

# **National Vietnam War Museum**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**National Vietnam War Museum  
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December 31, 2014**

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# Financial Section



**SNOW GARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
The National Vietnam War Museum  
Mineral Wells, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the National Vietnam War Museum (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of the National Vietnam War Museum as of December 31, 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.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2015, on our consideration of the National Vietnam War Museum's 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 Vietnam War Museum's internal control over financial reporting and compliance.



Snow Garrett Williams

October 21, 2015

**National Vietnam War Museum  
Statement of Financial Position  
December 31, 2014**

**Assets**

Current Assets

Cash and cash equivalents	\$ 67,828
Accounts receivable	5,500
Prepaid expense	<u>7,181</u>

Total Current Assets 80,509

Restricted cash and cash equivalents 7,470

Inventory 365,555

Other asset 10,000

Property and equipment

Land	15,000
Building and improvements	261,414
Machinery and equipment	298,117
Less: accumulated depreciation	<u>(285,870)</u>

Total property and equipment (net) 288,661

Historical artifacts 3,931,810

Total Assets \$ 4,684,005

**Liabilities and Net Assets**

Total Current Liabilities \$ -

Net Assets

Unrestricted	4,360,723
Temporarily restricted	<u>323,282</u>

Total Net Assets 4,684,005

Total Liabilities and Net Assets \$ 4,684,005

**National Vietnam War Museum  
Statement of Activities  
For the Year Ended December 31, 2014**

	Unrestricted	Temporarily Restricted	Total
<b>Public Support and Revenues</b>			
Contributions	\$ 67,597	\$ 600	\$ 68,197
Grants	121,666		121,666
Investment income	78		78
Net assets released from restrictions	3,540,854	(3,540,854)	-
<b>Total public support and revenues</b>	<b>3,730,195</b>	<b>(3,540,254)</b>	<b>189,941</b>
<b>Expenses</b>			
Program services			
Garden /Museum improvements	13,597		13,597
Newsletter	7,295		7,295
Events	7,623		7,623
Repairs and maintenance	6,856		6,856
Supplies	39,162		39,162
Depreciation expense	80,890		80,890
Utilities	5,961		5,961
<b>Total program services</b>	<b>161,384</b>	<b>-</b>	<b>161,384</b>
Special event and fundraisers			
Bricks	345		345
Cowboy Stone Carvers	275		275
<b>Total special event and fundraisers</b>	<b>620</b>	<b>-</b>	<b>620</b>
Administrative services			
Accounting/auditing	1,850		1,850
Advertising	4,334		4,334
Dues and subscriptions	389		389
Insurance	2,513		2,513
Fees	42		42
Legal	2,819		2,819
Printing	276		276
Postage	106		106
<b>Total administrative services</b>	<b>12,329</b>	<b>-</b>	<b>12,329</b>
<b>Total expenses</b>	<b>174,333</b>	<b>-</b>	<b>174,333</b>
Net revenues and (expenses) before other changes in net assets	3,555,862	(3,540,254)	15,608
<b>Other Changes in Net Assets</b>			
Gain on disposal of assets	45,838		45,838
<b>Total other changes in net assets</b>	<b>45,838</b>	<b>-</b>	<b>45,838</b>
Change in net assets	3,601,700	(3,540,254)	61,446
Net assets at beginning of year	759,023	3,863,536	4,622,559
Net assets at end of year	<u>\$ 4,360,723</u>	<u>\$ 323,282</u>	<u>\$ 4,684,005</u>

See accompanying notes and independent auditor's report.

