

Consolidated Financial Report

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

June 30, 2012

 THE NATIONAL WWII MUSEUM

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and Subsidiaries**
New Orleans, Louisiana

June 30, 2012

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FINANCIAL SECTION

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, 2012, 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 2011 consolidated financial statements and in our report dated November 4, 2011 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, 2012, 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 November 13, 2012 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 to provide an opinion on the internal control over financial reporting or 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

Certified Public Accountants.

New Orleans, Louisiana,
November 13, 2012.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**The National World War II Museum, Inc. and Subsidiaries**
New Orleans, LouisianaJune 30, 2012
(with comparative totals for 2011)

	<u>ASSETS</u>	
	2012	2011
Cash and cash equivalents	\$ 26,231,634	\$ 13,020,470
Investments	7,394,942	9,022,995
Unconditional promises to give:		
Capital Campaign, net of allowances	15,197,612	15,496,118
Endowment, net of allowances	770,061	35,680
Other, net of allowances	1,513,630	966,069
Grants receivable	-	2,000,000
Notes receivable	41,908,763	32,336,919
Gift shop/food and beverage inventory	672,391	648,230
Other assets	5,303,716	4,302,495
Property and equipment, net of accumulated depreciation	111,769,291	101,559,148
Collections	7,174,407	6,461,379
	\$ 217,936,447	\$ 185,849,503
Totals		
	<u>LIABILITIES</u>	
Accounts payable trade	\$ 456,381	\$ 760,255
Construction projects payable	2,606,995	1,719,476
Accrued expenses	1,492,768	1,315,206
Deferred revenue	768,313	651,504
Notes payable	68,761,020	51,921,480
Line of credit	296,160	319,091
	74,381,637	56,687,012
Total liabilities		
	<u>NET ASSETS</u>	
Unrestricted:		
Board designated	5,850,752	4,604,095
Undesignated	110,529,550	98,083,438
	116,380,302	102,687,533
Total unrestricted net assets		
Temporarily restricted	21,475,203	21,729,035
Permanently restricted	5,699,305	4,745,923
	143,554,810	129,162,491
Totals	\$ 217,936,447	\$ 185,849,503

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**The National World War II Museum, Inc. and Subsidiaries**
New Orleans, LouisianaFor the year ended June 30, 2012
(with comparative totals for 2011)

	2012			Totals	2011 Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenues					
Grants	\$ 264,600	\$ 12,258,797		\$ 12,523,397	\$ 6,468,840
Contributions:					
Capital Campaign		7,687,948		7,687,948	15,104,641
Endowment			\$ 953,382	953,382	8,498
Other	2,104,744	547,561		2,652,305	2,257,091
Tax credit incentives	1,370,697			1,370,697	3,806,664
Memberships	6,194,959			6,194,959	5,441,047
Admissions	6,031,704			6,031,704	5,618,145
Facilities and property rental	637,431			637,431	592,348
Sponsored events and conferences	1,066,240	385,263		1,451,503	1,830,579
Food and beverage	4,588,251			4,588,251	4,196,577
Gift shop	1,667,045			1,667,045	1,430,755
Investment income (loss)	1,271,867	(267,174)		1,004,693	2,500,479
Sponsorships	33,726			33,726	39,680
Miscellaneous	15,695			15,695	46,182
Net assets released from restrictions	20,866,227	(20,866,227)		-	-
Total support and revenues	46,113,186	(253,832)	953,382	46,812,736	49,341,526
Expenses					
Capital Campaign fundraising and other	1,453,168			1,453,168	1,346,735
Depreciation	5,736,230			5,736,230	5,506,394
Fundraising	2,023,821			2,023,821	1,351,491
Food and beverage - cost of sales	1,502,454			1,502,454	1,348,574
General and administrative	2,240,673			2,240,673	1,970,033
Gift shop merchandise sold	834,583			834,583	711,518
Interest - amortized	1,571,230			1,571,230	1,656,372
Interest - other	149,497			149,497	38,800
Loss on abandonment of property	-			-	269,460
Museum expansion	987,712			987,712	851,467
Programs and operations - personnel costs	7,791,715			7,791,715	6,963,059
Programs and operations - other costs	8,129,334			8,129,334	7,922,951
Total expenses	32,420,417	-	-	32,420,417	29,936,854
Changes in Net Assets	13,692,769	(253,832)	953,382	14,392,319	19,404,672
Net Assets					
Beginning of year	102,687,533	21,729,035	4,745,923	129,162,491	109,757,819
End of year	\$ 116,380,302	\$ 21,475,203	\$ 5,699,305	\$ 143,554,810	\$ 129,162,491

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS**The National World War II Museum, Inc. and Subsidiaries**
New Orleans, LouisianaFor the year ended June 30, 2012
(with comparative totals for 2011)

