

Consolidated Financial Report

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

June 30, 2014

 THE NATIONAL WWII MUSEUM

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

June 30, 2014 and 2013

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
The National World War II Museum, Inc. and Subsidiaries,
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, 2014, 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

Museum's 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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, 2014, 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 October 30, 2013, 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, 2013, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

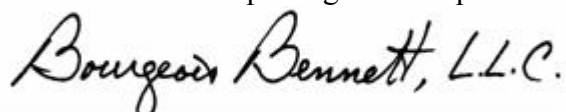
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2014, 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 grant agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The National World War II Museum, Inc. and Subsidiaries' internal control over financial reporting and compliance.



Certified Public Accountants.

New Orleans, Louisiana,
October 28, 2014.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**The National World War II Museum, Inc. and Subsidiaries**
New Orleans, LouisianaJune 30, 2014
(with comparative totals for 2013)

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 21,624,134	\$ 14,294,136
Investments	9,275,177	8,413,588
Unconditional promises to give:		
Capital Campaign, net of allowances	13,264,081	13,673,689
Endowment, net of allowances	1,246,658	1,502,543
Other, net of allowances	766,919	1,262,550
Notes receivable	49,110,363	43,661,332
Gift shop/food and beverage inventory	661,174	668,902
Other assets	2,408,827	2,909,143
Property and equipment, net of accumulated depreciation	142,874,681	139,321,640
Collections	9,198,742	8,222,373
	<u>\$ 250,430,756</u>	<u>\$ 233,929,896</u>
	<u>LIABILITIES</u>	
Accounts payable trade	\$ 703,489	\$ 761,468
Construction projects payable	960,216	6,955,156
Accrued expenses	1,911,623	1,555,939
Deferred revenue	1,051,713	957,277
Notes payable	80,283,926	72,820,758
Line of credit	68,818	159,054
	<u>84,979,785</u>	<u>83,209,652</u>
	<u>NET ASSETS</u>	
Unrestricted:		
Board designated	10,110,123	7,555,969
Undesignated	130,187,764	117,741,211
	<u>140,297,887</u>	<u>125,297,180</u>
Total unrestricted net assets	140,297,887	125,297,180
Temporarily restricted	17,640,825	18,468,013
Permanently restricted	7,512,259	6,955,051
	<u>165,450,971</u>	<u>150,720,244</u>
Totals	<u>\$ 250,430,756</u>	<u>\$ 233,929,896</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**The National World War II Museum, Inc. and Subsidiaries**
New Orleans, LouisianaFor the year ended June 30, 2014
(with comparative totals for 2013)

	2014			Totals	2013 Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenues					
Grants	\$ 988,075	\$ 791,070	\$ -	\$ 1,779,145	\$ 4,778,955
Contributions:					
Capital Campaign	-	14,527,988	-	14,527,988	6,718,085
Endowment	-	-	557,208	557,208	1,255,746
Other	3,067,465	-	-	3,067,465	2,260,972
Tax credit incentives	1,596,573	-	-	1,596,573	-
Memberships	6,726,019	-	-	6,726,019	6,098,108
Admissions	10,280,373	-	-	10,280,373	7,964,849
Facilities and property rental	1,707,590	-	-	1,707,590	1,400,465
Sponsored events and conferences	4,322,719	849,724	-	5,172,443	1,997,312
Food and beverage	5,756,481	-	-	5,756,481	4,983,879
Gift shop	2,396,333	-	-	2,396,333	1,965,845
Investment income (loss)	2,581,131	389,843	-	2,970,974	2,293,840
Sponsorships	152,800	-	-	152,800	517,700
Miscellaneous	78,235	-	-	78,235	643,413
Net assets released from restrictions	17,385,813	(17,385,813)	-	-	-
Total support and revenues	57,039,607	(827,188)	557,208	56,769,627	42,879,169
Expenses					
Capital Campaign fundraising and other	1,728,628	-	-	1,728,628	1,652,616
Depreciation	5,626,802	-	-	5,626,802	5,242,117
Fundraising	2,519,046	-	-	2,519,046	1,836,606
Food and beverage - cost of sales	1,924,350	-	-	1,924,350	1,653,635
General and administrative	2,917,449	-	-	2,917,449	2,361,364
Gift shop merchandise sold	1,242,376	-	-	1,242,376	1,025,067
Interest - amortized	1,317,436	-	-	1,317,436	1,317,436
Interest - other	716,993	-	-	716,993	476,225
Loss on abandonment of property	200,516	-	-	200,516	-
Museum expansion	940,997	-	-	940,997	906,895
Programs and operations - personnel costs	9,815,699	-	-	9,815,699	8,713,780
Programs and operations - other costs	13,088,608	-	-	13,088,608	10,527,994
Total expenses	42,038,900	-	-	42,038,900	35,713,735
Changes in Net Assets	15,000,707	(827,188)	557,208	14,730,727	7,165,434
Net Assets					
Beginning of year	125,297,180	18,468,013	6,955,051	150,720,244	143,554,810
End of year	\$ 140,297,887	\$ 17,640,825	\$ 7,512,259	\$ 165,450,971	\$ 150,720,244