**National Vietnam War Museum  
Statement of Cash Flows  
For the Year Ended December 31, 2014**

<b>Operating activities</b>	
Change in net assets	\$ 61,446
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	80,890
Gain on disposal of assets	(45,838)
Noncash grant of equipment and artifacts	(23,970)
Increase in accounts receivable	(5,500)
Increase in prepaid expenses	(7,181)
Increase in inventory	(72,714)
Decrease in accounts payable	<u>(1,235)</u>
Net cash used in operating activities	<u>(14,102)</u>
<b>Investing activities</b>	
Proceeds from disposal of assets	<u>57,941</u>
Net cash provided by investing activities	<u>57,941</u>
Net increase in cash and cash equivalents	43,839
Cash and cash equivalents as of beginning of year	<u>31,459</u>
Cash and cash equivalents as of end of year	<u><u>\$ 75,298</u></u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of financial position:	
Cash and cash equivalents - current	\$ 67,828
Cash and cash equivalents - restricted	<u>7,470</u>
Total cash and cash equivalents as of end of year	<u><u>\$ 75,298</u></u>

See accompanying notes and independent auditor's report.



**National Vietnam War Museum**  
**Notes to Financial Statements**  
**December 31, 2014**

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The National Vietnam War Museum (the Organization) is a non-profit organization, created January 1, 1999 to provide a place of learning to aid in the understanding of the Vietnam War era. Activities of the Organization include raising awareness of the Vietnam War era and raising funds to build a museum to further this purpose. Revenues are derived from donations from founders, landowners and selling of memorial bricks. Contributions are also received from The Friends of the Museum, a non-profit organization, who sponsors fundraising events for the benefit of the Organization.

**Income Tax**

The Organization is a nonprofit organization exempt from federal income taxes under Section 501 (c) (3) and has been determined by the Internal Revenue Service not to be a "Private Foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination of taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2014.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to December 31, 2010.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Financial Statement Presentation**

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2014, the Organization's net assets were classified as unrestricted and temporarily restricted net assets.

**Cash and Cash Equivalents**

For the purposes of the Statement of Cash Flows, the Organization considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**National Vietnam War Museum**  
**Notes to Financial Statements**  
**December 31, 2014**

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventory**

The Texas Federal Surplus Property Program donates parts inventory to the Organization. Due to the estimated fair value of items received through this program exceeding the actual costs paid for service fees, these parts are recorded at their estimated fair value and grant revenue is recorded at the estimated fair value less service fees. Due to the nature of the parts inventory, it is not considered to be a current asset.

**Other Asset**

Other asset represents an investment in the Armory Project by the Organization with a group of other nonprofit and governmental entities related to the refurbishment and potential sale of the National Guard Armory building in Mineral Wells, Texas. The project is managed by the Mineral Wells Industrial Foundation. The investment is accounted for at cost. The fair value of the investment is not estimated because it is not practicable to estimate. The Organization has not evaluated the investment for impairment.

**Property and Equipment**

Property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Organization follows the practice of capitalizing expenditures for property and equipment in excess of \$1,000, or a fair market value over \$5,000 for federal surplus donations, that have a useful life of more than one year. Maintenance and repairs are charged to expense as incurred.

**Depreciation**

Depreciation is recorded using the straight-line method at various rates calculated to allocate the cost of the respective items over their estimated useful lives. Average useful lives used for depreciation with respect to major classifications of property are as follows:

Building and improvements	15-30 years
Machinery and equipment	5-15 years

**Historical Artifacts**

The Texas Federal Surplus Property Program donates historical artifacts to the Organization. Due to the estimated fair value of items received through this program exceeding the actual costs paid for service fees, these historical artifacts are recorded at their estimated fair value and grant revenue is recorded at the estimated fair value less service fees.

**National Vietnam War Museum**  
**Notes to Financial Statements**  
**December 31, 2014**

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are generally available for unrestricted use unless specifically restricted by the donor. Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished, restricted net assets are reclassified and reported in the statement of activities as net assets released from restrictions.

**Donated Services**

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with various programs and assignments. The Organization received more than 4,476 volunteer hours for the year ending December 31, 2014.

**Use of Estimates**

The preparation of 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. Accordingly, actual results could differ from those estimates.

