

**VIRGINIA WAR MEMORIAL FOUNDATION
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2000**



AUDIT SUMMARY

Our audit of the Virginia War Memorial Foundation for the year ended June 30, 2000, found:

- proper recording and reporting of transactions, in all material respects, in the Foundation's accounting records;
- no material weaknesses in internal controls; and
- no instances of noncompliance that are required to be reported.

February 22, 2001

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

AGENCY HIGHLIGHTS

The Virginia War Memorial Foundation's Board of Trustees (the Trustees) determines how to honor Virginians for faithful service in time of war and oversees all Foundation activities. The Trustees also verify that the War Memorial includes the names of all Virginians listed as "Missing in Action" from the Vietnam War or killed in the Persian Gulf Conflict. The Trustees have developed a strategic plan for the Memorial, which focuses on the renovation and expansion of the Memorial to include educational facilities.

For fiscal year 2000, the Foundation received appropriations totaling \$503,737. The majority of these appropriations, \$325,000, will help fund the repair of the War Memorial, as well as the planned expansion over the next several years. The remaining appropriations funded the salaries and related benefits of the Foundation's two staff during the fiscal year.

During the year, the Foundation hired a professional fundraiser and established a fund raising committee. As a result, private donations to support the Memorial have increased 19 percent to \$45,466 in fiscal year 2000.

In April of 1999, to support its mission and provide a greater incentive for donations, the Trustees established the Virginia War Memorial, Inc., to act as an administrative arm of the Foundation and to raise funds as a "tax-exempt" organization under Section 501 (c)(3) of the Internal Revenue Code. The Virginia War Memorial, Inc., received its advance ruling determination letter on October 12, 2000.

During the period beginning October 12, 2000, and ending December 31, 2003, the Virginia War Memorial, Inc. will be treated as a publicly supported organization. Until this period ends and a final determination of the organizations "tax-exempt" status is made, grantors and contributors may rely on the organization's status as publicly supported. Therefore, all future fundraising efforts for private donations will be directed by and flow through Virginia War Memorial, Inc. to ensure the tax-exempt status of donations received.

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Virginia War Memorial Foundation** (the Foundation) for the year ended June 30, 2000. 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 objectives were to evaluate the accuracy of recording financial transactions on the Foundation's accounting records, review the adequacy of the Foundation's internal control, and test compliance with applicable laws and regulations.

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 and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Expenditures
Revenues

We obtained an understanding of the relevant internal control components 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 the Foundation's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Foundation's 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 and regulations. 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 amounts recorded and reported in its accounting records. The Foundation records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Foundation's accounting records.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

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

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

AUDITOR OF PUBLIC ACCOUNTS

JBS:kva
kva:25

VIRGINIA WAR MEMORIAL FOUNDATION
Richmond, Virginia

Board of Trustees

Frank D. Hargrove, Sr.
Chairman

Jon C. Hatfield
Executive Director

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G. Bryan Slater