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, 2014
(with comparative totals for 2013)

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 14,730,727	\$ 7,165,434
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,626,802	5,242,117
Amortization of note payable discount	1,483,565	1,317,436
Loss on disposal of equipment	200,516	9,816
Interest on notes receivable	(1,595,130)	(1,553,676)
Unrealized gain on investments	(1,092,482)	(519,783)
(Increase) decrease in operating assets:		
Other unconditional promises to give, net	495,631	251,080
Gift shop inventory	7,728	3,489
Other assets	500,316	2,584,969
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	297,705	368,258
Deferred revenue	94,436	(1,432)
Revenues restricted for the acquisition of property and equipment:		
Federal grant	(136,387)	(4,116,258)
Capital Campaign contributions, net of expenses	(12,172,134)	(5,014,129)
Decrease in discount on unconditional promises to give:		
Capital Campaign	(332,432)	(33,056)
Increase (decrease) in allowance for uncollectible promises to give:		
Capital Campaign	45,711	(35,886)
Contributions restricted for endowment purposes	(553,970)	(1,260,912)
Increase (decrease) in allowance for uncollectible promises to give - endowment	<u>(3,238)</u>	<u>5,166</u>
Net cash provided by operating activities	<u>7,597,364</u>	<u>4,412,633</u>

**Exhibit C
(Continued)**

	2014	2013
Cash Flows From Investing Activities		
Purchase of property and equipment	(9,327,813)	(28,289,992)
Purchase of collections	(976,369)	(1,047,966)
Advances on notes receivable	(3,853,901)	(198,893)
Investment purchases	(626,000)	(1,000,000)
Proceeds from sales and maturities of investments	856,893	501,137
Net cash used in investing activities	(13,927,190)	(30,035,714)
Cash Flows From Financing Activities		
Collections of federal grant funds restricted for the acquisition of property and equipment	136,387	4,116,258
Collections of Endowment gifts	813,093	523,264
Collections of Capital Campaign contributions restricted for the acquisition of property and equipment, net of \$1,529,910 and \$1,370,978 of campaign expenses in 2014 and 2013, respectively	12,868,463	6,606,994
Notes payable proceeds	9,614,557	5,972,832
Repayments of notes payable	(3,687,500)	(3,396,659)
Repayments on line of credit, net	(90,236)	(137,106)
Payments on construction projects payable	(5,994,940)	-
Net cash provided by financing activities	13,659,824	13,685,583
Net Increase (Decrease) In Cash and Cash Equivalents	7,329,998	(11,937,498)
Cash and Cash Equivalents		
Beginning of year	14,294,136	26,231,634
End of year	\$ 21,624,134	\$ 14,294,136

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

New Orleans, Louisiana

June 30, 2014 and 2013

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

Note 1 - NATURE OF ACTIVITIES (Continued)

included the educational exhibit "What Would You Do?" expanded utility and event services, and a new retail outlet.