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 14,392,319	\$ 19,404,672
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,736,230	5,506,394
Amortization of note payable discount	1,317,436	1,317,436
Loss on abandonment of buildings	40,584	269,460
Interest on notes receivable	(1,441,424)	(1,357,125)
Donations of property and equipment and collections	-	(41,048)
Unrealized (gain) loss on investments	696,957	(916,710)
(Increase) decrease in operating assets:		
Other unconditional promises to give, net	(547,561)	473,274
Gift shop inventory	(24,161)	8,165
Other assets	(1,001,221)	(3,655,424)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	761,207	(1,407,097)
Deferred revenue	116,809	196,559
Revenues restricted for the acquisition of property and equipment:		
Federal grant	(11,158,443)	(6,314,519)
State grant	-	(16,473)
Capital Campaign contributions, net of expenses	(6,050,038)	(14,989,909)
Increase (decrease) in discount on unconditional promises to give:		
Capital Campaign	(176,301)	455,438
Increase in allowance for uncollectible promises to give:		
Capital Campaign	(100,938)	594,514
Contributions restricted for endowment purposes	(969,601)	(4,359)
Increase (decrease) in allowance for uncollectible promises to give - endowment	16,220	(4,139)
	<u>1,608,074</u>	<u>(480,891)</u>
Net cash provided by (used in) operating activities	<u>1,608,074</u>	<u>(480,891)</u>

**Exhibit C
(Continued)**

	2012	2011
Cash Flows From Investing Activities		
Purchase of property and equipment	(15,903,893)	(7,501,891)
Purchase of collections	(713,028)	(364,384)
Advances on notes receivable	(8,130,420)	(249,728)
Investment purchases	-	(7,597,002)
Proceeds from sales and maturities of investments	931,096	3,199,808
Net cash used in investing activities	(23,816,245)	(12,513,197)
Cash Flows From Financing Activities		
Collections of federal grant funds restricted for the acquisition of property and equipment	13,158,443	4,820,647
Collections of state grant funds restricted for the acquisition of property and equipment	-	956,768
Collections of Endowment gifts	219,000	212,225
Collections of Capital Campaign contributions restricted for the acquisition of property and equipment, net of \$1,106,635 and \$1,164,684 of campaign expenses in 2012 and 2011, respectively	6,625,783	5,829,487
Notes payable proceeds	16,009,655	-
Repayments of notes payable	(570,615)	(562,500)
Borrowings (repayments) on line of credit, net	(22,931)	319,091
Net cash provided by financing activities	35,419,335	11,575,718
Net Increase (Decrease) In Cash and Cash Equivalents	13,211,164	(1,418,370)
Cash and Cash Equivalents		
Beginning of year	13,020,470	14,438,840
End of year	\$ 26,231,634	\$ 13,020,470

See notes to consolidated financial statements.

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

June 30, 2012

Note 1 - NATURE OF ACTIVITIES

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

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

In 2010, the Museum broke ground for The United States Freedom Pavilion - Boeing Center. This 90+ feet high addition will be the tallest of the Museum's new pavilions and will house 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. It is scheduled to open in January 2013.

Note 1 - NATURE OF ACTIVITIES (Continued)

In 2012, the Museum began construction of the Campaigns of Courage Pavilion. All campaigns of the war on land, sea, and air, and every branch of the U.S. military services will be explored through dramatic gallery exhibits, historical artifacts, and interactive AV presentations. The Campaigns Pavilion will include a launch of 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 content. The Dog Tag Experience will introduce visitors to a real historical person whose story will unfold over the course of the visitor's journey through the Campaigns Pavilion galleries; and the online Extended Experience will allow visitors to return to the journey from home after their onsite museum visit. The Dog Tag Experience will begin at Union Station, a major renovation of the existing Louisiana Memorial Pavilion. Work began in 2012 to construct the train station and train car experience, giving new purpose to this original macro exhibit space.

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.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Organization and Income Taxes (Continued)

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

On April 2, 2010, WW II Pavilions, Inc. was established as a non-profit corporation to operate exclusively for the benefit of the Museum and to support the educational, charitable, and social purposes of the Museum specifically to construct additional exhibit facilities as part of the parent organization's capital expansion. 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 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.

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.

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

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:

	2012	2011
Debt service	\$ 4,675,163	\$ 3,319,764
Construction in progress	1,175,589	1,284,331
Totals	\$ 5,850,752	\$ 4,604,095

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.

e. Consolidation

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

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Consolidation (Continued)

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

f. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Museum considers all short-term, highly liquid investments (including certificates of deposit) with maturity dates of less than one year 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.

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

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. As of June 30, 2012 and 2011, the balance of the allowance related to the Capital Campaign was \$259,388 and \$360,326 respectively, the allowance related to the Endowment was \$16,967 and \$747, respectively, and the allowance for other promises was \$1,368 and \$10,496, respectively.

k. Gift Shop and Food and Beverage 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.

m. Collections

As of June 30, 2012 and 2011, 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.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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. Tax Matters

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of June 30, 2012, the Museum believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. Tax years June 30, 2009 and later remain subject to examination by the taxing authorities.

r. Subsequent Events

Management evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through November 13, 2012, which is the date the consolidated financial statements were available to be issued.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s. Reclassifications

Certain amounts in the 2011 consolidated financial statements have been reclassified to conform to the 2012 consolidated financial statements presentation.

