
NEW ORLEANS MUSEUM OF ART
FINANCIAL STATEMENTS AND SCHEDULES
DECEMBER 31, 2022

NEW ORLEANS MUSEUM OF ART

Financial Statements and Schedules

December 31, 2022

With Independent Auditors' Report Thereon

NEW ORLEANS MUSEUM OF ART

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of New Orleans Museum of Art

Opinion

We have audited the accompanying financial statements of the New Orleans Museum of Art, (a nonprofit organization) (the Museum), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Orleans Museum of Art as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 26-28 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 June 30, 2023, on our consideration of the Museum's internal control over financial reporting and 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 the 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 Museum's internal control over financial reporting and compliance.

Postlethwaite & Netterville
Metairie, Louisiana
June 30, 2023

NEW ORLEANS MUSEUM OF ART

Statements of Financial Position

December 31, 2022 and 2021

	Assets	
	2022	2021
Current assets:		
Cash and cash equivalents	\$ 1,461,486	\$ 1,666,368
Promises to give (note 5)	3,046,334	1,201,030
Accounts receivable	451,613	908,496
Inventories	228,740	155,797
Prepaid expenses	256,055	206,079
Total current assets	5,444,228	4,137,770
Restricted cash	307,221	2,079,457
Restricted accounts receivable	817,630	398,976
Promises to give, long-term (note 5)	135,000	543,334
Investments, long-term and real property (note 3)	60,845,201	70,349,009
Buildings, improvements and equipment, net (note 4)	29,670,082	30,729,032
Total assets	\$ 97,219,362	\$ 108,237,578
Liabilities		
Current liabilities:		
Accounts payable	\$ 243,333	\$ 936,405
Accrued payroll and related expenses	652,727	609,454
Deferred revenue (note 10)	712,200	646,781
Notes payable - current portion (note 6)	214,303	-
Lines of credit - current portion (note 6)	-	976,030
Total current liabilities	1,822,563	3,168,670
Long-term liabilities:		
Deferred revenue (note 10)	689,383	868,478
Notes payable (note 6)	2,500,266	-
Lines of credit (note 6)	-	2,705,555
Other noncurrent liabilities (note 9)	106,126	55,000
Total long-term liabilities	3,295,775	3,629,033
Total liabilities	5,118,339	6,797,703
Net assets		
Without donor restrictions:		
Programming, general operations and improvements	30,858,251	31,884,633
Board designated quasi-endowment	14,938,242	20,834,925
Total net assets without donor restrictions	45,796,493	52,719,558
With donor restrictions (note 8)		
Temporarily restricted	15,758,185	20,674,172
Permanently restricted	30,546,345	28,046,145
Total net assets with donor restrictions	46,304,530	48,720,317
Total net assets	92,101,023	101,439,875
Total liabilities and net assets	\$ 97,219,362	\$ 108,237,578

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS MUSEUM OF ART

Statements of Activities and Changes in Net Assets

Years ended December 31, 2022 and 2021

	2022			Restated 2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue:						
Support:						
Individual contributions	\$ 297,643	\$ 478,960	\$ 776,603	\$ 242,219	\$ 794,892	\$ 1,037,111
City and state grants	310,500	205,000	515,500	284,000	-	284,000
Federal grants	95,517	554,058	649,575	962,800	162,800	1,125,600
Corporate support	92,256	196,851	289,107	65,600	187,686	253,286
Affiliate memberships	478,278	-	478,278	492,216	-	492,216
Fundraising events	424,704	-	424,704	489,706	-	489,706
Legacies and bequests	30,000	-	30,000	103,008	2,725	105,733
Foundations	562,060	3,984,028	4,546,088	415,617	2,275,225	2,690,842
Contributions of nonfinancial assets	1,301,924	-	1,301,924	675,000	-	675,000
Total support	<u>3,592,882</u>	<u>5,418,897</u>	<u>9,011,779</u>	<u>3,730,166</u>	<u>3,423,328</u>	<u>7,153,494</u>
Revenue:						
Memberships	517,987	-	517,987	387,840	-	387,840
Admissions	1,795,072	-	1,795,072	699,234	-	699,234
Programs	75,666	-	75,666	31,227	-	31,227
Auxiliary activities	1,180,460	-	1,180,460	641,648	-	641,648
Investment income (loss), net	(4,346,165)	(4,613,152)	(8,959,317)	5,546,143	5,715,044	11,261,187
Miscellaneous	83,440	(50,000)	33,440	1,903,108	70,886	1,973,994
Deaccessions	-	-	-	-	1,707	1,707
Total revenue	<u>(693,540)</u>	<u>(4,663,152)</u>	<u>(5,356,692)</u>	<u>9,209,200</u>	<u>5,787,637</u>	<u>14,996,837</u>
Total support and revenue before net assets released from restrictions	<u>2,899,342</u>	<u>755,745</u>	<u>3,655,087</u>	<u>12,939,366</u>	<u>9,210,965</u>	<u>22,150,331</u>
Net assets released from restrictions (note 7)	<u>3,171,532</u>	<u>(3,171,532)</u>	<u>-</u>	<u>2,888,460</u>	<u>(2,888,460)</u>	<u>-</u>
Total support and revenue	\$ <u>6,070,874</u>	\$ <u>(2,415,787)</u>	\$ <u>3,655,087</u>	\$ <u>15,827,826</u>	\$ <u>6,322,505</u>	\$ <u>22,150,331</u>