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 of Courage 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 of Courage 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 the Train Station, a major renovation of the existing Louisiana Memorial Pavilion which opened in 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:

	2014	2013
Debt service	\$ 7,385,964	\$ 6,030,564
Endowment purposes	2,724,159	1,525,405
Totals	\$ 10,110,123	\$ 7,555,969

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, 2014 and 2013, the balance of the allowance related to the Capital Campaign was \$269,213 and \$223,502 respectively, the allowance related to the Endowment was \$18,895 and \$22,133, respectively, and the allowance for other promises was \$0 and \$970, 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, 2014 and 2013, 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, 2014, 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, 2011 and later remain subject to examination by the taxing authorities.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 October 28, 2014, which is the date the consolidated financial statements were available to be issued.

s. Reclassifications

Certain amounts in the 2013 consolidated financial statements have been reclassified to conform to the 2014 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:

	2014	2013
Acquisition of property and equipment - Capital Campaign	\$ 13,264,081	\$ 13,673,689
Other restricted purposes	1,520,433	641,915
For subsequent periods:		
Unconditional promises to give	766,919	1,262,550
Unamortized discount on notes payable (see Notes 15 and 16)	2,089,392	2,889,859
Totals	\$ 17,640,825	\$ 18,468,013

Permanently restricted net assets of \$7,512,259 and \$6,955,051 as of June 30, 2014 and 2013, 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, 2014 and 2013 was \$410,339 and \$1,672,769, respectively.

Note 5 - INVESTMENTS

Marketable securities are summarized as follows:

	June 30, 2014		
	Cost	Market Value	Excess of Market Over Cost
Balance, June 30, 2014	\$ 7,215,786	9,275,177	\$ 2,059,391
Balance, June 30, 2013	<u>\$ 7,446,679</u>	<u>\$ 8,413,588</u>	<u>966,909</u>
Increase in unrealized appreciation			1,092,482
Interest on cash, cash equivalents, and notes receivable			<u>1,878,492</u>
Total investment income			<u>\$ 2,970,974</u>
	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	<u>\$ 6,947,816</u>	<u>\$ 7,394,942</u>	<u>447,126</u>
Increase in unrealized appreciation			519,783
Interest on cash, cash equivalents, and notes receivable			<u>1,774,057</u>
Total investment income			<u>\$ 2,293,840</u>

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 Financial Accounting Standards Board Accounting Standards Codification Topic 820, Fair Value Measurements, are described as follows:

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 are 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, 2014 and 2013.

- *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, 2014 and 2013:

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

Description	Fair Value As Of June 30, 2014	Based on		
		Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds:				
Pooled investment account	\$ 2,362,563	\$ -	\$ 2,362,563	\$ -
Blend	228,639	228,639	-	-
Other	147,355	147,355	-	-
Value	140,549	140,549	-	-
Growth	62,594	62,594	-	-
Moderate allocation	28,980	28,980	-	-
International	20,799	20,799	-	-
Bond	11,969	11,969	-	-
Common stocks:				
Industrial goods	496,721	496,721	-	-
Financial services	450,390	450,390	-	-
Technology	340,532	340,532	-	-
Consumer cyclical	339,154	339,154	-	-
Energy	277,993	277,993	-	-
Basic materials	240,798	240,798	-	-
Healthcare	227,897	227,897	-	-
Consumer defensive	193,755	193,755	-	-
Communication services	78,530	78,530	-	-
Utilities	58,172	58,172	-	-
Real estate	16,780	16,780	-	-
Real estate investment trusts	316,453	316,453	-	-
Certificates of deposit	572,019	572,019	-	-
Preferred stock:				
Real estate	26,697	26,697	-	-
Basic materials	5,165	5,165	-	-
Exchange-traded funds:				
ETF Blend	1,635,647	1,635,647	-	-
ETF Alternative	492,729	492,729	-	-
ETF Bond	266,822	266,822	-	-
ETF Energy	-	-	-	-
Limited partnership	116,525	116,525	-	-
ETF Preferred stock	60,264	60,264	-	-
ETF Bank loan	31,585	31,585	-	-
ETF Technology	27,101	27,101	-	-
Total	<u>\$ 9,275,177</u>	<u>\$ 6,912,614</u>	<u>\$ 2,362,563</u>	<u>\$ -</u>

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

Description	Fair Value As Of June 30, 2013	Based on		
		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 services	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 Blend	721,063	721,063	-	-
ETF Value	175,330	175,330	-	-
ETF Bond	17,283	17,283	-	-
ETF Other	8,910	8,910	-	-
Total	<u>\$ 8,413,588</u>	<u>\$ 6,856,664</u>	<u>\$ 1,556,924</u>	<u>\$ -</u>

As of June 30, 2014 and 2013, 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, 2014 and 2013, respectively:

Description	June 30, 2014			
	Fair Value	Unfunded Commitment	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Pooled investment account	<u>\$ 2,362,563</u>	n/a	Quarterly	45 days

Description	June 30, 2013			
	Fair Value	Unfunded Commitment	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Pooled investment account	<u>\$ 1,556,924</u>	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 a money market account, investments in mutual funds, certificate of deposit, and exchange traded funds in an investment account with a brokerage firm, where they are insured by the Securities Investor Protection Corporation for balances up to \$500,000 (with a limit of \$250,000 for cash). As of June 30, 2014, cash in excess of the insured limits were approximately \$2,354,000.

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, 2014, cash deposits in excess of the insured limits were approximately \$18,725,000. 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, 2014 and 2013.

Unconditional promises to give consist of the following:

	2014	2013
Unconditional promises to give:		
Capital Campaign	\$ 14,217,234	\$ 14,913,563
Endowment	1,412,860	1,610,902
Other	778,608	1,294,490
Gross unconditional promises to give	16,408,702	17,818,955
Less:		
Unamortized discount:		
Capital Campaign	(683,940)	(1,016,372)
Endowment	(147,307)	(86,226)
Other	(11,689)	(30,970)
Allowance for uncollectible amounts:		
Capital Campaign	(269,213)	(223,502)
Endowment	(18,895)	(22,133)
Other	-	(970)
Net unconditional promises to give	\$ 15,277,658	\$ 16,438,782
Net unconditional promises to give:		
Capital Campaign	\$ 13,264,081	\$ 13,673,689
Endowment	1,246,658	1,502,543
Other	766,919	1,262,550
Totals	\$ 15,277,658	\$ 16,438,782

Note 9 - UNCONDITIONAL PROMISES TO GIVE (Continued)

	2014	2013
Amounts due in:		
Less than one year	\$ 7,937,458	\$ 8,224,468
One to five years	8,471,244	9,594,487
Totals	\$ 16,408,702	\$ 17,818,955

Promises to give receivable balances of more than one year are discounted at 1.65%.

Note 10 - NOTES RECEIVABLE

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, 2014 and 2013 totaled \$34,385,964 and \$33,030,564, 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, 2014 and 2013 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.

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, 2014 and 2013 totaled \$1,507,500 and \$1,503,750, 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, 2014 and 2013 was \$15,167 for 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, 2014 and 2013 totaled \$1,278,360 and \$1,018,812, respectively. Interest accrues at an adjustable rate equal to the one month LIBOR + 1.25% (1.41% as of June 30, 2014), payable at maturity. Interest on this note for the years ended June 30, 2014 and 2013 was \$21,013 and \$10,262, respectively. The note matures on October 31, 2015, 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. \$3,950,000. The note is secured by certain bank accounts of COCRF Investor XI, L.L.C. Outstanding principal and accrued interest as of June 30, 2014 totaled \$3,950,000 and \$311,590, respectively. Outstanding principal and accrued interest as of June 30, 2013 totaled \$3,950,000 and \$188,571, 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, 2014 and 2013 totaled \$173,018 (\$123,018 accrued plus \$50,000 paid) and \$185,518 (\$123,018 accrued plus \$62,500 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. \$3,950,000. 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, 2014 and 2013 totaled \$3,950,000. 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, 2014 and 2013 totaled \$50,000 and \$49,996, respectively.

The Museum entered into an agreement on December 30, 2013 to lend FNBC NMTC Hybrid Fund, L.L.C. \$3,635,000. The note is secured by certain bank certain bank accounts of FNBC NMTC Hybrid Fund, L.L.C. Outstanding principal and accrued interest as of June 30, 2014 totaled \$3,726,949. Interest is paid quarterly at a fixed rate of 1.375516% per year and additional interest accrues and compounds quarterly at 4.31395% per year. Principal and accrued interest shall be paid upon maturity. The note matures on October 22, 2020. Interest earned on this note for the year ended June 30, 2014 totaled \$104,494 (\$91,994 accrued plus \$12,500 paid).