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:

	2012	2011
Acquisition of property and equipment -		
Capital Campaign	\$ 15,197,612	\$ 15,496,118
Other restricted purposes	390,538	655,827
For subsequent periods:		
Unconditional promises to give	1,513,630	966,069
Unamortized discount on notes payable (see Note 15 and 16)	4,373,423	4,611,021
Totals	\$ 21,475,203	\$ 21,729,035

Permanently restricted net assets of \$5,699,305 and \$4,745,923 as of June 30, 2012 and 2011, 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 December 2011 issuance of the New Markets Tax Credits Financing Commitment (as described in Note 15) between the Museum and Whitney 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 US Freedom Pavilion - Boeing Center phase of the Museum expansion. There was a \$3,168,518 restricted cash balance as of June 30, 2012. Pursuant to the same dated issuance of New Markets Tax Credits Financing Commitment between the Museum and Capital One Bank, there was an additional \$3,207,675 restricted cash balance as of June 30, 2012.

Note 4 - LIMITED USE ASSETS (Continued)

Pursuant to the March 2012 loan to the Museum from the Office of Community Development, Division of Administration of the State of Louisiana, the museum is required to maintain certain funds until disbursements are approved by the lender. These funds are restricted for the construction of the Campaigns of Courage Pavilion phase of the Museum expansion. There was a \$6,814,563 restricted cash balance as of June 30, 2012.

Note 5 - INVESTMENTS

Marketable securities are summarized as follows:

	June 30, 2012		
	Cost	Market Value	Excess of Market Over Cost
Balance, June 30, 2012	<u>\$ 6,947,816</u>	<u>\$ 7,394,942</u>	\$ 447,126
Balance, June 30, 2011	<u>\$ 7,878,912</u>	<u>\$ 9,022,995</u>	1,144,083
Decrease in unrealized appreciation			(696,957)
Interest on cash, cash equivalents, and notes receivable			<u>1,701,650</u>
Total investment income			<u>\$ 1,004,693</u>
	June 30, 2011		
	Cost	Market Value	Excess of Market Over Cost
Balance, June 30, 2011	<u>\$ 7,878,912</u>	<u>\$ 9,022,995</u>	\$ 1,144,083
Balance, June 30, 2010	<u>\$ 3,481,718</u>	<u>\$ 3,709,091</u>	227,373
Increase in unrealized appreciation			916,710
Dividends, net of investment expenses			13,401
Interest on cash, cash equivalents, and notes receivable			<u>1,570,368</u>
Total investment income			<u>\$ 2,500,479</u>

Note 6 - FAIR VALUE MEASUREMENTS

Fair value concepts are applied in recording investments. A fair value hierarchy which has three levels based on the reliability of the inputs is 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 certificates of deposits and mutual funds which is within the Level 1 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.

Investments in pooled investments consists of investments in two funds which are recorded at the fair value as reported by the funds. Accordingly, the Museum reports the values within Level 2 of the fair value hierarchy.

Assets measured at fair value on a recurring basis as of June 30, 2012 and 2011 are comprised of and determined as follows:

Description	2012			
	Total Assets Measured At Fair Value	Based on		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 1,825,974	\$ 1,825,974	\$ -	\$ -
Mutual funds:				
Multi Strategy Equity	4,315,144	4,315,144	-	-
Pooled Investments	1,253,824	-	1,253,824	-
Totals	<u>\$ 7,394,942</u>	<u>\$ 6,141,118</u>	<u>\$ 1,253,824</u>	<u>\$ -</u>

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

Description	2011			
	Based on			
	Total Assets Measured At Fair Value	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 2,852,735	\$ 2,852,735	\$ -	\$ -
Mutual funds:				
Multi Strategy Equity	4,679,634	4,679,634	-	-
Pooled Investments	1,490,626	-	1,490,626	-
Totals	\$ 9,022,995	\$ 7,532,369	\$ 1,490,626	\$ -

As of June 30, 2012 and 2011, 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 institution. As of June 30, 2012, cash deposits in excess of the insured limits were approximately \$13,005,000. The concentration of cash is largely attributed to the limited use assets in restricted cash accounts described in Note 4.

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 as of June 30, 2012.

Unconditional promises to give consist of the following:

	2012	2011
Unconditional promises to give:		
Capital Campaign	\$ 16,506,428	\$ 17,082,173
Endowment	848,334	37,334
Other	1,556,278	1,049,550
Gross unconditional promises to give	18,911,040	18,169,057
Less:		
Unamortized discount:		
Capital Campaign	(1,049,428)	(1,225,729)
Endowment	(61,306)	(907)
Other	(41,280)	(72,985)
Allowance for uncollectible amounts:		
Capital Campaign	(259,388)	(360,326)
Endowment	(16,967)	(747)
Other	(1,368)	(10,496)
Net unconditional promises to give	\$ 17,481,303	\$ 16,497,867
Net unconditional promises to give:		
Capital Campaign	\$ 15,197,612	\$ 15,496,118
Endowment	770,061	35,680
Other	1,513,630	966,069
Totals	\$ 17,481,303	\$ 16,497,867

Note 9 - UNCONDITIONAL PROMISES TO GIVE (Continued)

	2012	2011
Amounts due in:		
Less than one year	\$ 7,930,502	\$ 5,933,597
One to five years	10,980,538	12,235,460
Totals	\$ 18,911,040	\$ 18,169,057

Promises to give receivable in more than one year are discounted at 2.27%.