(continued)

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS MUSEUM OF ART

Statements of Activities and Changes in Net Assets

Years ended December 31, 2022 and 2021

	2022			Restated 2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Expenses:						
Art and education:						
Exhibitions and programming	\$ 5,488,905	\$ -	\$ 5,488,905	\$ 4,120,566	\$ -	\$ 4,120,566
Art accessions not capitalized	787,242	-	787,242	1,161,514	-	1,161,514
Support services:						
Management and general:						
Management and general	2,779,159	-	2,779,159	2,678,495	-	2,678,495
Building and security	1,977,527	-	1,977,527	1,818,646	-	1,818,646
Fundraising and membership	1,961,106	-	1,961,106	1,354,596	-	1,354,596
Total expenses	12,993,939	-	12,993,939	11,133,817	-	11,133,817
Change in net assets	(6,923,065)	(2,415,787)	(9,338,852)	4,694,009	6,322,505	11,016,514
Net assets at beginning of year	52,719,558	48,720,317	101,439,875	48,025,549	42,397,812	90,423,361
Net assets at end of year	\$ 45,796,493	\$ 46,304,530	\$ 92,101,023	\$ 52,719,558	\$ 48,720,317	\$ 101,439,875

(Concluded)

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS MUSEUM OF ART

Statements of Cash Flows

Years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Cash received from government entities	\$ 631,715	\$ 1,394,215
Cash received from contributors and private grantors	2,415,369	2,227,390
Cash received from sales of memberships	517,987	408,856
Cash received from admissions and auxiliaries	3,084,663	2,488,782
Interest and dividends received	1,040,054	952,984
Payments of interest	(104,454)	(110,523)
Payments to employees and suppliers	(10,160,720)	(8,020,157)
Net cash used in operating activities	(2,575,386)	(658,453)
Cash flows from investing activities:		
Investment purchases	(1,189,020)	(7,207,073)
Investment sales and maturities	832,573	7,890,299
Proceeds from deaccessioned art	-	1,707
Art purchases	(1,507,242)	(441,514)
Project payments for the Auditorium, Café and Courtyard renovation	(104,454)	(854,208)
Net cash used in investing activities	(1,968,143)	(610,789)
Cash flows from financing activities:		
Contributions for Sculpture Garden Art purchases	446,600	960,000
Contributions for Sculpture Garden construction	464,490	958,979
Contributions for Auditorium Construction	525,250	2,033,644
Contract advances for Café NOMA construction	-	106,420
Principal repayments on line of credit	(967,015)	(2,533,000)
Proceeds from other restricted contributions	2,097,086	1,341,455
Net cash provided by financing activities	2,566,411	2,867,498
Net (decrease) increase in cash and cash equivalents	(1,977,118)	1,598,256
Cash and cash equivalents at beginning of year	3,745,825	2,147,569
Cash and cash equivalents at end of year	\$ 1,768,707	\$ 3,745,825
Composition of cash and cash equivalents at end of year:		
Cash and cash equivalents	\$ 1,461,486	\$ 1,666,368
Restricted cash	307,221	2,079,457
	\$ 1,768,707	\$ 3,745,825

The accompanying notes are an integral part of these financial statements.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies

(a) History and Organization

The New Orleans Museum of Art (the Museum) opened in 1911 and has become an iconic presence synonymous with the City of New Orleans. The Museum is a cultural convener and destination in the South and is recognized internationally for an excellent collection, innovative education initiatives, a strong commitment to diverse audiences, and a renowned sculpture garden. The Museum is organized as a private, nonprofit corporation, chartered in the State of Louisiana and granted 501(c)(3) status by the Internal Revenue Service. It is governed by a 45-member Board of Trustees, serving staggered three-year terms. The Museum is affiliated with the City of New Orleans with an unattached board. The building occupied by the Museum is owned by the City of New Orleans, and the Museum has had full use of the facility at no charge since 1911. The eleven-acre Sydney and Walda Besthoff Sculpture Garden at the Museum is one of the most important sculpture garden installations in the United States. All works of art are owned by the aforementioned nonprofit corporation, the New Orleans Museum of Art. The art collection is maintained for public exhibition, education, and research in furtherance of public service rather than for financial gain.

(b) Financial Statement Presentation

The financial statements of the Museum are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, a board designated quasi-endowment.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions in the year when restrictions expire or are satisfied.

(c) Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include bank deposits and money market accounts. The Museum considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. Restricted cash includes amounts restricted for auditorium renovations, art acquisition, and donor financed programs.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies (continued)

(d) Promises to Give

Contributions are recognized when the donor makes a promise to give to the Museum that is, in substance, unconditional. The Museum provides for an allowance for uncollectible unconditional promises receivable when necessary based on prior years' experience and management's analysis of specific promises made. There is no allowance considered necessary for the years ended December 31, 2022 and 2021. Promises to give that are expected to be collected in future years are considered long-term and are recorded at the net realizable value of estimated future cash flows. No discount was recorded by management for the years ended December 31, 2022 and 2021 as the amounts were considered to be immaterial.

