Consolidated Financial Report

The National World War II Museum, Inc. and Subsidiaries

June 30, 2013

WWII THE NATIONAL WWII MUSEUM

Bourgeois Bennett
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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and Subsidiaries
New Orleans, Louisiana

June 30, 2013 and 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.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The National World War II Museum, Inc. and Subsidiaries (a nonprofit organization) (the "Museum"), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Museum's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The National World War II Museum, Inc. and Subsidiaries' consolidated financial statements, and our report dated November 13, 2012, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which is has been derived.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
October 30, 2013.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

June 30, 2013
(with comparative totals for 2012)

	2013	2012
ASSETS		
Cash and cash equivalents	$ 14,294,136	$ 26,231,634
Investments	8,413,588	7,394,942
Unconditional promises to give:		
Capital Campaign, net of allowances	13,673,689	15,197,612
Endowment, net of allowances	1,502,543	770,061
Other, net of allowances	1,262,550	1,513,630
Notes receivable	43,661,332	41,908,763
Gift shop/food and beverage inventory	668,902	672,391
Other assets	2,718,747	5,303,716
Property and equipment, net of accumulated depreciation	139,321,640	111,769,291
Collections	8,222,373	7,174,407
Totals	$ 233,739,500	$ 217,936,447
LIABILITIES		
Accounts payable trade	$ 761,468	$ 456,381
Construction projects payable	6,955,156	2,606,995
Accrued expenses	1,555,939	1,492,768
Deferred revenue	766,881	768,313
Notes payable	72,820,758	68,761,020
Line of credit	159,054	296,160
Total liabilities	83,019,256	74,381,637
NET ASSETS		
Unrestricted:		
Board designated	7,555,969	5,826,798
Undesignated	117,741,211	110,553,504
Total unrestricted net assets	125,297,180	116,380,302
Temporarily restricted	18,468,013	21,475,203
Permanently restricted	6,955,051	5,699,305
	150,720,244	143,554,810
Totals	$ 233,739,500	$ 217,936,447

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, Louisiana

For the year ended June 30, 2013
(with comparative totals for 2012)

	2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	2012 Totals
Support and Revenues					
Grants	$ 639,247	$ 4,139,708	$ -	$ 4,778,955	$ 12,523,397
Contributions:					
Capital Campaign	-	6,718,085	-	6,718,085	7,687,948
Endowment	-	-	1,255,746	1,255,746	953,382
Other	2,260,972	-	-	2,260,972	2,652,305
Tax credit incentives	-	-	-	-	1,370,697
Memberships	6,098,108	-	-	6,098,108	6,194,959
Admissions	7,964,849	-	-	7,964,849	6,031,704
Facilities and property rental	747,968	-	-	747,968	637,431
Sponsored events and conferences	1,489,055	508,257	-	1,997,312	1,451,503
Food and beverage	4,983,879	-	-	4,983,879	4,588,251
Gift shop	1,965,845	-	-	1,965,845	1,667,045
Investment income (loss)	2,028,433	265,407	-	2,293,840	1,004,693
Sponsorships	517,700	-	-	517,700	33,726
Miscellaneous	643,413	-	-	643,413	15,695
Net assets released from restrictions	14,638,647	(14,638,647)	-	-	-
Total support and revenues	43,978,116	(3,007,190)	1,255,746	42,226,672	46,812,736
Expenses					
Capital Campaign fundraising and other	1,652,616	-	-	1,652,616	1,453,168
Depreciation	5,242,117	-	-	5,242,117	5,736,230
Fundraising	1,836,606	-	-	1,836,606	2,023,821
Food and beverage - cost of sales	1,653,635	-	-	1,653,635	1,502,454
General and administrative	2,361,364	-	-	2,361,364	2,240,673
Gift shop merchandise sold	1,025,067	-	-	1,025,067	834,583
Interest - amortized	1,564,507	-	-	1,564,507	1,571,230
Interest - other	229,154	-	-	229,154	149,497
Museum expansion	906,895	-	-	906,895	987,712
Programs and operations - personnel costs	8,713,780	-	-	8,713,780	7,791,715
Programs and operations - other costs	9,875,497	-	-	9,875,497	8,129,334
Total expenses	35,061,238	-	-	35,061,238	32,420,417
Changes in Net Assets	8,916,878	(3,007,190)	1,255,746	7,165,434	14,392,319
Net Assets					
Beginning of year	116,380,302	21,475,203	5,699,305	143,554,810	129,162,491
End of year	$ 125,297,180	$ 18,468,013	$ 6,955,051	$ 150,720,244	$ 143,554,810