**NOTE B: DEPOSITS, SECURITIES, AND INVESTMENTS**

The Organization maintains its cash in bank deposit accounts at high quality financial institutions. At December 31, 2014, the Organization's cash deposits were adequately secured by the Federal Deposit Insurance Corporation (FDIC).

Cash and cash equivalents included the following at December 31, 2014:

1st State Bank- Checking	\$ 14,357
1st State Bank- Savings	52,247
1st State Bank- Certificate of Deposit	1,224
1st State Bank- Restricted Savings	<u>7,470</u>
Total cash and cash equivalents	<u>\$ 75,298</u>

**National Vietnam War Museum**  
**Notes to Financial Statements**  
**December 31, 2014**

**NOTE C: PROPERTY AND EQUIPMENT**

Changes in fixed assets for the year ended December 31, 2014 are as follows:

	<u>Balance</u> <u>12/31/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2014</u>
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Building and improvements	261,414	-	-	261,414
Machinery and equipment	299,979	23,970	25,832	298,117
Total	<u>\$576,393</u>	<u>\$ 23,970</u>	<u>\$ 25,832</u>	<u>\$574,531</u>

**NOTE D: HISTORICAL ARTIFACTS**

Changes in historical artifacts for the year ended December 31, 2014 are as follows:

	<u>Balance</u> <u>12/31/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2014</u>
Artifacts	<u>\$ 3,931,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,931,810</u>

**NOTE E: RESTRICTED NET ASSETS**

Historical artifacts donated by the Federal Surplus Property Program must be retained by the Organization for twelve months to five years and therefore are classified as temporarily restricted until the time restrictions are met.

Net assets were temporarily restricted for the following purposes as of December 31, 2014:

Historical Artifacts	\$ 315,812
Cash	
Camp Holloway	3,434
Women's Memorial	4,036
	<u>\$ 323,282</u>

**NOTE F: RELATED PARTY TRANSACTIONS**

The Organization and an affiliated organization (The Friends of the Museum) have the same individual as their treasurer and president, respectively. The Friends of the Museum's purpose is to raise money for the Organization through donations, fundraisers, and a gift shop. The total amount donated to the Organization from the Friends of the Museum was \$18,764 of unrestricted contributions for the year ended December 31, 2014.

**NOTE G: SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through October 21, 2015, the date the financial statements were available to be issued. In May 2015, the Organization received a legal settlement in the amount of \$216,600.

**Overall Compliance and Internal  
Controls Section**



**SNOW GARRETT WILLIAMS**  
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 of  
The National Vietnam War Museum  
Mineral Wells, Texas

We have audited, in accordance with the 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 financial statements of the National Vietnam War Museum (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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 financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies, 2014-001, 2014-002 and 2014-003, described in the accompanying schedule of findings and responses to be material weaknesses.

*A significant deficiency* is a deficiency, or a 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. We consider the deficiency 2014-004 described in the accompanying schedule of findings and responses to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's 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 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*.

### **The National Vietnam War Museum's Response to Findings**

The National Vietnam War Museum's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Snow Garrett Williams

October 21, 2015

**National Vietnam War Museum  
Schedule of Findings and Responses  
For the Year Ended December 31, 2014**

**Internal Control over Financial Reporting**

*Finding 2014-001 Financial Reporting - Material Weakness*

Condition: Several general ledger accounts were overstated or understated in the Organization's trial balance throughout the fiscal year and at year end.

Criteria: Timely and accurate financial reports are essential to perform analysis of financial condition, review data for accuracy and completeness, and prepare long-range financial plans.

Cause: The Organization's policies and procedures were not appropriately designed or implemented to create a strong internal control environment related to financial reporting.

Effect: Material adjusting entries were necessary to correct and adjust the balances and transactions reported in the general ledger in order to prepare accurate financial statements.

Recommendation: The Organization should develop and implement policies and procedures to include strong internal controls related to financial reporting and monitoring, preparation of reconciliations, and recording financial transactions in the general ledger as they occur to produce more useful and accurate financial reports.