(e) Inventory

The Museum's shop inventory is valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

(f) Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income/(loss) is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

(g) Buildings, Improvements and Equipment

Buildings, improvements and equipment are recorded at cost if purchased or fair value if donated. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Maintenance and repairs are expensed as incurred and major improvements are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statements of activities and changes in net assets.

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using appraisals. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose. There were no impairments of long-lived assets recorded by management during the years ended December 31, 2022 and 2021.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies (continued)

(h) Art Collections

In conformity with the practice followed by many museums, art purchased and donated is not capitalized. During 2022 and 2021, the cost of collection items purchased and reported by the Museum as a decrease in net assets without donor restriction was \$787,242 and \$1,161,514, respectively. When not on display in the permanent collection galleries, the objects are maintained in climate controlled storage. The Museum maintains policies and procedures addressing the maintenance and conservation of the collections, as well as other aspects of its management, including accession/deaccession policies.

The Museum employs a professional curatorial staff whose function is to care for its collections; carry out research on the objects in the collections; organize special exhibitions on particular subjects or themes; write scholarly interpretative articles, catalogues, and books on art subjects; recommend and oversee needed restoration and conservation treatment on objects in the collections; cultivate and advise private art collectors and encourage donations; seek out and recommend objects for acquisition or deaccession by the Museum; train volunteer docents to give guided tours of the Museum; devise and implement educational programs such as lectures, symposiums, films, concerts, family festivals on specific themes, studio art classes, and other outreach methods; family and teacher workshops for designated public schools.

(i) Vacation and Sick Pay

The Museum's vacation pay (annual leave) and sick pay (sick leave) are accrued when earned. The Museum's policy permits employees a limited amount of earned but unused vacation which will be paid to employees upon separation from the Museum. The amount of annual leave shall not exceed twenty-five (25) days for employees. Five (5) days of sick leave are accrued at the beginning of the year and employees may accumulate up to thirty (30) days. There is no payout of sick leave available to employees upon separation from the Museum.

(j) Revenue Recognition

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The Museum implemented ASU 2014-09 as of January 1, 2019.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies (continued)

(j) Revenue Recognition (continued)

Under Topic 606, revenue is recognized in accordance with the transfer of services to customers at an amount that reflects the consideration that the Museum expects to be entitled to for those services.

The Museum recognizes revenue from ticket sales at the time of admission. Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Museum recognizes the exchange portion of membership dues over the membership period, and the contribution portion immediately. The Museum records fundraising events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

(k) Contributions, Donated Services and In-Kind Contributions

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional contributions and promises to give are not recognized until the conditions on which they depend have been substantially met.

Volunteers contribute significant time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP.

Contributions of non financial assets are recorded on the accompanying statement of activities and changes in net assets at their estimated fair market values at the date of receipt.

(l) Income Taxes

The Museum is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Museum has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Museum has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(1) Summary of Significant Accounting Policies (continued)

(m) Use of Estimates

Management of the Museum has made estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. GAAP. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets, the valuation of fixed assets, and investments.

(n) Financial Instruments and Credit Risk

The Museum manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Museum has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members and foundations supportive of the Museum's mission. Investments are made by diversified investment managers whose performance is monitored by staff and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, staff and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

(o) Accounting Change

Leases

The Museum adopted Accounting Standard Update (ASU) No. 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the statement of financial position as well as additional disclosures. The Museum determined that the ASU did not have a material impact on its presentation of operating leases in which it is the lessee. Certain changes have been made related to the presentation of assets held by the Museum as lessor. The adoption of this standard did not have a material impact on the Museum's financial statements and related note disclosures as of the implementation date and as of December 31, 2022.

Contributed Nonfinancial Assets

Effective January 1, 2022, the Museum adopted FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting non-profit gifts-in-kind. The ASU requires the new standard to be applied retrospectively. For the year ended December 31, 2021, the Museum did not record the costs paid by the City of New Orleans (see note 15) and therefore has restated the 2021 amounts for contributions of nonfinancial assets with an increase of \$675,000. There is no impact to net assets.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(2) Liquidity and Availability

The Museum receives significant contributions with donor restrictions, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs and operations. In addition, the Museum receives support without donor restrictions; such support has historically represented approximately 60% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Museum manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will continue to be met.

The following tables show the total financial assets held by the Museum and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,768,707	\$ 3,745,825
Promises to give	3,181,334	1,744,364
Accounts receivable	1,269,243	1,307,472
Investments	60,845,201	70,349,009
Total financial assets at year end	<u>\$67,064,485</u>	<u>\$77,146,670</u>
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents	\$ 1,461,486	\$ 1,666,368
Accounts receivable	731,726	908,496
Donor restricted endowment appropriations over the next 12 months (note 14)	1,472,356	1,394,245
Board restricted quasi-endowment appropriations over the next 12 months (note 14)	948,127	905,755
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 4,613,695</u>	<u>\$ 4,874,864</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(3) Investments

The market values of investments are as follows at December 31:

	<u>2022</u>	<u>2021</u>
Cash equivalents	\$ 278,490	\$ 64,524
Mutual funds	50,150,726	60,263,035
Corporate stocks	363,616	350,209
Real property	436,260	436,260
Alternative investments/hedge funds	9,336,338	8,900,202
Other	279,771	334,779
	<u>\$ 60,845,201</u>	<u>\$ 70,349,009</u>
	<u>2022</u>	<u>2021</u>
Short-term investments	\$ -	\$ -
Long-term investments	60,845,201	70,349,009
	<u>\$ 60,845,201</u>	<u>\$ 70,349,009</u>