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

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

For the year ended June 30, 2013
(with comparative totals for 2012)

	2013	2012
Cash Flows From Operating Activities		
Change in net assets	$ 7,165,434	$ 14,392,319
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,242,117	5,736,230
Amortization of note payable discount	1,317,436	1,317,436
Loss on abandonment of buildings	-	40,584
Loss on disposal of equipment	9,816	-
Interest on notes receivable	(1,553,676)	(1,441,424)
Unrealized (gain) loss on investments	(519,783)	696,957
(Increase) decrease in operating assets:		
Other unconditional promises to give, net	251,080	(547,561)
Gift shop inventory	3,489	(24,161)
Other assets	2,584,969	(1,001,221)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	368,258	761,207
Deferred revenue	(1,432)	116,809
Revenues restricted for the acquisition of property and equipment:		
Federal grant	(4,116,258)	(11,158,443)
Capital Campaign contributions, net of expenses	(5,014,129)	(6,050,038)
Decrease in discount on unconditional promises to give:		
Capital Campaign	(33,056)	(176,301)
Increase in allowance for uncollectible promises to give:		
Capital Campaign	(35,886)	(100,938)
Contributions restricted for endowment purposes	(1,260,912)	(969,601)
Increase in allowance for uncollectible promises to give - endowment	5,166	16,220
Net cash provided by operating activities	4,412,633	1,608,074

Exhibit C
(Continued)

	2013	2012
Cash Flows From Investing Activities		
Purchase of property and equipment	(28,289,992)	(15,903,893)
Purchase of collections	(1,047,966)	(713,028)
Advances on notes receivable	(198,893)	(8,130,420)
Investment purchases	(1,000,000)	-
Proceeds from sales and maturities of investments	501,137	931,096
Net cash used in investing activities	(30,035,714)	(23,816,245)
Cash Flows From Financing Activities		
Collections of federal grant funds restricted for the acquisition of property and equipment	4,116,258	13,158,443
Collections of Endowment gifts	523,264	219,000
Collections of Capital Campaign contributions restricted for the acquisition of property and equipment, net of \$1,370,978 and \$1,106,635 of campaign expenses in 2013 and 2012, respectively	6,606,994	6,625,783
Notes payable proceeds	5,972,832	16,009,655
Repayments of notes payable	(3,396,659)	(570,615)
Repayments on line of credit, net	(137,106)	(22,931)
Net cash provided by financing activities	13,685,583	35,419,335
Net Increase (Decrease) In Cash and Cash Equivalents	(11,937,498)	13,211,164
Cash and Cash Equivalents		
Beginning of year	26,231,634	13,020,470
End of year	$ 14,294,136	$ 26,231,634

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

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 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. The Train Station is scheduled to open on November 11, 2013.

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 is to acquire and preserve aircraft and other large artifacts, specifically with regard to their roles in World War II, and to promote public awareness, appreciation, and education of the historic relevance of these artifacts.

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:

	2013	2012
Debt service	$ 6,030,564	$ 4,675,163
Endowment purposes	1,525,405	1,151,635
Totals	$ 7,555,969	$ 5,826,798

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 initial 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, including mutual funds, common stocks, real estate investment trusts, exchange-traded funds, certificates of deposit, 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.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Contributions and Revenue Recognition (Continued)

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.