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 as of June 30, 2012 and 2011 totaled \$1,505,475. Interest accrues at a fixed rate of 1% per year and is payable quarterly. Interest earned on this note for the years ended June 30, 2012 and 2011 was \$21,900 and \$15,167, respectively. 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 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. Outstanding principle and interest as of June 30, 2012 and 2011 totaled \$712,100 and \$481,680, respectively. Interest accrues at an adjustable rate equal to the one month LIBOR + 1.25% (1.49% as of June 30, 2012) at maturity. Interest on this note for the years ended June 30, 2012 and 2011 was \$8,018 and \$4,667, respectively. 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 as of June 30, 2012 and 2011 totaled \$31,675,164 and \$30,319,764, respectively. Interest accrues at a fixed rate of 5.02% per year and is payable at maturity. Interest earned on this note for the years ended June 30, 2012 and 2011 was \$1,355,400 for each year, which is included in the notes receivable balance. The note matures on December 4, 2014, at which time all outstanding principal and interest will be paid.

Note 10 - NOTES RECEIVABLE (Continued)

The Museum entered into an agreement on December 20, 2011 to lend COCRF Investor XI, L.L.C. a \$3,950,000 loan. The note is secured by certain bank accounts of COCRF Investor XI, L.L.C. Outstanding principal and accrued interest as of June 30, 2012 totaled \$3,950,000 and \$65,553, respectively. Interest accrues at a fixed rate of 3.11% payable upon maturity, with additional interest at 1.27% per year payable quarterly. Interest earned on this note for the year ended June 30, 2012 totaled \$79,581, \$65,553 accrued and \$14,028 paid. The note matures on December 20, 2018, at which time all outstanding principal and interest will be paid.

The Museum entered into an agreement on December 20, 2011 to lend Whitney New Markets Investor 11, L.L.C. a \$3,950,000 loan. The note is secured by certain bank accounts of Whitney New Markets Investor 11, L.L.C. Outstanding principal and accrued interest as of June 30, 2012 totaled \$3,950,000 and \$20,471, respectively. Interest accrues at a fixed rate of 1.27% per year and is payable quarterly. Principal will begin amortizing on December 31, 2018 and is due quarterly beginning March 31, 2019. The note matures on December 20, 2041. Interest earned on this note for the year ended June 30, 2012 totaled \$26,605.

Note 11 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2012	2011
Land	\$ 7,568,831	\$ 7,568,831
Buildings	95,305,702	84,142,955
Exhibits	3,127,437	3,180,870
Equipment, video productions, and furniture	18,749,940	18,336,043
Construction in progress	12,741,367	8,867,964
	137,493,277	122,096,663
Less accumulated depreciation	(25,723,986)	(20,537,515)
Totals	\$ 111,769,291	\$ 101,559,148

Depreciation expense for the years ended June 30, 2012 and 2011 totaled \$5,736,230 and \$5,506,394, respectively.

Note 12 - SPLIT-INTEREST AGREEMENT

The Museum established two charitable gift annuities in which assets were transferred to the Museum. The annuities require the Museum to annually pay \$1,830 and \$7,757, respectively, to the donor or his spouse until death. The assets donated were valued at \$20,000 and \$121,200 on the dates of donation. The present value of estimated future payments of \$60,996 and \$67,882 as of June 30, 2012 and 2011, respectively, is included in the liabilities section in the Museum's Consolidated Statement of Financial Position.

Note 13 - GRANTS

The U.S. Department of Defense awarded a grant totaling \$19,670,450 to the Museum toward the construction of the United States Freedom Pavilion - Land, Sea & Air on July 1, 2010. For the years ended June 30, 2012 and 2011, the Museum recognized revenue under this grant of \$11,036,445 and \$4,253,579, respectively.

The Institute of Museum and Library Services awarded a grant on July 10, 2009 totaling \$150,000 to the Museum to develop entertainment programming for the Stage Door Canteen over a three year period. For the years ended June 30, 2012 and 2011, the Museum recognized revenue under this grant of \$50,000 each year.

The Institute of Museum and Library Services awarded a grant on October 1, 2009 totaling \$334,000 to the Museum for a project titled "Bringing Oral Histories to Life - Unlocking the Power of the Spoken Word", a collection digitization project. For the years ended June 30, 2012 and 2011, the Museum recognized revenue under this grant of \$71,998 and \$150,998, respectively.

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 year ended June 30, 2011, the Museum recognized revenue under this grant of \$16,473. During the year ended June 30, 2012, no revenue was recognized.

The U.S. Department of Commerce, Economic Development Administration awarded a grant on March 9, 2010 totaling \$2,000,000 to the Museum toward the renovation of the Restoration Pavilion, a historic restoration workshop and workforce training center. During the year ended June 30, 2011, the Museum recognized revenue under this grant of \$1,859,992. During the year ended June 30, 2012, no revenue was recognized.

