

VIRGINIA WAR MEMORIAL FOUNDATION

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2004**



AUDIT SUMMARY

Our audit of the Virginia War Memorial Foundation for the year ended June 30, 2004, found:

- proper recording and reporting of transactions, in all material respects, in the Foundation's accounting records and Commonwealth Accounting and Reporting System;
- no matters involving internal control and its operation that we consider material weaknesses; and
- no instances of noncompliance or other matters that required reporting.

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AGENCY HIGHLIGHTS AND FINANCIAL INFORMATION

Overview

The Virginia War Memorial Foundation's (the Foundation) Board of Trustees (the Trustees) determines how to honor Virginians for faithful service in time of war and oversees all Foundation activities. The Trustees verify that the War Memorial includes the names of all Virginians killed-in-action from World War II, the Korean War, the Vietnam War, and the Persian Gulf War, and Virginians missing-in-action from the Vietnam War.

In 1998, the Trustees developed a strategic plan for the Memorial, which focused on the renovation and expansion of the Memorial to include educational facilities, as well as the development of the educational programs. To further support its mission and provide a greater incentive for donations, the Trustees established the Virginia War Memorial Educational Foundation, Incorporated (Corporation), to act as an administrative fund-raising arm of the Foundation as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

The Corporation is a publicly-supported organization, and grantors and contributors may rely on its publicly-supported status to make tax-exempt donations. Therefore, all fund-raising efforts flow through the Corporation to ensure the tax-exempt status of donations received.

The following schedule reflects the Foundation's financial activity for fiscal years 2004 and 2003. The schedule does not include maintenance reserve funds of \$70,522 and \$5,298 used for infrastructure repairs and renovation in fiscal years 2004 and 2003, respectively.

	<u>Virginia War Memorial Foundation</u>	
	<u>2004</u>	<u>2003</u>
Funding sources :		
General Fund Appropriations	\$ 175,313	\$ 174,117
Interest	<u>3,241</u>	<u>7,329</u>
Total funding	<u>178,554</u>	<u>181,446</u>
Expenses:		
Personnel	123,460	171,266
Contractual services	67,267	19,029
Supplies and materials	5,602	2,330
Continuous charges	23,555	23,508
Equipment	4,176	260
Plant and improvements	<u>14,982</u>	<u>39,845</u>
Total expenses	<u>239,042</u>	<u>256,238</u>
Net income/(loss) before transfers	(60,488)	(74,792)
Transfers in /(out)	<u>14,352</u>	<u>(233,500)</u>
Net income/(loss)	(46,136)	(308,292)
Beginning balance, July 1	<u>315,959</u>	<u>624,251</u>
Ending balance, June 30	<u>\$ 269,823</u>	<u>\$ 315,959</u>

While funding sources have remained steady during fiscal years 2004 and 2003, there have been some variances in expenses. A staff retirement resulted in decreased personnel expenses. Additionally, renovation of the Foundation auditorium increased contractual services. We discuss the auditorium renovation later in the report. During fiscal year 2003, the Foundation transferred \$233,500 to the Corporation for educational programs. Due to increased fundraising efforts and some programs at near completion, the Corporation was self-supporting and transferred \$14,352 to the Foundation in fiscal year 2004.

Administrative Highlights

The Foundation has three employees responsible for supporting the Trustees and their mission. These responsibilities include:

- Management and the daily operations of the Memorial
- Coordination of board meetings and communications
- Development and implementation of educational programs
- Oversight over renovation of Memorial facilities and grounds
- Coordination of fund-raising activities
- Maintenance of the Foundations' internal accounting records
- Collection and preservation of books, manuscripts, war artifacts, and memorabilia

The Department of General Services (General Services) provides other administrative support including cash receipt, payroll accounting, procurement, contract management, and building and maintenance activities.

The Foundation has received General Fund appropriations through General Services to aid in its administrative activities and renovation efforts since fiscal year 1998. General Services retains a portion of the appropriations to cover the costs of operations including the salaries and related benefits of the Foundation's three staff, as well as routine maintenance of the Memorial provided by the Department of General Services' Bureau of Facilities Management.

In prior years, General Services would transfer any remaining amounts to the Foundation to fund repair and planned expansion of the Memorial. However, due to a reduction in General Fund appropriations, no amounts were available for transfer in fiscal years 2003 and 2004.

Construction

During fiscal year 2004, the Foundation began renovating their auditorium including painting and replacing the acoustic panels of the building. Total cost for fiscal year 2004 was \$102,835, which includes \$32,313 in Foundation operating funds and \$70,522 in maintenance reserve funds. For fiscal year 2005, the Foundation plans to increase security features such as replacing outside lighting and adding cameras.

Educational Programs

The Trustees' primary educational project is the "Virginians at War" program. This program develops videos to educate young people on World War II and the Vietnam, Korean, and Persian Gulf Wars using interviews of Virginia veterans along with period film, photos, and maps. The Corporation funds and manages this program.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

January 31, 2005

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Lacey E. Putney
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE

We have audited selected financial records and operations of the **Virginia War Memorial Foundation** (Foundation) for the year ended June 30, 2004 as mandated by the Code of Virginia. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, Scope, and Methodology

Our audit's primary objective was to evaluate the accuracy of the Foundation's financial transactions as mandated by the Code of Virginia. In support of this objective, we evaluated the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System and in the Foundation's accounting records, reviewed the adequacy of Foundation's internal control, tested for compliance with applicable laws, regulations, contracts, and grant agreements, and reviewed corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Foundation's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws, regulations, contracts, and grant agreements. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Expenditures
Revenues

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether Foundation's controls were adequate, had been placed in operation, and were being followed.

Management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws, regulations, contracts and grant agreements. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Foundation properly stated, in all material respects, the selected financial records reviewed as mandated by the Code of Virginia listed in the scope section of this report.

The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the Governor and General Assembly, management, and citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this letter with management February 14, 2005.

AUDITOR OF PUBLIC ACCOUNTS

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