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, 2013 and 2012, the balance of the allowance related to the Capital Campaign was $223,502 and $259,388 respectively, the allowance related to the Endowment was $22,133 and $16,967, respectively, and the allowance for other promises was $970 and $1,368, 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, 2013 and 2012, 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

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Collections (Continued)

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 believes 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, 2013, 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, 2010 and later remain subject to examination by the taxing authorities.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. New Accounting Pronouncement

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs,* which amends FASB Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurement. The amendments change the wording used to describe many of the requirements in U.S. generally accepted accounting principles ("GAAP") for measuring fair value and for disclosing information about fair value measurements, as well as clarify the application of existing fair value measurement requirements. ASU 2011-04 expands certain qualitative and quantitative disclosure requirements under ASC 820, particularly for Level 3 inputs. The Museum's adoption of ASU 2011-04 during the year ended December 31, 2012 did not impact its Statement of Financial Position or 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 30, 2013, which is the date the consolidated financial statements were available to be issued.

t. Reclassifications

Certain amounts in the 2012 consolidated financial statements have been reclassified to conform to the 2013 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.

Note 3 - RESTRICTIONS ON ASSETS (Continued)

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

	2013	2012
Acquisition of property and equipment - Capital Campaign	$ 13,673,689	$ 15,197,612
Other restricted purposes	641,915	390,538
For subsequent periods:		
Unconditional promises to give	1,262,550	1,513,630
Unamortized discount on notes payable (see Notes 15 and 16)	2,889,859	4,373,423
Totals	$ 18,468,013	$ 21,475,203

Permanently restricted net assets of $6,955,051 and $5,699,305 as of June 30, 2013 and 2012, 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 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. The restricted cash balance as of June 30, 2013 and 2012 was $1,672,769 and $6,814,563, respectively.

Note 5 - INVESTMENTS

Marketable securities are summarized as follows:

	June 30, 2013		
	Cost	Market Value	Excess of Market Over Cost
Balance, June 30, 2013	$ 7,446,679	$ 8,413,588	$ 966,909
Balance, June 30, 2012	$ 6,947,816	$ 7,394,942	447,126
Increase in unrealized appreciation			519,783
Interest on cash, cash equivalents, and notes receivable			1,774,057
Total investment income			$ 2,293,840

	June 30, 2012		
	Cost	Market Value	Excess of Market Over Cost
Balance, June 30, 2012	$ 6,947,816	$ 7,394,942	$ 447,126
Balance, June 30, 2011	$ 7,878,912	$ 9,022,995	1,144,083
Decrease in unrealized appreciation			(696,957)
Interest on cash, cash equivalents, and notes receivable			1,701,650
Total investment income			$ 1,004,693

Note 6 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted process in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that is observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2013 and 2012.

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

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

- *Pooled Investment Account:* Valued at the net asset value ("NAV") of the units of the pooled investment account. The NAV, as provided by Bay Resources Partners Offshore Fund, LTD, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the pooled investment account less its liabilities. This practical expedient is not used when it is determined to be probable that the Museum will sell the investment for an amount different than the reported NAV.

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

The following tables set forth by level within the fair value hierarchy the Museum's investments as of June 30, 2013 and 2012:

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

		2013		
			Based on	
Description	Total Assets Measured At Fair Value	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds:				
Pooled investment account	$ 1,556,924	$ -	$ 1,556,924	$ -
Bond	1,401,740	1,401,740	-	-
Growth	865,142	865,142	-	-
Blend	143,446	143,446	-	-
Value	74,903	74,903	-	-
Other	31,620	31,620	-	-
International	5,449	5,449	-	-
Common stocks:				
Basic materials	501,090	501,090	-	-
Technology	297,292	297,292	-	-
Financial	296,361	296,361	-	-
Consumer goods	270,958	270,958	-	-
Services	247,985	247,985	-	-
Industrial goods	178,675	178,675	-	-
Healthcare	60,566	60,566	-	-
Energy	30,180	30,180	-	-
Real estate investment trusts	99,759	99,759	-	-
Certificates of deposit	1,428,912	1,428,912	-	-
Exchange-traded funds:				
ETF Bond	17,283	17,283	-	-
ETF Blend	721,063	721,063	-	-
ETF Value	175,330	175,330	-	-
ETF Other	8,910	8,910	-	-
Total	$ 8,413,588	$ 6,856,664	$ 1,556,924	$ -