Note 13 - GRANTS (Continued)

For years ended June 30, 2012 and 2011 the Museum also recognized \$1,364,954 and \$1,056,092 of grant revenues from private sources.

Note 14 - BANK LINE OF CREDIT

On March 18, 2005, the Museum entered into a loan agreement with the Whitney Bank in New Orleans. The loan agreement provides for a \$2,161,885 line of credit loan which is evidenced by a promissory note and has been extended to June 30, 2013. 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. As of June 30, 2012 and 2011, the Museum had an outstanding balance of \$296,160, and \$319,091, respectively. Interest on the loan is payable monthly at an adjusted rate equal to the one month LIBOR + 1.5% (1.74% and 1.69% as of June 30, 2012 and 2011, respectively).

On March 23, 2012, the Museum entered into a loan agreement with the Whitney Bank in New Orleans. The loan agreement provides for a \$3,200,000 line of credit loan which is evidenced by a commercial note and was established for the Campaigns Pavilion construction. The line of credit loan is secured by donor pledges. If drawn upon, principal payments to reduce the principal balance to \$2,300,000 or less are due on or before October 31, 2013 and principal payments necessary to reduce the principal balance to \$1,150,000 or less are due on or before October 31, 2014. The loan matures on October 31, 2015 with any unpaid interest or principal due. As of June 30, 2012, the Museum had no outstanding borrowings under the line of credit and the full amount of the line of credit was available to be advanced to the Museum through March 23, 2013. Interest on the loan is payable quarterly at an adjusted rate equal to the one month LIBOR + 2.5% (2.74% of June 30, 2012).

During the years ended June 30, 2012 and 2011, interest expense totaled \$5,967 and \$555, respectively.

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 Bank (see Note 16) to fund construction costs for the Solomon Victory Theater/ Stage Door Canteen/ American Sector Restaurant-Bar/ and Support Facilities. 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.

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 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 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.

Note 15 - NEW MARKET TAX CREDITS (Continued)

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

In December 2011, WWII Pavilions, Inc. executed a New Markets Tax Credits Financing Transaction with Capital One Community Renewal Fund, L.L.C. to fund construction costs of the U.S. Freedom Pavilion - Boeing Center. 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.

The transaction loan totals \$5 million toward this \$34 million phase of the expansion. The Museum has sources of funding in place to satisfy the loan from existing donor pledges and contributions as of the date of the transaction closing. The total loan amount is described in Note 16.

The Museum will realize a projected benefit in positive cash flow from the federal incentives incorporated into the loan of \$1,050,000 (unaudited).

In December 2011, WWII Pavilions, Inc. executed a New Markets Tax Credits Financing Transaction with Whitney New Markets Fund to fund construction costs for the U.S. Freedom Pavilion - Boeing Center. 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.

The transaction loan totals \$5 million toward this \$34 million phase of the expansion. The Museum has sources of funding in place to satisfy the loan from existing donor pledges and contributions as of the date of the transaction closing. The total loan amount is described in Note 16.

The Museum will realize a projected benefit in positive cash flow from the federal incentives incorporated into the loan of \$1,050,000 (unaudited).

Note 16 - NOTES PAYABLE

Notes payable consist of the following:

	<u>2012</u>	<u>2011</u>
Note payable to Whitney Bank, bearing interest at a one month LIBOR + 1.5% (1.74% at June 30, 2012). Interest is due monthly with a balloon payment of all outstanding principal plus unpaid interest on June 30, 2013, secured by a first mortgage on the buildings.	\$ 2,161,885	\$ 2,232,500
Note 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 5.20% per year with interest due quarterly through December 4, 2014 (maturity), principal payments are to be made quarterly beginning January 5, 2010 at .62% 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).	5,625,000	5,775,000

Note 16 - NOTES PAYABLE (Continued)

	2012	2011
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.	27,000,000	27,000,000
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).	7,000,000	7,000,000

Note 16 - NOTES PAYABLE (Continued)

	2012	2011
<p>Notes payable, dated October 31, 2008, to a community development financial institution, Whitney New Markets CDE 7, LLC, (Facility A), interest at 69.29% of the one month LIBOR + .98% (1.14% at June 30, 2012) due quarterly, principal outstanding is due on the maturity date of the notes (October 31, 2015) secured by all receivables, deposits held by financial institutions, and the assignment of certain revenues of the Museum. (See Note 15).</p>	9,700,000	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 69.29% of the one month LIBOR + .98% (1.14% at June 30, 2012) due quarterly, principal outstanding is due on the maturity date of the notes (October 31, 2038) secured by all receivables, 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	2,800,000

Note 16 - NOTES PAYABLE (Continued)