Investments are held for the following purposes:

	<u>2022</u>	<u>2021</u>
Without donor restrictions, substantially board designated	<u>\$ 16,361,046</u>	<u>\$ 20,529,047</u>
With donor restrictions:		
Operating:		
Capital	2,202,397	2,202,297
Curatorship, functioning as endowments	6,313,078	7,558,505
Directorship, functioning as endowments	1,654,374	2,027,942
Education programs	1,183,213	1,441,114
Gallery maintenance	1,139,501	1,317,850
Exhibitions and programming	16,690,759	17,797,304
Scholar programs	377,862	437,001
	<u>29,561,184</u>	<u>32,782,013</u>
Art accessions	14,922,971	17,037,949
	<u>\$ 60,845,201</u>	<u>\$ 70,349,009</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(4) Buildings, Improvements, and Equipment

Buildings, improvements, and equipment consist of the following at December 31:

	2022			Estimated useful lives
	Cost	Accumulated Depreciation	Net	
Building improvements	\$ 25,263,834	\$ (13,227,399)	\$ 12,036,435	39-40 years
Equipment	1,260,227	(1,043,133)	217,094	5-7 years
Vehicles	94,246	(94,246)	-	5 years
Land improvements	450,076	(236,290)	213,786	40 years
Sculpture garden	20,386,391	(3,324,055)	17,062,336	40 years
Construction in progress	140,431	-	140,431	N/A
	<u>\$ 47,595,205</u>	<u>\$ (17,925,123)</u>	<u>\$ 29,670,082</u>	

	2021			Estimated useful lives
	Cost	Accumulated Depreciation	Net	
Building improvements	\$ 25,295,361	\$ (12,616,219)	\$ 12,679,142	39-40 years
Equipment	1,145,529	(1,011,724)	133,805	5-7 years
Vehicles	94,246	(86,163)	8,083	5 years
Land improvements	450,076	(225,038)	225,038	40 years
Sculpture garden	20,386,391	(2,796,366)	17,590,025	40 years
Construction in progress	92,939	-	92,939	N/A
	<u>\$ 47,464,542</u>	<u>\$ (16,735,510)</u>	<u>\$ 30,729,032</u>	

Construction in progress for the year ended December 31, 2021 represents the Green Space project, construction of a new admissions desk, and initial costs for upgrades to IT servers. In 2022, the front admissions desk was completed and transferred to the equipment category. The ending balance of construction in progress for the year ended December 31, 2022 represents the Green Space project and initial costs for the IT server upgrades.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(5) Promises to Give

Promises to give are dedicated by the donors for the Museum's Endowments, capital projects, or other operating purposes and represent a promise by the donors to pay after the year end. Promises to give were \$3,181,334 and \$1,744,364 at December 31, 2022 and 2021, respectively, and due in the following installments at December 31:

	<u>2022</u>	<u>2021</u>
2022	\$ -	\$ 1,201,030
2023	3,046,334	418,334
2024	135,000	125,000
2025	-	-
	<u>\$ 3,181,334</u>	<u>\$ 1,744,364</u>
Less current portion	<u>3,046,334</u>	<u>1,201,030</u>
Noncurrent portion	<u>\$ 135,000</u>	<u>\$ 543,334</u>

(6) Debts

On April 22, 2020, the Museum modified and combined its lending arrangements dated February 2, 2018 and October 10, 2018 so that the revised loan capacity is \$9,634,585. The loan due date was extended to April 21, 2025. Amounts drawn under this arrangement were used to complete construction and to carry pledges until such pledges are collected. The loan is expected to be repaid with pledge payments outstanding from the Sculpture Garden Expansion project and the Auditorium project and with proceeds from additional fundraising. The loan bears interest at one-month LIBOR plus 206 basis points. At December 31, 2021, the amount outstanding under this arrangement was \$3,681,585. Of this, \$1.4 million was secured by pledge values and \$2.3 million was secured by investment values. On November 22, 2022, the Museum converted the remaining principal balance of the construction loan, totaling \$2,731,585, to a fixed term loan. The initial loan term is five years with a maturity date at November 22, 2027. The loan bears interest at 5.25% during this initial period. At December 31, 2022, the principal amount outstanding was \$2,714,569. For the year ended December 31, 2022 and 2021, interest expense totaled \$104,454 and \$110,523.