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

Description	Total Assets Measured At Fair Value	2012 Quoted Prices In Active Markets (Level 1)	Based on Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds:				
Bond	$ 1,379,220	$ 1,379,220	$ -	$ -
Pooled investment account	1,253,824	-	1,253,824	-
Growth	856,200	856,200	-	-
Blend	187,425	187,425	-	-
Value	96,030	96,030	-	-
Common stocks:				
Basic materials	407,862	407,862	-	-
Consumer goods	209,566	209,566	-	-
Technology	177,732	177,732	-	-
Financial	172,923	172,923	-	-
Services	164,273	164,273	-	-
Industrial goods	145,730	145,730	-	-
Healthcare	38,037	38,037	-	-
Energy	25,045	25,045	-	-
Utilities	13,942	13,942	-	-
Certificates of deposit	1,825,974	1,825,974	-	-
Exchange-traded funds:				
ETF Blend	338,399	338,399	-	-
ETF Value	102,760	102,760	-	-
Total	$ 7,394,942	$ 6,141,118	$ 1,253,824	$ -

As of June 30, 2013 and 2012, there were no assets measured at fair value on a non-recurring basis.

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

The following tables summarize investments measured at fair value based on net asset value ("NAV") per share as of June 30, 2013 and 2012, respectively:

	June 30, 2013			
Description	Fair Value	Unfunded Commitment	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Pooled investment account	$ 1,556,924	n/a	Quarterly	45 days

	June 30, 2012			
Description	Fair Value	Unfunded Commitment	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Pooled investment account	$ 1,253,824	n/a	Quarterly	45 days

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, 2013, cash deposits in excess of the insured limits were approximately $12,261,000. The concentration of cash is partially 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, 2013 and 2012.

Unconditional promises to give consist of the following:

	2013	2012
Unconditional promises to give:		
Capital Campaign	$ 14,913,563	$ 16,506,428
Endowment	1,610,902	848,334
Other	1,294,490	1,556,278
Gross unconditional promises to give	17,818,955	18,911,040
Less:		
Unamortized discount:		
Capital Campaign	(1,016,372)	(1,049,428)
Endowment	(86,226)	(61,306)
Other	(30,970)	(41,280)
Allowance for uncollectible amounts:		
Capital Campaign	(223,502)	(259,388)
Endowment	(22,133)	(16,967)
Other	(970)	(1,368)
Net unconditional promises to give	$ 16,438,782	$ 17,481,303
Net unconditional promises to give:		
Capital Campaign	$ 13,673,689	$ 15,197,612
Endowment	1,502,543	770,061
Other	1,262,550	1,513,630
Totals	$ 16,438,782	$ 17,481,303

Note 9 - UNCONDITIONAL PROMISES TO GIVE (Continued)

	2013	2012
Amounts due in:		
Less than one year	$ 8,224,468	$ 7,930,502
One to five years	9,594,487	10,980,538
Totals	$ 17,818,955	$ 18,911,040

Promises to give receivable balances of more than one year are discounted at 2.47%.

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, 2013 and 2012 totaled $1,503,750 and $1,505,435, respectively. 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, 2013 and 2012 was $15,167 each year. 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, 2013 and 2012 totaled $1,018,812 and $712,000, respectively. Interest accrues at an adjustable rate equal to the one month LIBOR + 1.25% (1.49% as of June 30, 2013) payable at maturity. Interest on this note for the years ended June 30, 2013 and 2012 was $10,262 and $8,018, 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, 2013 and 2012 totaled $33,030,564 and $31,675,164, 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, 2013 and 2012 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, 2013 totaled $3,950,000 and $188,571, respectively. 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 years ended June 30, 2013 and 2012 totaled $185,518 ($123,018 accrued plus $62,500 paid) and $65,553 ($65,553 accrued, none paid), respectively. 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, 2013 and 2012 totaled $3,950,000 and $12,499, 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 years ended June 30, 2013 and 2012 totaled $49,996 and $26,605, respectively.