	2012	2011
<p>Notes payable, dated October 31, 2008, to a community development financial institution, Whitney New Markets CDE 7, LLC, (Facility B), interest at 69.29% of the one month LIBOR + .98% (1.14% at June 30, 2012) due quarterly, principal outstanding is due on the maturity date of the notes (October 31, 2015) secured by all receivables, deposits held by financial institutions, and the assignment of certain revenues of the Museum.</p>	1,500,000	1,500,000
<p>Non-interest bearing note payable to The Vought Aircraft Heritage Foundation, due in three annual installments of \$175,000 through the maturity date, December 31, 2013, secured by the Corsair aircraft.</p>	175,000	525,000
<p>Note payable, dated December 20, 2011, to Whitney Bank, bearing interest at a one month Libor + 2.5% (2.74% at June 30, 2012). Interest is due quarterly with a principal payment of \$1,500,000 due on or before March 31, 2013, and \$1,500,000 on or before March 31, 2014. All outstanding principal and accrued interest is due at maturity, June 20, 2015. The loan is secured by the pledge receivable from the Boeing Company and deposits held by financial institutions.</p>	3,300,000	-

Note 16 - NOTES PAYABLE (Continued)

	2012	2011
<p>Note payable, dated December 20, 2011, to Capital One bearing interest at a one month Libor + 2.5% (2.74% at June 30, 2012). Interest is due quarterly with a principal payment of \$1,500,000 due on or before March 31, 2013, and \$1,500,000 on or before March 31, 2014. All outstanding principal and accrued interest is due at maturity, June 20, 2015. The loan is secured by the pledges receivable and deposits held by financial institutions.</p>	3,300,000	-
<p>Notes payable, dated December 20, 2011, to a community development financial institution, Whitney New Markets CDE 3, L.L.C., interest at a fixed rate of 1% per annum due quarterly beginning December 31, 2011, and principal amortizing quarterly beginning December 31, 2018 in installments beginning March 31, 2019. All outstanding principal and interest is due on the maturity date of December 19, 2041. The debt is secured by receivables, deposits held by financial institutions, and assets of the Museum.</p>	5,000,000	-
<p>Notes payable, dated December 20, 2011, to a community development financial institution, COCRF Sub CDE XI, L.L.C., interest at a fixed rate of 1% per annum due quarterly beginning December 31, 2011, and principal is due at maturity December 20, 2018. The debt is secured by receivables, deposits held by financial institutions, and assets of the Museum.</p>	5,000,000	-

Note 16 - NOTES PAYABLE (Continued)

	2012	2011
<p>A note payable with a maximum limit of \$5,000,000 , dated March 23, 2012, to the State of Louisiana, Office of Community Development, interest at the rate of 1% per annum fixed, payable quarterly. The unpaid principal and accrued interest is due on March 23, 2016. Upon meeting certain covenants, including completion of the Campaigns Pavilion and creating 25 new jobs, the debt will be forgiven at the sole discretion of the State of Louisiana, Office of Community Development. The note is secured by a first mortgage on the Louisiana Pavilion.</p>	286,279	-
<p>A note payable with a maximum limit of \$5,000,000, dated March 23, 2012, to the State of Louisiana, Office of Community Development, bearing interest. The unpaid principal and accrued interest, if any, is due on March 23, 2016. Upon meeting certain covenants, including completion of the Campaigns Pavilion and creating 25 new jobs, the debt will be forgiven at the sole discretion of the State of Louisiana, Office of Community Development. The note is secured by a first mortgage on the Louisiana Pavilion.</p>	286,279	-
<p style="padding-left: 40px;">Less unamortized discount</p>	<p style="border-top: 1px solid black;">73,134,443</p> <p style="border-top: 1px solid black;">(4,373,423)</p>	<p style="border-top: 1px solid black;">56,532,500</p> <p style="border-top: 1px solid black;">(4,611,020)</p>
<p style="padding-left: 40px;">Totals</p>	<p style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 68,761,020</p>	<p style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 51,921,480</p>

Interest expense on the notes payable totaled \$1,850,741 and \$1,694,617 for the years ended June 30, 2012 and 2011, respectively. For the year ended June 30, 2012, \$135,981 of the total was capitalized as construction in progress.

Note 16 - NOTES PAYABLE (Continued)

Year Ended June 30,	
2013	\$ 6,059,443
2014	3,487,500
2015	39,587,500
2016	16,200,000
2017	2,800,000
2018 and thereafter	<u>5,000,000</u>
Total	<u>\$ 73,134,443</u>

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.

Interpretation of Relevant Law. The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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 permanently restricted net assets in the accompanying consolidated 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.

Note 17 - DONOR AND BOARD DESIGNATED ENDOWMENT (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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, 2012 and 2011 is as follows:

	June 30, 2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds		\$ 351,708	\$ 5,699,305	\$ 6,051,013
Board-designated funds	\$ 1,175,589			1,175,589
Total funds	<u>\$ 1,175,589</u>	<u>\$ 351,708</u>	<u>\$ 5,699,305</u>	<u>\$ 7,226,602</u>
	June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 658,886	\$ 4,745,923	\$ 5,404,809
Board-designated funds	\$ 1,284,331			1,284,331
Total funds	<u>\$ 1,284,331</u>	<u>\$ 658,886</u>	<u>\$ 4,745,923</u>	<u>\$ 6,689,140</u>

Note 17 - DONOR AND BOARD DESIGNATED ENDOWMENT (Continued)

Changes in endowment net assets for the year ending June 30, 2012 and 2011 are as follows:

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 1,284,331	\$ 658,886	\$ 4,745,923	\$ 6,689,140
Contributions	142,327		953,382	1,095,709
Investment return:				
Investment income	12	41	-	53
Net appreciation, realized and unrealized	(267,173)	(291,127)	-	(558,300)
Endowment net assets, reclassified from restriction	16,092	(16,092)	-	-
Endowment net assets, end of year	<u>\$ 1,175,589</u>	<u>\$ 351,708</u>	<u>\$ 5,699,305</u>	<u>\$ 7,226,602</u>
	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 598,383	\$ 237,636	\$ 4,737,425	\$ 5,573,444
Contributions	85,307	-	8,498	93,805
Investment return:				
Investment income	7,505	5,897	-	13,402
Net appreciation, realized and unrealized	568,181	440,308	-	1,008,489
Endowment net assets, reclassified from restriction	24,955	(24,955)	-	-
Endowment net assets, end of year	<u>\$ 1,284,331</u>	<u>\$ 658,886</u>	<u>\$ 4,745,923</u>	<u>\$ 6,689,140</u>

Note 17 - DONOR AND BOARD DESIGNATED ENDOWMENT (Continued)

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Museum to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2012 and 2011.

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

Spending Policy and How Investment Objectives Relate to the Spending Policy. A projected income from the Permanent Endowment Fund shall be budgeted to the general support of ongoing Museum operations or such other purpose as the Board of Trustees shall deem appropriate. This percentage and the asset base to which it applies shall be determined by the Investment Committee, incorporated in the annual budget 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 \$325,000,000, of which \$60,000,000 is targeted from Federal sources, \$60,000,000 from State funding, \$23,500,000 is targeted from tax incentives, and \$181,500,000 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.

Note 18 - CAPITAL CAMPAIGN (Continued)

As of June 30, 2012, \$32,750,000 has been committed by Federal sources; \$43,750,000 has been appropriated by the State of Louisiana, \$17,427,000 has been financed through tax incentives, \$66,797,000 has been raised from private sector sources for property acquisitions and campaign expenses and \$6,119,000 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 \$7,619,000 (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) are as follows:

	<u>2012</u>	<u>2011</u>
Promises receivable at beginning of year	\$ 17,082,173	\$ 8,526,174
New promises made during the year	7,161,673	16,154,593
Less:		
Cash received	(7,732,418)	(6,994,171)
Write offs	<u>(5,000)</u>	<u>(604,423)</u>
Promises receivable at end of year	16,506,428	17,082,173
Unamortized discount	(1,049,428)	(1,225,729)
Allowance for doubtful promises	<u>(259,388)</u>	<u>(360,326)</u>
Totals	<u>\$ 15,197,612</u>	<u>\$ 15,496,118</u>

Note 18 - CAPITAL CAMPAIGN (Continued)

The activities of the Capital Campaign funding from private sector sources for property acquisitions and campaign expenses through June 30, 2012 are as follows:

Total Capital Campaign gifts and promises (excluding Endowment)	\$ 67,434,204
Less amounts written off since inception	<u>(990,923)</u>
	66,443,281
Discount to net present value at June 30, 2012	(1,049,428)
Allowance for doubtful promises at June 30, 2012	<u>(259,388)</u>
Gifts and promises, net	<u>65,134,465</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	6,994,171
2012	<u>7,732,418</u>
Total net assets released	<u>49,936,853</u>
Temporarily restricted net assets - Capital Campaign	<u>\$ 15,197,612</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 \$120,475 and \$105,768 for the years ended June 30, 2012 and 2011, respectively.

Note 19 - RETIREMENT PLANS (Continued)

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 an employee. The Museum's contributions to the plans totaled \$45,000 for each of the years ended June 30, 2012 and 2011. These funds are transferred to separate trusts outside the control of the Museum with the 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 as of June 30, 2012 and 2011 is \$17,481,303 and \$16,497,867, respectively are discounted to their net present value, which approximates fair value.

Grants Receivable - The carrying value of grants receivable as of June 30, 2011 was \$2,000,000, which approximates fair value.

Notes Receivable - The carrying value of notes receivable as of June 30, 2012 and 2011 is \$41,843,210 and \$32,336,919, respectively, which approximates fair value.

Notes Payable To Banks - The carrying value of note payable to bank as of June 30, 2012 and 2011 is \$68,761,020 and \$51,921,480, 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.

Total expenses are allocated as follows:

	2012	2011
Program services	\$ 26,079,914	\$ 24,306,589
Supporting services:		
General and administrative	2,685,594	3,052,858
Fundraising	2,067,666	1,364,550
Fundraising - Capital Campaign	1,587,243	1,212,857
Total expenses	\$ 32,420,417	\$ 29,936,854

Note 22 - COMMITMENTS

The Museum entered into employment contracts with two employees expiring on various dates through July 31, 2016; 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. As of June 30, 2012, the total commitment (undiscounted) is approximately \$2,310,000 for salaries and \$180,000 for contributions to the deferred compensation plans, which includes a three year commitment to the Senior Vice President of Capital Projects and a four year commitment to the Chief Executive Officer.