(7) Net Assets Released

Assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years shown below were:

	<u>2022</u>	<u>2021</u>
Purpose accomplished		
Exhibitions, programming and capital	\$ 2,384,290	\$ 1,703,238
Art accessions	787,242	1,185,222
	<u>\$ 3,171,532</u>	<u>\$ 2,888,460</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(8) Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31:

	<u>2022</u>	<u>2021</u>
Art accessions	\$ 15,076,131	\$ 17,343,492
Curatorship	8,811,283	7,558,505
Exhibitions, programming and capital	17,973,308	18,564,388
Directorship	1,653,893	2,027,942
Gallery maintenance	1,219,294	1,322,875
Education	1,207,863	1,466,114
Scholar program	362,758	437,001
	<u>\$46,304,530</u>	<u>\$48,720,317</u>

(9) Pension Plan

The Museum sponsors a defined contribution 401(k) Profit Sharing Plan for the benefit of its employees. Employees, who are at least age 21 and have completed one year of service (1,000 hours) are eligible to participate in the Plan. Participants may begin making deferrals the first day of the month following the date on which they meet the eligibility requirements. The Museum makes annual contributions to the Plan in the form of a 3% Safe Harbor non-elective contribution, a matching contribution (up to 3%) and a discretionary non-elective contribution (profit sharing, up to 2%). To receive the matching and discretionary non-elective contribution, participants must have worked 1,000 hours in the Plan Year and be employed on the last day of the Plan Year. Matching contributions vest after 2 years of service. Employees covered under the City of New Orleans Service Retirement Plan are not eligible. The Museum accrued and later paid annual contributions of 6% to 8% of eligible participating employees' wages for the 2022 and 2021 Plan Years. These amounted to \$160,562 and \$174,455 in Safe Harbor and profit-sharing contributions and \$59,455 and \$72,517 in employer matching for the years ended December 31, 2022 and 2021, respectively.

In December 2020, the Museum established a 457(f) plan to fulfill the Director's deferred compensation arrangement. Per the agreement, the first contribution of \$55,000 was made in 2021 and the second contribution of \$65,000 was made in 2022. A future contribution of \$70,000 is due in January 2023. The plan account is payable in a lump sum on December 31, 2025.

Civil service employees of the Museum are eligible for membership in the City of New Orleans Employees' Retirement System. The report on the City of New Orleans Employees' Retirement System can be obtained from the City of New Orleans, Perdido Street, New Orleans, Louisiana. The actuarially computed value of vested benefits of the Museum's employees in the City's pension plan is not available. However, pension payments for these employees are the responsibility of the Museum and amounted to \$13,050 and \$11,208 for the years ended December 31, 2022 and 2021, respectively.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(10) Deferred revenue:

Deferred revenue at December 31 consisted of the following:

	<u>2022</u>	<u>2021</u>
Museum memberships	\$ 252,350	\$ 237,660
Deposits for private events	192,775	154,700
Advance ticket sales & sponsorships for fundraising events	94,730	88,825
Construction advances made by the café/catering operator	<u>861,728</u>	<u>1,034,074</u>
Total	\$ 1,401,583	\$ 1,515,259
Less current portion	<u>712,200</u>	<u>646,781</u>
Noncurrent portion	<u>\$ 689,383</u>	<u>\$ 868,478</u>

The café operator's construction advances were received/receivable under a contract to modernize the museum's café wherein the operator received exclusive rights to operate the café and provide certain services relative to private events for 7 years. The advances will be amortized to operations over the 7-year period.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(11) Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, certain expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of usage, time, and effort.

Expenses by natural classification and function have been incurred for the following for the years ended December 31:

	2022			
	Program Services	Support Services		Total
	Art and Education Activities	Managements and General	Fundraising and Membership	
Salaries, wages, and benefits	\$ 1,886,381	\$ 2,704,947	\$ 861,670	\$ 5,452,998
Occupancy	132,056	637,757	-	769,813
Telephone	752	57,086	542	58,380
Shipping & postage	438,622	30,534	17,453	486,609
Insurance	133,607	159,960	-	293,567
Repairs and maintenance	43,410	238,130	75	281,615
Rentals	404,981	8,979	108,760	522,720
Dues & publications	105,239	65,482	43,264	213,985
Design & printing	95,756	3,422	55,888	155,066
Advertising	48,014	1,608	651,647	701,269
Fundraising	-	10,000	144,042	154,042
Professional services	742,814	249,043	333,848	1,325,705
Travel & entertainment	122,696	23,771	120,038	266,505
Supplies and materials	124,326	99,688	56,265	280,279
Other expenses	91,060	27,172	996	119,228
Equipment	62,661	35,612	5,426	103,699
Cost of goods sold	-	271,612	-	271,612
Depreciation	1,056,530	131,883	32,727	1,221,140
Art accessions	787,242	-	-	787,242
	<u>\$ 6,276,147</u>	<u>\$ 4,756,686</u>	<u>\$ 2,432,641</u>	<u>\$ 13,465,474</u>
Fundraising expense net with revenues on the Statement of Activities	-	-	471,535	471,535
	<u>\$ 6,276,147</u>	<u>\$ 4,756,686</u>	<u>\$ 1,961,106</u>	<u>\$ 12,993,939</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(11) Expenses (continued)

