

**VIRGINIA WAR MEMORIAL FOUNDATION**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2005**



## **AUDIT SUMMARY**

Our audit of the Virginia War Memorial Foundation for the year ended June 30, 2005, 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 necessary to bring to management's attention; 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 (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.

The Trustees have 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 2005 and 2004. The schedule does not include maintenance reserve funds of \$271,798, and \$70,522 used for infrastructure repairs and renovation in fiscal years 2005 and 2004, respectively. The Department of General Services and the Foundation used fiscal year 2005 maintenance reserve funds to continue renovation of the auditorium. Renovation included asbestos removal, a new sprinkler system, new lighting, sound, and audio-visual systems.

### Virginia War Memorial Foundation

	<u>2005</u>	<u>2004</u>
Funding sources :		
General Fund appropriations	\$182,751	\$175,313
Interest	<u>3,683</u>	<u>3,241</u>
Total funding	<u>186,434</u>	<u>178,554</u>
Expenses:		
Personnel	149,687	123,460
Contractual services	37,539	67,267
Supplies and materials	8,387	5,602
Continuous charges	31,443	23,555
Equipment	10,425	4,176
Plant and improvements	<u>108,496</u>	<u>14,982</u>
Total expenses	<u>345,978</u>	<u>239,042</u>
Net income/(loss) before transfers	(159,543)	(60,488)
Transfers in /(out)	<u>27,988</u>	<u>14,352</u>
Net income/(loss)	(131,555)	(46,136)
Beginning balance, July 1	<u>269,823</u>	<u>315,959</u>
Ending balance, June 30	<u>\$138,270</u>	<u>\$269,823</u>

While funding sources remained steady during fiscal years 2003 and 2004, in fiscal year 2005 the Foundation relied on transferred funds to support a variety of expenses including increased contractual services for continued renovation of the Foundation auditorium. We discuss the auditorium renovation later in the report. Due to increased fundraising efforts and some programs at near completion, the Corporation was self-supporting and transferred \$27,988 and \$14,352 to the Foundation in fiscal year 2005 and fiscal year 2004 respectively.

### 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, wages, and related benefits of the Foundation's staff, as well as routine maintenance of the Memorial provided by 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 through 2005.

### Construction

The Foundation began renovating their auditorium in fiscal year 2004 and continued the project through 2005. Total cost for fiscal year 2005 was \$380,294, which includes \$108,496 in Foundation operating funds and \$271,798 in maintenance reserve funds. 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 2006, the Foundation will continue with the renovation of the visitor's reception center including upgrading security and lighting.

### 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 second volume of the program is expected to be distributed in fiscal year 2007. 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

March 20, 2006

The Honorable Timothy M. Kaine  
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

We have audited selected financial records and operations of the **Virginia War Memorial Foundation** for the year ended June 30, 2005 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

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.

### Scope and Methodology

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, and 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 Foundation properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System or in the Foundation financial system. The Foundation records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws, regulations, and contracts disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information 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 March 31, 2006.

AUDITOR OF PUBLIC ACCOUNTS

SGV:sks  
sks:41

VIRGINIA WAR MEMORIAL FOUNDATION

BOARD OF TRUSTEES

Frank D. Hargrove, Sr.  
Chairman

William K. Barlow	Francis Caroline Lane
J. Brandon Bell, II	L. Scott Lingamfelter
Dale D. Chapman	John L. Marocchi
John S. Edwards	John W. "Jack" Nicholson
John Harper, Jr.	Roger L. Overstreet
John G. Hekman	Melanie L. Rapp
Bert Wellington Holmes, JR.	D. Nick Rerras
William R. Janis	E. Philip Russell
S. Judson Stanley	

Sandra D. Bowan  
Ex-Officio

Jon C. Hatfield  
Executive Director