Note 22 - COMMITMENTS (Continued)

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, 2012, the Museum has incurred construction in progress related to this architectural design contract totaling approximately \$7,800,000.

The Museum has entered into a contract for the exhibit design of the Capital Expansion Project totaling approximately \$7,942,000. As of June 30, 2012, the Museum has incurred construction in progress related to this architectural design contract totaling approximately \$3,889,000.

The Museum entered into several contracts related to the restoration of three aircraft and the construction associated with the Capital Expansion Project totaling approximately \$3,550,000. As of June 30, 2012, the Museum has incurred construction in progress related to these projects totaling approximately \$1,414,000.

The Museum has a contract for design and various construction related to the Land, Sea & Air Pavilion totaling approximately \$21,039,000. As of June 30, 2012, the Museum has incurred construction in progress related to this project totaling approximately \$9,341,000.

During the year ended June 30, 2012, the Museum entered into several contracts related to the construction of the Land, Sea & Air and Campaigns Pavilions totaling approximately \$20,179,000. As of June 30, 2012, the Museum has incurred construction in progress related to these projects totaling approximately \$4,000,000.

If there is a breach of the loan agreements between the Museum and Capital One and the Museum and Whitney National Bank and the Community Development Financial Institutions are required to recapture all or part of the New Market Tax Credits that they claimed, the Museum has agreed to pay to the Community Development Financial Institutions an amount equal to the sum of the credits recaptured. The maximum aggregate amount due under the clauses in the agreements governing these possible recaptures is \$30,960,000 (see Notes 15 and 16). Management believes there are no breaches of these agreements.

Note 23 - SUPPLEMENTAL CASH FLOW INFORMATION

	<u>2012</u>	<u>2011</u>
Cash paid for interest	\$ 253,794	\$ 377,736
Cost of building improvements and equipment acquired	\$ 15,986,957	\$ 7,501,891
Less:		
Amortization of note payable discount (capitalized interest)	(83,064)	-
Donated equipment (non-cash)	-	-
Cash payments for property and equipment acquired	<u>\$ 15,903,893</u>	<u>\$ 7,501,891</u>
	<u>2012</u>	<u>2011</u>
Cost of collections acquired	\$ 713,028	\$ 930,432
Less:		
Collections acquired through note payable	-	(525,000)
Donated collections (non-cash)	-	(41,048)
Cash payments for collections acquired	<u>\$ 713,028</u>	<u>\$ 364,384</u>

Non-cash financing and investing activities include the increase in the cost of building improvements of \$83,064 for the year ended June 30, 2012 for capitalized interest through the amortization of the discount on the below market rate notes payable.

SPECIAL REPORTS 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**

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, 2012, and have issued our report thereon, dated November 13, 2012. 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

Management of the Museum is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Museum's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control over financial reporting.

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 significant deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be deficiencies, 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.

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, the Legislative Auditor for the State of Louisiana, 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,
November 13, 2012.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON 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 National World War II Museum, Inc. and Subsidiaries' (the "Museum") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Museum's major federal programs for the year ended June 30, 2012. The Museum's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Museum's management. Our responsibility is to express an opinion on the Museum's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 could have a direct and material effect on each of the Museum's major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular-133, 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance 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, 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,
November 13, 2012.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

For the year ended June 30, 2012

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
United States Department of Defense:		
Congressionally Directed Assistance	12.599	<u>\$ 11,036,445</u>
National Endowment for the Humanities:		
Institute of Museum and Library Services:		
Museums for America - Engaging Communities	45.301	50,000
National Leadership Grant - Museum Advancing Digital Resources	45.312	<u>71,998</u>
Total Institute of Museum and Library Services		<u>121,998</u>
Total Expenditures of Federal Awards		<u><u>\$ 11,158,443</u></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
New Orleans, Louisiana**

For the year ended June 30, 2012

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, 2012.

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, 2012.

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

c) Identification of Major Programs:

CFDA Number

Name of Federal Program

12.599

U.S. Department of Defense

Dollar threshold used to distinguish
between Type A and Type B programs:

\$334.753

Auditee qualified as a low-risk auditee?

yes no

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

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

For the year ended June 30, 2012

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

Internal Control Over Financial Reporting

No material weaknesses were reported during the audit of the consolidated financial statements for the year ended June 30, 2011.

No significant deficiencies were reported during the audit of the consolidated financial statements for the year ended June 30, 2011.

Compliance and Other Matters

No compliance findings material to the consolidated financial statements were reported during the audit of the consolidated financial statements for the year ended June 30, 2011.

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, 2011.

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, 2011.

MANAGEMENT'S CORRECTIVE ACTION PLAN
ON CURRENT YEAR FINDINGS

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

For the year ended June 30, 2012

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

Internal Control Over Financial Reporting

No material weaknesses were reported during the audit of the consolidated financial statements for the year ended June 30, 2012.

No significant deficiencies were reported during the audit of the consolidated financial statements for the year ended June 30, 2012.

Compliance and Other Matters

No compliance findings material to the consolidated financial statements were reported during the audit of the consolidated financial statements for the year ended June 30, 2012.

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, 2012.

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, 2012.