Views of Responsible Officials and Planned Corrective Actions: The Board of Directors is in the process of providing additional guidance and controls for the Board Treasurer.

*Finding 2014-002: Bank Reconciliations – Material Weakness*

Condition: The Organization was not reconciling all bank accounts, the bank reconciliation balance did not agree to the bank balance in the Organization's accounting software (QuickBooks), and not all bank reconciliations were reviewed.

Criteria: Bank reconciliations are an essential part of an effective internal control system.

Cause: The Organization does not have properly designed policies and procedures over the preparation of bank reconciliations, which include agreeing the reconciled balance to the Organization's accounting system and a consistent review process on all of its bank reconciliations.

Effect: The Organization could have errors or fraudulent transactions occurring that would not be identified.



**National Vietnam War Museum  
Schedule of Findings and Responses  
For the Year Ended December 31, 2014**

Recommendation: The Organization should develop and implement policies and procedures that include preparation and review processes for all bank accounts. The Organization should consider utilizing the bank reconciliation function included in QuickBooks, which will assist in agreeing the reconciled balances to general ledger balances.

Views of Responsible Officials and Planned Corrective Actions: The Board of Directors has reviewed all bank statements and found the reconciliations prepared were completed and reconciled with QuickBooks on a manual basis. The Secretary of the Board is formally reviewing the reconciliations on a quarterly basis. Consideration will be given to increasing the frequency of these reviews. The Treasurer of the Board has been informally processing bank reconciliations and will begin a formal process beginning November 1, 2015.

*Finding 2014-003: Lack of Proper Documentation - Material Weakness*

Condition: Several disbursements were not properly supported and all items purchased with credit cards were missing the receipts to support the purchases. Also, a list or any type of support for deposits was not maintained.

Criteria: Proper documentation to support receipt and disbursement transactions is necessary to maintain accurate financial statements and is required by the State of Texas and the Internal Revenue Code in order to properly substantiate the Organization's transactions.

Cause: The Organization does not have properly designed policies and procedures to maintain adequate documentation and support for disbursement and receipt transactions.

Effect: Due to limited supporting documentation for disbursements and receipts, the Organization might produce inaccurate financial statements.

Recommendation: We recommend that the Organization design and implement policies and procedures for disbursement and receipt transactions that includes maintaining proper documentation to adequately support all transactions.

Views of Responsible Officials and Planned Corrective Actions: The Board of Directors has reviewed the credit card processing procedures and has determined from a review of the credit card statements that all charges were relevant to the Organization's activities. The individual receipts for charges do not contain any additional information that supports the expenses other than the information contained in monthly statements. The Board has recommended that the Treasurer retain those receipts in the future.

**National Vietnam War Museum  
Schedule of Findings and Responses  
For the Year Ended December 31, 2014**

*Finding 2014-004: Lack of Segregation of Duties – Significant Deficiency*

Condition: All accounting functions are currently performed by the treasurer. As mentioned above, some of the bank reconciliations are being reviewed and initialed by the secretary and most checks are signed by two board members.

Criteria: Proper segregation of duties is essential to establish effective internal control. Segregation of duties is achieved by preventing one person from having custody of assets, the authority to approve financial transactions, and recording of those transactions.

Cause: The Organization does not have any employees and only the treasurer and secretary of the board are designated to oversee or manage the daily transactions of the Organization.

Effect: Due to limited segregation of duties or proper oversight, effective internal controls may not be established at the Organization.

Recommendation: We recommend that the Organization identify personnel or board members to assist in separating duties, including the review and approval of journal entries, all bank reconciliations and all cash disbursements as well as separating the custody of assets from the accounting functions.

Views of Responsible Officials and Planned Corrective Actions: The Board of Directors has added a Board Member to the bank account signature card to reduce some of the responsibilities of the Board Treasurer. The Board is also looking for additional volunteers to assist with financial processes.