Note 11 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2013	2012
Land	$ 7,568,831	$ 7,568,831
Buildings	113,678,936	95,305,702
Exhibits	3,518,192	3,127,437
Equipment, video productions, and furniture	20,311,850	18,749,940
Construction in progress	25,203,557	12,741,367
	170,281,366	137,493,277
Less accumulated depreciation	(30,959,726)	(25,723,986)
Totals	$ 139,321,640	$ 111,769,291

Depreciation expense for the years ended June 30, 2013 and 2012 totaled $5,242,117 and $5,736,230, respectively.

Note 12 - SPLIT-INTEREST AGREEMENTS

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 $54,110 and $60,996 as of June 30, 2013 and 2012, respectively, is included in the liabilities section in the Museum's Consolidated Statement of Financial Position.

During the year ended June 30, 2013, the Museum was named as a beneficiary of a charitable lead annuity trust. The Museum will receive annually payments under the trust of $1,187 for the first year, $36,109 in years two through fourteen, and $34,921 in years fifteen through twenty-seven. The present value of estimated future payments of $504,234 as of June 30, 2013, is included in the unconditional promises to give 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, 2013 and 2012, the Museum recognized revenue under this grant of $4,014,306 and $11,036,445, 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, 2013 and 2012, the Museum recognized revenue under this grant of $5,000 and $50,000, respectively.

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, 2013 and 2012, the Museum recognized revenue under this grant of $80,838 and $71,998, respectively.

The Institute of Museum and Library Services awarded a grant on July 2, 2012 totaling $150,000 to the Museum for a project titled "Road to Berlin - Dog Tag Experience." The project goal is to enhance the educational experience of Museum visitors by offering an opportunity to follow the real stories of historical figures and to digitally create a personal collection of content from various interactive experiences. For the year ended June 30, 2013, the Museum recognized revenue under this grant of $16,114.

Note 13 - GRANTS (Continued)

For years ended June 30, 2013 and 2012 the Museum also recognized $662,697 and $1,364,954 of grant revenues from private sources.

Note 14 - BANK LINES 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 November 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, 2013 and 2012, the Museum had an outstanding balance of $159,054, and $296,160, respectively. Interest on the loan is payable monthly at an adjusted rate equal to the one month LIBOR + 1.5% (1.69% and 1.74% as of June 30, 2013 and 2012, 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, 2013, 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 October 30, 2013. Interest on the loan is payable quarterly at an adjusted rate equal to the one month LIBOR + 2.5% (2.69% and 2.74% as of June 30, 2013 and 2012).

On May 3, 2011, the Museum entered into a loan agreement with the Whitney Bank in New Orleans. The loan agreement provides for a $2,350,000 line of credit loan which is evidenced by a promissory note and has been extended to November 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 lease, and all property and deposits held by the financial institution. As of June 30, 2013 and 2012, the Museum did not have outstanding borrowings on this line. Interest on the loan is payable monthly at an adjusted rate equal to the one month LIBOR + 1.5% (1.69% and 1.74% as of June 30, 2013 and 2012, respectively.)

Note 14 - BANK LINES OF CREDIT (Continued)

During the years ended June 30, 2013 and 2012, interest expense totaled $4,167 and 5,967, 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 $997,500 (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:

	2013	2012
Note payable to Whitney Bank, bearing interest at a one month LIBOR + 1.5% (1.69% at June 30, 2013). Interest is due monthly with a balloon payment of all outstanding principal plus unpaid interest on November 30, 2013, secured by a first mortgage on the buildings.	$ 2,160,841	$ 2,161,885
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 the 3 month LIBO + 1.1235% (1.69% at June 30, 2013) 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).	5,475,000	5,625,000
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 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).	27,000,000	27,000,000

Note 16 - NOTES PAYABLE (Continued)

	2013	2012
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
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% (1.11% at June 30, 2013) 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).	9,700,000	9,700,000
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% (1.11% at June 30, 2013) 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).	2,800,000	2,800,000

Note 16 - NOTES PAYABLE (Continued)

