,000.

The Museum has entered into a contract for the exhibit design of the Capital Expansion Project totaling approximately \$7,088,000. As of June 30, 2009, the Museum has incurred construction in progress related to this project totaling approximately \$2,790,000.

Note 22 - COMMITMENTS (Continued)

On November 29, 2007, the Museum entered into a contract with a construction contractor totaling approximately \$41,988,000 to build the World War II Solomon Victory Theater and other elements associated with "Phase 4" of the Capital Expansion Project. As of June 30, 2009, twelve change orders have been approved which cumulatively raise the overall construction cost to \$41,997,908. As of June 30, 2009 the Museum has incurred construction in progress related to this project totaling approximately \$35,737,000.

On March 1, 2008 the Museum entered into a contract with a show producer for the creative development, production, installation, and commissioning of "Beyond All Boundaries", a 4-D theater experience for the Solomon Victory Theater totaling approximately \$9,025,000. As of June 30, 2009, the Museum has incurred construction in progress related for this project totaling approximately \$7,628,000.

During the year ended June 30, 2009 the Museum entered into several contracts related to the restoration of two aircraft and the construction associated with the Capital Expansion Project totaling approximately \$2,371,000. As of June 30, 2009, the Museum has incurred construction in progress related to these projects totaling approximately \$672,000.

The Museum entered into an agreement on October 31, 2008 to lend Whitney New Markets Investor 5, L.L.C. a maximum aggregate amount of \$1,610,008. The note is secured by certain bank accounts at Whitney New Markets Investor 5, L.L.C. There was no outstanding principal at June 30, 2009. Interest accrues at an adjustable rate equal to the one month LIBOR + 1.25% (1.57% at June 30, 2009) and is payable at maturity. There was no interest earned on this note for the year ended June 30, 2009. The note matures on October 31, 2015, at which time all outstanding principal and interest will be paid.

Note 23 - SUPPLEMENTAL CASH FLOW INFORMATION

	<u>2009</u>	<u>2008</u>
Cash paid for interest	<u>\$ 108,155</u>	<u>\$ 158,228</u>
Cost of building improvements and equipment acquired	\$ 33,131,505	\$ 12,711,357
Less:		
Amortization of note payable discount	(1,317,436)	(658,718)
Donated equipment (non-cash)	<u>-</u>	<u>(315)</u>
Cash payments for property and equipment acquired	<u>\$ 31,814,069</u>	<u>\$ 12,052,324</u>
Cost of collections acquired	\$ 369,005	\$ 436,430
Less:		
Donated equipment (non-cash)	<u>(4,031)</u>	<u>(16,000)</u>
Cash payments for collections acquired	<u>\$ 364,974</u>	<u>\$ 420,430</u>

Noncash financing and investing activities include the increase in the cost of building improvements of \$1,317,436 and \$658,718 for the years ended June 30, 2009 and 2008, respectively, for capitalized interest through the amortization of the discount on the below market rate notes payable.

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

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

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

We have audited the consolidated financial statements of The National World War II Museum, Inc. and Subsidiaries (the Museum), as of and for the year ended June 30, 2009, and have issued our report thereon, dated October 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Museum's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Museum's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Museum's financial statements that is more than inconsequential will not be prevented or detected by the Museum's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the consolidated financial statements will not be prevented or detected by the Museum's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in the internal control over financial reporting that we consider to be material weakness, as defined above.

Compliance and Other Matters

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

This report is intended for the information of the Board of Directors, management, the State of Louisiana, and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
October 28, 2009.



Bourgeois Bennett

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of The National World War II Museum, Inc. and Subsidiaries (the Museum), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. The Museum's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Museum's management. Our responsibility is to express an opinion on the Museum's compliance based on our audit.

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

In our opinion, the Museum complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Museum is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Museum's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control over compliance.

A control deficiency in the Museum's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Museum's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Museum's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Museum's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the Museum's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.
Certified Public Accountants

New Orleans, Louisiana,
October 28, 2009.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

For the year ended June 30, 2009

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
United States Department of Commerce: Economic Development Administration: Investments for Public Works and Economic Development Facilities	11.300	<u>\$ 1,179,901</u>

See notes to schedule of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The National World War II Museum, Inc. and Subsidiaries

For the year ended June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of The National World War II Museum, Inc. and Subsidiaries (the Museum) and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Museum has met the cost reimbursement of funding qualifications for the respective grant. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, the amount presented in the schedule may differ from the amount presented in, or used in the preparation of, the consolidated financial statements.

b. Accrued Reimbursement

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

c. Payments to Subrecipients

There were no payments to subrecipients for the year ended June 30, 2009.

Note 2 - FINDINGS OF NONCOMPLIANCE

No federal award findings or questioned costs were reported during the audit of the consolidated financial statements for the year ended June 30, 2009.

(Continued)

Note 3 - RECONCILIATION OF FEDERAL GRANT REVENUE TO EXPENDITURES OF FEDERAL AWARDS

Expenditures of Federal awards during the year ended June 30, 2009	\$ 1,179,901
Expenses incurred during the year ended June 30, 2008 but not billed until 2009	<u>20,099</u>
Total federal grant revenue	<u>\$ 1,200,000</u>

For the year ended June 30, 2009, the Museum recognized revenue totaling \$20,099 related to expenses incurred during the year ended June 30, 2008 and June 30, 2007.

Section I - Summary of Auditor's Report (Continued)

c) Identification of Major Program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
11.300	U.S. Department of Commerce - Economic Development Administration, Investment for Public Works and Economic Development Facilities
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

Section II - Financial Statement Findings

Internal Control Over Financial Reporting

No material weaknesses were noted during the audit of the consolidated financial statements for the year ended June 30, 2009.

No significant deficiencies were noted during the audit of the consolidated financial statements for the year ended June 30, 2009.

Compliance and Other Matters

No compliance findings material to the consolidated financial statements were reported during the audit for the year ended June 30, 2009.

Section III - Federal Award Findings and Questioned Costs

Internal Control / Compliance

No findings or questioned costs were reported during the audit of the consolidated financial statements for the year ended June 30, 2009.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

The National World War II Museum, Inc. and Subsidiaries

For the year ended June 30, 2008

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

Internal Control Over Financial Reporting

No material weaknesses were noted during the audit of the consolidated financial statements for the year ended June 30, 2008.

No significant deficiencies were reported during the audit of the consolidated financial statements for the year ended June 30, 2008.

Compliance and Other Matters

No compliance findings material to the consolidated financial statements were noted during the audit of the consolidated financial statements for the year ended June 30, 2008.

Section II - Internal Control And Compliance Material to Federal Awards

No federal award findings or questioned costs were reported during the audit for the year ended June 30, 2008.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2008.

MANAGEMENT'S CORRECTIVE ACTION PLAN
ON CURRENT YEAR FINDINGS

The National World War II Museum, Inc. and Subsidiaries

For the year ended June 30, 2009

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

Internal Control Over Financial Reporting

No material weaknesses were noted during the audit of the consolidated financial statements for the year ended June 30, 2009.

No significant deficiencies were reported during the audit of the consolidated financial statements for the year ended June 30, 2009.

Compliance and Other Matters

No compliance findings material to the consolidated financial statements were noted during the audit of the consolidated financial statements for the year ended June 30, 2009.

Section II - Internal Control And Compliance Material to Federal Awards

No findings or questioned costs were reported during the audit of the consolidated financial statements for the year ended June 30, 2009.

Section III - Management Letter

A management letter was not issued in connection with the audit of the consolidated financial statements for the year ended June 30, 2009.