Note 11 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2014	2013
Land	\$ 7,571,196	\$ 7,568,831
Buildings	121,108,742	113,678,936
Exhibits	7,031,579	3,518,192
Equipment, video productions, and furniture	21,123,924	20,311,850
Construction in progress	22,599,978	25,203,557
	179,435,419	170,281,366
Less accumulated depreciation	(36,560,738)	(30,959,726)
Totals	\$ 142,874,681	\$ 139,321,640

Depreciation expense for the years ended June 30, 2014 and 2013 totaled \$5,626,802 and \$5,242,117, 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 \$47,223 and \$54,110 as of June 30, 2014 and 2013, 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 \$368,446 and \$504,234 as of June 30, 2014 and 2013, respectively, 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 year ended June 30, 2013, the Museum recognized revenue under this grant of \$4,014,306. No revenue was recognized for the year ended June 30, 2014.

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 year ended June 30, 2013, the Museum recognized revenue under this grant of \$5,000. No revenue was recognized for the year ended June 30, 2014.

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 year ended June 30, 2013, the Museum recognized revenue under this grant of \$80,838. No revenue was recognized for the year ended June 30, 2014.

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 years ended June 30, 2014 and 2013, the Museum recognized revenue under this grant of \$136,387 and \$16,114, respectively.

For years ended June 30, 2014 and 2013 the Museum also recognized \$1,642,758 and \$662,697 of grant revenues from private sources.

Note 14 - BANK LINES OF CREDIT

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, 2014. 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, 2014 and 2013, the Museum had outstanding balances of \$68,818 and \$159,054, respectively. Interest on the loan is payable monthly at an adjusted rate equal to the one month LIBOR + 2% and LIBOR + 1.5% (2.16% and 1.69%) as of June 30, 2014 and 2013, respectively.

Note 14 - BANK LINES OF CREDIT (Continued)

During the years ended June 30, 2014 and 2013, interest expense totaled \$1,985 and \$4,167, 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 15 - NEW MARKET TAX CREDITS (Continued)

In December 2013, World War II Campaigns, Inc. executed a New Markets Tax Credits Financing Transaction with FNBC New Markets Hybrid Fund to fund construction costs for the Campaigns of Courage - Road to Berlin. 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 the State of Louisiana New Markets Job Act.

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 \$1,600,000 (unaudited).

Note 16 - NOTES PAYABLE

Notes payable consist of the following:

	2014	2013
<p>Note payable to Whitney Bank, bearing interest at a one month LIBOR + 2% (2.16% at June 30, 2014). Interest is due monthly with a balloon payment of all outstanding principal plus unpaid interest on September 30, 2014 (extended to December 31, 2014), secured by a first mortgage on the buildings.</p>	\$ 2,160,841	\$ 2,160,841
<p>Note payable, dated December 4, 2007, to three community development financial institutions, Capital One Community Renewal Fund, 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% (1.35% at June 30, 2014) 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).</p>	5,100,000	5,475,000
<p>Notes payable, dated December 4, 2007, to three community development financial institutions, Capital One Community Renewal Fund, LLC, Enhanced Delta Small Business Investment Fund, LLC, and NNMF Sub-CDE I, LLC (Facility B), bearing no interest (discount is based on imputed interest rates between 4.39% and 4.64% per year), principal outstanding is due on the maturity date of the note (December 4, 2014) secured by all accounts receivable, deposits held by financial institutions, and the assignment of certain revenues of the Museum. (See Note 15).</p>	27,000,000	27,000,000

Note 16 - NOTES PAYABLE (Continued)

	2014	2013
<p>Notes payable, dated December 4, 2007, to three community development financial institutions, Capital One Community Renewal Fund, LLC, Enhanced Delta Small Business Investment Fund, LLC, and NNMF Sub-CDE I, LLC (Facility C), bearing no interest (discount is based on imputed interest rates between 4.39% and 4.64%), principal outstanding is due on the maturity date of the notes (December 4, 2014) secured by all accounts receivable, deposits held by financial institutions, and the assignment of certain revenues of the Museum. (See Note 15).</p>	7,000,000	7,000,000
<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% (1.087% at June 30, 2014) 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% (1.087% at June 30, 2014) 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)

	2014	2013
<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% (1.087% at June 30, 2014) 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>Note payable, dated December 20, 2011, to Whitney Bank, bearing interest at a one month Libor + 2.5% (2.66% at June 30, 2014). 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.</p>	300,000	1,800,000
<p>Note payable, dated December 20, 2011, to Capital One bearing interest at a one month Libor + 2.5% (2.66% at June 30, 2014). 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.</p>	-	1,800,000
<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	5,000,000