	2013	2012
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% (1.11% at June 30, 2013) 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.	1,500,000	1,500,000
Non-interest bearing note payable to The Vought Aircraft Heritage Foundation, due in three annual installments of $175,000, secured by the Corsair aircraft. This note has been paid in full as of June 30, 2013.	-	175,000
Note payable, dated December 20, 2011, to Whitney Bank, bearing interest at a one month Libor + 2.5% (2.69% at June 30, 2013). Interest is due quarterly with a principal payment of $1,500,000 due 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.	1,800,000	3,300,000
Note payable, dated December 20, 2011, to Capital One bearing interest at a one month Libor + 2.5% (2.69% at June 30, 2013). Interest is due quarterly with a principal payment of $1,500,000 due 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.	1,800,000	3,300,000

Note 16 - NOTES PAYABLE (Continued)

	2013	2012
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.	5,000,000	5,000,000
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.	5,000,000	5,000,000
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.	5,000,000	572,558

Note 16 - NOTES PAYABLE (Continued)

	2013	2012
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.	1,474,775	-
	75,710,616	73,134,443
Less unamortized discount	(2,889,858)	(4,373,423)
Totals	\$ 72,820,758	\$ 68,761,020

Interest expense on the notes payable totaled \$2,019,637 and \$1,850,741 for the years ended June 30, 2013 and 2012, respectively. For the years ended June 30, 2013 and 2012, \$230,143 and \$135,981 of the total was capitalized as construction in progress, respectively.

For the years ended June 30, 2013 and 2012, \$1,483,565 and \$237,597, respectively, was recorded as part of interest expense through amortization of the original issue discount.

Year Ended June 30,	
2014	\$ 5,648,341
2015	39,587,500
2016	17,674,775
2017	-
2018	-
2019 and thereafter	12,800,000
Total	\$ 75,710,616

Note 17 - DONOR AND BOARD DESIGNATED ENDOWMENT

The Endowments. The Museum's endowments consist of six funds established for the purpose of a general endowment, the George Schultz Lecture Series, the Selley Foundation Special Exhibits and Collections Fund, the Raymond E. Mason Jr. Endowed Fund for Distinguished Lectures, the Coleman Endowed Fund, and Samuel Zemurray Stone Senior Director of History. 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.

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

Note 17 - DONOR AND BOARD DESIGNATED ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of June 30, 2013 and 2012 is as follows:

	June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 615,210	$ 6,955,051	$ 7,570,261
Board-designated funds	1,525,405	-	-	1,525,405
Total funds	$ 1,525,405	$ 615,210	$ 6,955,051	$ 9,095,666

	June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 375,662	$ 5,699,305	$ 6,074,967
Board-designated funds	1,151,635	-	-	1,151,635
Total funds	$ 1,151,635	$ 375,662	$ 5,699,305	$ 7,226,602

Changes in endowment net assets for the year ending June 30, 2013 and 2012 are as follows:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,151,635	$ 375,662	$ 5,699,305	$ 7,226,602
Contributions	67,843	-	1,255,746	1,323,589
Investment return:				
Investment income	-	-	-	-
Net appreciation, realized and unrealized	281,667	263,808	-	545,475
Endowment net assets, reclassified from restriction	24,260	(24,260)	-	-
Endowment net assets, end of year	$ 1,525,405	$ 615,210	$ 6,955,051	$ 9,095,666

Note 17 - DONOR AND BOARD DESIGNATED ENDOWMENT (Continued)

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	(291,127)	(267,173)	-	(558,300)
Endowment net assets, reclassified from restriction	16,092	(16,092)	-	-
Endowment net assets, end of year	$ 1,151,635	$ 375,662	$ 5,699,305	$ 7,226,602

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, 2013 and 2012.