	Restated 2021			
	Program Services	Support Services		Total
	Art and Education Activities	Managements and General	Fundraising and Membership	
Salaries, wages, and benefits	\$ 1,809,649	\$ 2,633,730	\$ 847,166	\$ 5,290,545
Occupancy	130,872	510,384	-	641,256
Telephone	581	43,391	21.00	43,993
Shipping & postage	30,174	20,323	10,887	61,384
Insurance	116,435	156,608	-	273,043
Repairs and maintenance	55,979	169,654	-	225,633
Rentals	20,063	20,501	64,080	104,644
Dues & publications	29,692	44,496	81,261	155,449
Design & printing	20,389	10,914	41,879	73,182
Advertising	17,579	10,799	125,249	153,627
Fundraising	-	-	126,550	126,550
Professional services	539,893	350,372	263,531	1,153,796
Travel & entertainment	37,948	13,540	75,334	126,822
Supplies and materials	86,787	84,505	15,480	186,772
Other expenses	72,215	49,479	383	122,077
Equipment	61,631	95,216	7,615	164,462
Cost of goods sold	-	147,084	1,650	148,734
Depreciation	1,090,679	136,145	33,784	1,260,608
Art accessions	1,161,514	-	-	1,161,514
	<u>\$ 5,282,080</u>	<u>\$ 4,497,141</u>	<u>\$ 1,694,870</u>	<u>\$ 11,474,091</u>
Fundraising expense net with revenues on the Statement of Activities	-	-	340,274	340,274
	<u>\$ 5,282,080</u>	<u>\$ 4,497,141</u>	<u>\$ 1,354,596</u>	<u>\$ 11,133,817</u>

(12) Commitments

The Museum participated in a number of state and federally-assisted grant programs in fiscal years 2022 and 2021. The programs are subject to compliance audits. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. The Museum believes that the amount of disallowances, if any, which may arise from future audits, will not be material to the financial statements.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(13) Fair Value Measurements

Fair value measurement standards established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under the standard are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Museum 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 or liability'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.

The following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds and corporate stocks: Valued at fair value by using quoted prices for identical securities.

Hedge funds: Valued using net asset value (NAV) as a practical expedient.

Real property: Valued at cost which approximates the fair value of the Museum's interest in the property.

Private equity: Values are estimated at the fair values of the underlying assets owned by the partnership. Fair values for investments in operating companies are made with Level 3 information. Fair values of investments in investment companies are made at net asset values or NAV. The partnership interest cannot be redeemed but distributions are made as properties are sold. The partnership follows a growth strategy in the oil and gas service sector.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(13) Fair Value Measurements (continued)

The methods 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 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 table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of December 31, 2022.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 278,490	\$ -	\$ -	\$ 278,490
Mutual funds				
Pooled equity fund	44,655,137	-	-	44,655,137
Fixed income fund	5,495,589	-	-	5,495,589
Corporate stocks	363,616	-	-	363,616
Private equity	-	-	1,224,604	1,224,604
Other	-	279,771	-	279,771
Total assets in fair value hierarchy	<u>\$ 50,792,832</u>	<u>\$ 279,771</u>	<u>\$ 1,224,604</u>	<u>\$ 52,297,207</u>
Investments (hedge funds) measured at net asset value				\$ 8,111,734
Real property				436,260
Investments at fair value				<u>\$ 60,845,201</u>

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of December 31, 2021.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 64,524	\$ -	\$ -	\$ 64,524
Mutual funds				
Pooled equity fund	53,930,361	-	-	53,930,361
Fixed income Fund	6,332,674	-	-	6,332,674
Corporate stocks	350,209	-	-	350,209
Private equity	-	-	1,297,258	1,297,258
Other	-	334,779	-	334,779
Total assets in fair value hierarchy	<u>\$ 60,677,768</u>	<u>\$ 334,779</u>	<u>\$ 1,297,258</u>	<u>\$ 62,309,805</u>
Investments (hedge funds) measured at net asset value				\$ 7,602,944
Real property				436,260
Investments at fair value				<u>\$ 70,349,009</u>

There were unfunded commitments of \$177,493 and \$272,000 for the years ended December 31, 2022 and 2021, respectively, on the private equity partnership.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(13) Fair Value Measurements (continued)

The hedge funds include investments in funds that invest in both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. The redemptions of hedge equity fund investments are limited to 25% of an investor's shares on a quarterly basis. The entire balance may be redeemed over 4 quarters with 90 days advance notice.

As required by U.S. GAAP, the following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3). Unrealized gains and/or losses are shown in the statements of activities and changes in net assets as "investment income, net".

	Private Equity fund
Balance, January 1, 2022	\$ 1,297,258
Investments income (loss), net	109,360
Purchases, sales, issuances and settlements, net	(182,014)
Balance December 31, 2022	<u>\$ 1,224,604</u>
Balance, January 1, 2021	\$ 847,073
Investments income (loss), net	542,766
Purchases, sales, issuances and settlements, net	(92,581)
Balance December 31, 2021	<u>\$ 1,297,258</u>

Instrument	Fair Value	Principal Valuation Technique	Range of Significant Input Values
Private Equity	\$1,224,604	Side pocket residual investment	Not applicable

(14) Endowment Net Assets

In accordance with the requirement established by the FASB, for endowment funds, the Museum shall provide information about the net assets of its endowment funds. The Museum's Board of Trustees (the Board) is of the belief they have a strong fiduciary duty to manage the assets of the Museum endowments in the most prudent manner possible. The Board recognizes the intent is to protect donor intent with respect to expenditures from endowments. If this intent is clearly expressed by the donor, whether the intent is in a written gift instrument or not, the intent of the donor is followed. If the intent is not expressed, the Board ensures the assets of the endowment are spent in a prudent manner which considers the purpose of the fund, current economic conditions, and preservation of the fund.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(14) Endowment Net Assets (continued)

The release of endowment funds which are intended to cover general operating expenses are budgeted for annually. A 12-quarter rolling average is used as the basis for this calculation. Total endowment funds released to operations in a given year will typically fall between 4%-6% of the 12-quarter average.