Note 16 - NOTES PAYABLE (Continued)

	2014	2013
<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	5,000,000
<p>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>	5,000,000	5,000,000
<p>Note payable with a maximum limit of \$5,000,000, dated March 23, 2012, to the State of Louisiana, Office of Community Development, no interest unless there is a default after maturity (interest would accrue at 8% in case of default). 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>	4,077,477	1,474,775

Note 16 - NOTES PAYABLE (Continued)

	2014	2013
<p>Note payable dated December 30, 2013, to First NBC Bank, bearing interest at the Wall Street Journal prime rate (3.25% at June 30, 2014). Interest is due quarterly, with the principal due in installments of 25% of principal annually beginning June 30, 2014 through maturity, June 30, 2017. The loan is secured by donor pledges.</p>	2,735,000	-
<p>Notes payable, dated December 30, 2013, to a community development financial institution, FNBC Sub-CDE #14, L.L.C., interest at a fixed rate of 1%, due quarterly beginning March 31, 2014, and principal is due at maturity, October 22, 2020. The note is secured by all receivables, deposits held by financial institutions, and the assignment of certain revenues of the Museum.</p>	5,000,000	-
<p>Less unamortized discount</p>	<p>82,373,318 <u>(2,089,392)</u></p>	<p>75,710,616 <u>(2,889,858)</u></p>
<p>Totals</p>	<p><u>\$ 80,283,926</u></p>	<p><u>\$ 72,820,758</u></p>

Interest expense on the notes payable totaled \$2,032,444 and \$1,789,494 for the years ended June 30, 2014 and 2013, respectively. For the years ended June 30, 2014 and 2013, \$77,685 and \$230,143 of the total was capitalized as construction in progress, respectively.

For each of the years ended June 30, 2014 and 2013, \$1,317,436 was recorded as part of interest expense through amortization of the original issue discount.

Note 16 - NOTES PAYABLE (Continued)

Aggregate maturities of long-term debt are as follows:

Year Ended June 30,	
2015	\$ 41,560,841
2016	20,277,477
2017	2,735,000
2018	-
2019	5,000,000
2020 and thereafter	12,800,000
Total	\$ 82,373,318

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.

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, 2014 and 2013 is as follows:

	June 30, 2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 671,929	\$ 7,512,259	\$ 8,184,188
Board-designated funds	2,724,159	-	-	2,724,159
Total funds	\$ 2,724,159	\$ 671,929	\$ 7,512,259	\$ 10,908,347
	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

Note 17 - DONOR AND BOARD DESIGNATED ENDOWMENT (Continued)

Changes in endowment net assets for the year ending June 30, 2014 and 2013 are as follows:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 1,525,405	\$ 615,210	\$ 6,955,051	\$ 9,095,666
Contributions	408,851	-	557,208	966,059
Investment return:				
Net appreciation, realized and unrealized	756,069	90,553	-	846,622
Endowment net assets, reclassified from restriction	33,834	(33,834)	-	-
Endowment net assets, end of year	<u>\$ 2,724,159</u>	<u>\$ 671,929</u>	<u>\$ 7,512,259</u>	<u>\$ 10,908,347</u>
	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:				
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	<u>\$ 1,525,405</u>	<u>\$ 615,210</u>	<u>\$ 6,955,051</u>	<u>\$ 9,095,666</u>

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Museum to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2014 and 2013.

Note 17 - DONOR AND BOARD DESIGNATED ENDOWMENT (Continued)

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 determined to be 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 \$66,000,000 is targeted from Federal sources, \$60,000,000 from State funding, \$19,000,000 is targeted from tax incentives, and \$180,000,000 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.