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

Note 17 - DONOR AND BOARD DESIGNATED ENDOWMENT (Continued)

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, campaign expenses, and the Endowment. 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 $33,000,000 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, 2013, $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, $90,800,000 has been raised from private sector sources for property acquisitions, campaign expenses, and the Endowment Fund ($7,330,000), net of promises written off (including cash received through that date and promises to give in subsequent periods). An additional $7,768,000 (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:

	2013	2012
Promises receivable at beginning of year	$ 16,506,428	$ 17,082,173
New promises made during the year	6,385,107	7,161,673
Less:		
Cash received	(7,976,222)	(7,732,418)
Write offs	(1,750)	(5,000)
Promises receivable at end of year	14,913,563	16,506,428
Unamortized discount	(1,016,372)	(1,049,428)
Allowance for doubtful promises	(223,502)	(259,388)
Totals	$ 13,673,689	$ 15,197,612

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, 2013 are as follows:

Total Capital Campaign gifts and promises (excluding Endowment)	$ 73,819,311
Less amounts written off since inception	(992,673)
	72,826,638
Discount to net present value at June 30, 2013	(1,016,372)
Allowance for doubtful promises at June 30, 2013	(223,502)
Gifts and promises, net	71,586,764
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	7,732,418
2013	7,976,222
Total net assets released	57,913,075
Temporarily restricted net assets - Capital Campaign	$ 13,673,689

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 $139,115 and $120,475 for the years ended June 30, 2013 and 2012, 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 an employee. The Museum's contributions to the plans totaled $45,000 for each of the years ended June 30, 2013 and 2012. 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, 2013 and 2012 is $16,438,782 and $17,481,303, respectively are discounted to their net present value, which approximates fair value.

Notes Receivable - The carrying value of notes receivable as of June 30, 2013 and 2012 is $43,661,332 and $41,908,763, respectively, which approximates fair value.

Notes Payable To Banks - The carrying value of note payable to bank as of June 30, 2013 and 2012 is $72,820,758 and $68,761,020, respectively, which approximates fair value.

Note 20 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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:

	2013	2012
Program services	$ 28,111,513	$ 26,079,914
Supporting services:		
General and administrative	3,156,871	2,685,594
Fundraising	1,989,515	2,067,666
Fundraising - Capital Campaign	1,803,339	1,587,243
Total expenses	$ 35,061,238	$ 32,420,417

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, 2013, the total commitment (undiscounted) is approximately $1,645,000 for salaries and $135,000 for contributions to the deferred compensation plans, which includes a two year commitment to the Senior Vice President of Capital Projects and a three 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, 2013, the Museum has incurred construction in progress related to this architectural design contract totaling approximately $8,882,000.

The Museum has entered into a contract for the exhibit design of the Capital Expansion Project totaling approximately $8,256,000. As of June 30, 2013, the Museum has incurred construction in progress related to this architectural design contract totaling approximately $4,493,000.

The Museum has entered into contracts related to the restoration of two aircraft and totaling approximately $355,000. As of June 30, 2013, the Museum has incurred construction in progress related to these projects totaling approximately $237,000.

The Museum has a contract for design and various construction related to the US Freedom Pavilion - Boeing Center totaling approximately $22,700,000. As of June 30, 2013, the Museum has incurred construction in progress related to this project totaling approximately $17,625,000.

The Museum has entered into contracts related to the construction of the Campaigns of Courage Pavilions totaling approximately $14,492,000. As of June 30, 2013, the Museum has incurred construction in progress related to these projects totaling approximately $12,254,000.

During the year ended June 30, 2013, the Museum entered into contracts related to the construction of the Train Car Experience totaling approximately $2,302,000. As of June 30, 2013, the Museum has incurred construction in progress related to these projects totaling approximately $913,000.

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

	2013	2012
Cash paid for interest	$ 243,663	$ 253,794
Cost of building improvements and equipment acquired	$ 32,804,282	$ 15,986,957
Less:		
Trade accounts payable for property and equipment purchases	(4,348,161)	-
Amortization of note payable discount (capitalized interest)	(166,129)	(83,064)
Cash payments for property and equipment acquired	$ 28,289,992	$ 15,903,893

Non-cash financing and investing activities include the increase in the cost of building improvements of $166,129 and $83,064 for the year ended June 30, 2013 and 2012 for capitalized interest through the amortization of the discount on the below market rate notes payable, respectively.