The investment goal is to ensure that the funds are invested for the exclusive benefit of the Museum in a prudent manner so that they will be available to meet the current and future needs of the Museum. It is the objective of this policy to generate long term growth coupled with sufficient income to support the current operating requirements of the Museum. An annual real total return (net of fees) of at least 5% measured over rolling five-year periods is expected. The goals and objectives of the Museum's investment policy are to 1) provide investment earnings adequate to fulfill the desires of donors as stated in the gift instruments, 2) achieve a total return adequate to fund the spending rate plus corpus growth to ensure future benefits to new generations, and 3) invest in a variety of diversified categories so that the diversity of the performance characteristics will reduce the volatility of returns from year to year.

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.

The composition of the Museum's endowments by net asset class as of December 31, 2022 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, by type			
Board-designated endowment funds	\$ 14,938,242	\$ -	\$ 14,938,242
Donor-restricted endowment funds	-	41,894,648	41,894,648
Total funds	<u>\$ 14,938,242</u>	<u>\$ 41,894,648</u>	<u>\$ 56,832,890</u>
 Changes in endowment net assets			
Endowment net assets, beginning of year	<u>20,834,925</u>	<u>44,732,647</u>	<u>65,567,572</u>
Investment income (loss), net	(4,286,784)	(4,338,129)	(8,624,913)
Legacies and bequests	30,000	-	30,000
Contributions	-	2,504,705	2,504,705
Subtotal	<u>(4,256,784)</u>	<u>(1,833,424)</u>	<u>(6,090,208)</u>
Other changes:			
Art purchase	-	(253,393)	(253,393)
Operating	(28,705)	(62,379)	(91,084)
Appropriations	(1,611,194)	(688,803)	(2,299,997)
Subtotal	<u>(1,639,899)</u>	<u>(1,004,575)</u>	<u>(2,644,474)</u>
Endowment net assets, end of year	<u>\$ 14,938,242</u>	<u>\$ 41,894,648</u>	<u>\$ 56,832,890</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(14) Endowment Net Assets (continued)

The composition of the Museum's endowments by net asset class as of December 31, 2021 was:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, by type			
Board-designated endowment funds	\$ 20,834,925	\$ -	\$ 20,834,925
Donor-restricted endowment funds	-	44,732,647	44,732,647
Total funds	<u>\$ 20,834,925</u>	<u>\$ 44,732,647</u>	<u>\$ 65,567,572</u>
Changes in endowment net assets			
Endowment net assets, beginning of year	<u>\$ 16,848,828</u>	<u>\$ 40,114,283</u>	<u>\$ 56,963,111</u>
Investment income (loss), net	5,646,043	5,374,916	11,020,959
Legacies and bequests	103,008	2,725	105,733
Contributions	-	171,078	171,078
Subtotal	<u>5,749,051</u>	<u>5,548,719</u>	<u>11,297,770</u>
Other changes:			
Art purchase	-	(200,014)	(200,014)
Operating	(46,872)	(64,970)	(111,842)
Appropriations	(1,716,082)	(665,371)	(2,381,453)
Subtotal	<u>(1,762,954)</u>	<u>(930,355)</u>	<u>(2,693,309)</u>
Endowment net assets, end of year	<u>\$ 20,834,925</u>	<u>\$ 44,732,647</u>	<u>\$ 65,567,572</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2022 and 2021

(15) Contributed Nonfinancial Assets

For the year ended December 31, contributed nonfinancial assets recognized within the statement of activities included:

	<u>2022</u>	<u>2021</u>
Utilities	\$ 552,632	\$ 439,000
Insurance	213,292	200,000
Telephone	36,000	36,000
Marketing	500,000	-
	<u>\$ 1,301,924</u>	<u>\$ 675,000</u>

The City of New Orleans pays certain costs on behalf of the Museum, including fine arts insurance, property insurance, phone and internet services, and electric utilities. These expenses have been recorded at \$801,924 and \$675,000 for the years ended December 31, 2022 and December 31, 2021. The electric utilities are based on actual costs billed during the year in 2022 and estimated for 2021. After the renewal of the fine arts insurance policy each year, a copy of the policy is provided to the Museum. Property insurance for the building is pooled with other City-owned property and reported at the estimated fair value within the insurance category above. The telephone and internet services are estimated based on current rates for similar services.

In 2022, the Museum received marketing support valued at \$500,000 in support of the *Queen Nefertari's Egypt* exhibition. The contributed local, regional, and national marketing spend was estimated based on the estimated fair value of comparable advertisements and services.

(16) Paycheck Protection Program Funding

On April 15, 2020, the Museum was advanced \$933,600 under the CARES Act Paycheck Protection Program (PPP). The Museum accounted for the PPP Loan in accordance with FASB ASC 958-605 as a conditional contribution as of December 31, 2020. The following year, on March 16, 2021, the Museum received \$912,800 under the second round of the PPP program. The conditions for forgiveness were met for both years and therefore, the contributions were recorded as federal grant revenue for each of the years ending 2021 and 2020, respectively. Forgiveness was awarded on July 27, 2021 for the first round and March 2, 2022 for the second round.