Note 18 - CAPITAL CAMPAIGN (Continued)

As of June 30, 2014, \$32,750,000 has been committed by Federal sources; \$65,990,000 has been appropriated by the State of Louisiana (\$51,990,000 funded and \$14,000,000 unfunded priority 2 and priority 5 appropriations), \$19,027,032 has been financed through tax incentives, \$96,328,179 has been raised from private sector sources for property acquisitions, campaign expenses, and the Endowment Fund (\$8,129,818), net of promises written off (including cash received through that date and promises to give in subsequent periods). An additional \$7,526,674 (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>2014</u>	<u>2013</u>
Promises receivable at beginning of year	\$ 14,913,563	\$ 16,506,428
New promises made during the year	13,681,545	6,385,107
Less:		
Cash received	(14,351,372)	(7,976,222)
Write offs	<u>(26,502)</u>	<u>(1,750)</u>
Promises receivable at end of year	14,217,234	14,913,563
Unamortized discount	(683,940)	(1,016,372)
Allowance for doubtful promises	<u>(269,213)</u>	<u>(223,502)</u>
Totals	<u>\$ 13,264,081</u>	<u>\$ 13,673,689</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, 2014 are as follows:

Total Capital Campaign gifts and promises (excluding Endowment)	\$ 87,500,856
Less amounts written off since inception	<u>(1,019,175)</u>
	86,481,681
Discount to net present value at June 30, 2014	(683,940)
Allowance for doubtful promises at June 30, 2014	<u>(269,213)</u>
Gifts and promises, net	<u>85,528,528</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	7,732,418
2013	7,976,222
2014	<u>14,351,372</u>
Total net assets released	<u>72,264,447</u>
Temporarily restricted net assets - Capital Campaign	<u><u>\$ 13,264,081</u></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 \$237,088 and \$139,115 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013. 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, 2014 and 2013 is \$15,277,658 and \$16,438,782, respectively are discounted to their net present value, which approximates fair value.

Notes Receivable - The carrying value of notes receivable as of June 30, 2014 and 2013 is \$49,110,363 and \$43,661,332, respectively, which approximates fair value.

Notes Payable to Banks - The carrying value of note payable to bank as of June 30, 2014 and 2013 is \$80,283,926 and \$72,820,758, 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:

	2014	2013
Program services	\$ 34,680,486	\$ 28,764,010
Supporting services:		
General and administrative	2,767,284	3,156,871
Fundraising	2,715,126	1,989,515
Fundraising - Capital Campaign	1,876,004	1,803,339
Total expenses	\$ 42,038,900	\$ 35,713,735

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, 2014, the total commitment (undiscounted) is approximately \$1,008,000 for salaries and \$90,000 for contributions to the deferred compensation plans, (see Note 19), which includes a one year commitment to the Senior Vice President of Capital Projects and a two 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, 2014, the Museum has incurred construction in progress related to this architectural design contract totaling approximately \$9,082,000.

The Museum has entered into a contract for the exhibit design of the Capital Expansion Project totaling approximately \$8,618,000. As of June 30, 2014, the Museum has incurred construction in progress related to this architectural design contract totaling approximately \$5,328,000.

The Museum has entered into contracts related to the restoration of two aircraft totaling approximately \$397,000. As of June 30, 2014, the Museum has incurred construction in progress related to these projects totaling approximately \$40,000.

The Museum has entered into contracts related to the construction of the Campaigns of Courage Pavilions totaling approximately \$14,788,000. As of June 30, 2014, the Museum has incurred construction in progress related to these projects totaling approximately \$14,649,000.

During the year ended June 30, 2014, the Museum entered into contracts related to the construction of the Road to Berlin exhibit totaling approximately \$6,225,000. As of June 30, 2014, the Museum has incurred construction in progress related to these projects totaling approximately \$2,995,000.

During the year ended June 30, 2014, the Museum entered into a contract related to the construction of a parking garage totaling approximately \$420,000. As of June 30, 2014, the Museum has incurred construction in progress related to this project totaling approximately \$294,000.

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 \$32,910,000 (see Notes 15 and 16). Management believes there are no breaches of these agreements.

Note 23 - LEASE AND LICENSING AGREEMENTS

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

On June 18, 2014, the Museum entered into agreements to lease its restaurant space and to license certain designations, including design, trademarks, service marks, logographic, symbols, and other indicia of the Museum with Service America Corporation d/b/a Centerplate ("Centerplate"), beginning August 1, 2014. The agreements may be terminated by either party by written notice prior to January 30, 2017.

Both the lease and licensing agreements will continue on a continuous seven year cycle beginning on August 1, 2015, provided the Tenant meets the Museum's visitor needs and expectations. For each contract year this goal is achieved, the lease is extended one year beyond the initial term (set to expire July 31, 2024). If Centerplate fails to meet the Museum's visitor needs and expectations in any two consecutive years, the Museum may terminate the lease.

Rent is determined as a percentage of gross receipts, 10% of the first \$3,000,000, 12.5% of the next \$500,000, and 15% greater than \$3,500,000. The maximum and minimum of each step-scale tier shall be adjusted by the percentage increase or decrease in the Consumer Price Index from the commencement date, August 1, 2014, on the first day of each contract year beginning with the fourth contract year. As consideration for this lease, Centerplate will invest up to \$750,000 in the premises on worthy food and beverage related projects.

The license fee is determined as a percentage of gross receipts, 17.5% of the first \$2,000,000 of gross receipts, 20% of the next \$500,000 of gross receipts, and 22.5% greater than \$2,500,000 of gross receipts. The maximum and minimum of each step-scale tier shall be adjusted by the percentage increase or decrease in the Consumer Price Index from the commencement date, August 1, 2014, on the first day of each contract year beginning with the fourth contract year.

Note 24 - SUPPLEMENTAL CASH FLOW INFORMATION

	2014	2013
Cash paid for interest	\$ 744,167	\$ 709,768
Cost of building improvements and equipment acquired	\$ 9,380,359	\$ 32,804,282
Less:		
Trade accounts payable for property and equipment purchases	-	(4,348,161)
Amortization of note payable discount (capitalized interest)	(52,546)	(166,129)
Cash payments for property and equipment acquired	\$ 9,327,813	\$ 28,289,992

Non-cash financing and investing activities include the increase in the cost of building improvements of \$52,546 and \$166,129 for the year ended June 30, 2014 and 2013 for capitalized interest through the amortization of the discount on the below market rate notes payable, respectively.

Note 25 - SUBSEQUENT EVENT

On October 10, 2014, the Museum amended its loan agreement with Whitney Bank to extend its \$2,160,841 note payable to December 31, 2014. In addition, a new note payable in the amount of \$1,080,420 was issued to refinance part of the \$2,160,841 note. Terms of this new note include interest due monthly beginning October 31, 2014 at one month LIBOR + 2.5%, and principal due at maturity, September 30, 2015.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S 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. and Subsidiaries,
New Orleans, Louisiana.

We have audited, 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, the consolidated financial statements of The National World War II Museum, Inc. and Subsidiaries (a nonprofit organization) (the "Museum"), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon, dated October 28, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Museum's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated 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.

Purpose of this Report

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

A handwritten signature in black ink that reads "Bourgeois Bennett, L.L.C." in a cursive script.

Certified Public Accountants.

New Orleans, Louisiana,
October 28, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

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, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Museum's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance of the major federal program. However, our audit does not provide a legal determination of the Museum's compliance.

Opinion on Each Major Federal Program

In our opinion, the Museum complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Internal Control Over Compliance

Management of the Museum is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Museum's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control is solely to describe the scope of our testing of internal control over compliance and the results of that testing are based on the requirements of OMB circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Bourgeois Bennett, L.L.C." The signature is written in a cursive, flowing style.

Certified Public Accountants

New Orleans, Louisiana,
October 28, 2014.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

For the year ended June 30, 2014

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Housing and Urban Development: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	<u>\$ 2,602,702</u>
National Endowment for the Humanities: Institute of Museum and Library Services: National Leadership Grant - Museum Advancing Digital Resources	45.312	<u>136,387</u>
Total Expenditures of Federal Awards		<u><u>\$ 2,739,089</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, 2014

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. Payments to Subrecipients

There were no payments to subrecipients for the year ended June 30, 2014.

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, 2014.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

For the year ended June 30, 2014

Section I - Summary of Auditor's Report

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be a material weakness Yes None reported

Noncompliance material to consolidated financial statements noted? Yes No

b) Federal Awards

Internal control over major program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be a material weakness Yes None reported

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

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 Yes No

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

c) Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

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, 2014

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, 2013.

No significant deficiencies were reported during the audit of the consolidated financial statements for the year ended June 30, 2013.

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, 2013.

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, 2013.

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, 2013.

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, 2014

**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, 2014.

No significant deficiencies were reported during the audit of the consolidated financial statements for the year ended June 30, 2014.

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, 2014.

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, 2014.

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, 2014.