(17) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 30, 2023, and determined that there were no events that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

NEW ORLEANS MUSEUM OF ART
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NEW ORLEANS MUSEUM OF ART
Schedules of Endowment Funds
December 31, 2022 and 2021

Endowment Funds include both donor and board restricted funds and earnings thereon which have not yet been expended for the purposes stipulated by the donor or board. The Endowment Funds are comprised of the following as of December 31:

	2022	2021
	Total	Total
	Net Assets	Net Assets
Acquisitions Endowment Funds		
William McDonald and Eva Carol Boles Endowment Fund	\$ 4,606,913	\$ 5,519,554
George Frierson Art Purchase Fund	1,664,740	1,925,820
Robert Gordy Art Purchase Fund	1,240,817	1,453,338
Carmen Donaldson Art Purchase Fund	819,353	950,863
Carrie Heiderich Acquisition Fund	757,505	888,742
Elise Mayer Bestoff Endowment Fund	522,196	604,092
Mervin G. Morais Endowment for Decorative Arts	506,656	580,488
Tina Freeman Photography Art Purchase Fund	321,350	422,412
P.R. and Sunny Norman Art Purchase Fund	346,955	408,309
Joel Weinstock Art Purchase Fund	337,083	392,731
Francoise Billion Richardson African Art Acquisition Fund	289,089	350,986
Benjamin J. Harrod Art Purchase Fund	24,704	28,579
Augusta M. Jourdan Art Purchase Fund	21,282	24,619
Total Acquisitions Endowment Funds	11,458,643	13,550,533
Exhibition and Program Endowment Funds		
Russell Albright Photography Fund	1,120,875	1,296,660
Favrot Architecture and Design Endowment Fund	549,664	665,486
Azby Endowment Fund	350,562	423,413
Charlotte Mann & Joshua Mann Paillet Endowment Fund	283,415	347,501
Elise M. Besthoff Charitable Foundation Gallery	275,837	337,989
Chapman H. Hyams 1951 Trust Fund	310,616	308,423
George F. Lapeyre Fund	242,250	296,966
William Fagaly Endowment Fund	93,453	99,013
Chapman H. Hyams 1952 Trust Fund	27,151	26,971
Total Exhibition and Program Endowment Funds	3,253,823	3,802,422
Position Endowment Funds		
Zemurray Foundation Curatorial Fellow for Spanish Colonial Art	2,598,320	3,005,813
Lapis Arts of the Americas Curator	2,500,000	-
RosaMary Foundation Curator of Decorative Arts and Design	1,710,324	2,097,135
Ella West Freeman Foundation Director's Fund	1,653,893	2,027,942
Freeman Family Curator of Photography	1,409,520	1,728,295
Francoise Billion Richardson Curator of African Art Endowment Fund	593,119	727,262
Total Position Endowment Funds	10,465,176	9,586,447
Education Endowment Funds		
Taylor Education Endowment Fund	669,941	821,506
Patrick F. Taylor Scholar Fund	362,759	437,002
Janice Parmelee & Bill Hammack Early Education Fund	226,622	277,113
MD Van Horn Education Fund	206,786	253,571
David & Sara Kelso Early Education Fund	104,514	113,924
Total Education Endowment Funds	\$ 1,570,622	\$ 1,903,116

(continued)

NEW ORLEANS MUSEUM OF ART
Schedules of Endowment Funds
December 31, 2022 and 2021

	2022	2021
	Total	Total
	Net Assets	Net Assets
Operating Endowment Funds		
General Operating Endowment Fund	\$ 26,751,929	\$ 32,648,612
Besthoff Operating Endowment Fund	1,486,388	1,822,554
Helis Operating Endowment Fund	1,276,573	1,560,009
Collins Diboll Endowment Fund	569,736	693,879
	30,084,626	36,725,054
Total Operating Endowment Funds		
	\$ 56,832,890	\$ 65,567,572
	\$ 56,832,890	\$ 65,567,572
Reconciliation with Statements of Financial Position		
Net assets:		
Without donor restrictions		
Net assets without donor restrictions, in operating fund	\$ 30,858,251	\$ 31,884,633
Board designated, functioning as operating endowments	14,938,242	20,834,925
	45,796,493	52,719,558
	Total net assets without donor restrictions	Total net assets without donor restrictions
With donor restrictions	46,304,530	48,720,317
	92,101,023	101,439,875
	Total net assets	Total net assets
Less items not included in endowments:		
Net assets without donor restrictions in operating fund	(30,858,251)	(31,884,633)
Net assets with donor restrictions in funds for specified purposes	(4,409,882)	(3,987,670)
	(35,268,133)	(35,872,303)
	Total Endowment Funds	Total Endowment Funds
	\$ 56,832,890	\$ 65,567,572
	\$ 56,832,890	\$ 65,567,572

See accompanying independent auditors' report.

NEW ORLEANS MUSEUM OF ART

**Schedule of Compensation, Benefits,
and Other Payments to Agency Head
For the Year Ended December 31, 2022**

Agency Head Name: Susan M. Taylor, The Montine McDaniel Freeman Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits - insurance	-
Benefits - retirement	-
Deferred compensation	-
Benefits - Long term disability	-
Benefits - Life Insurance	-
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other	-
	<u>\$ -</u>

R.S. 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2015 Regular Session which clarified that nongovernmental or not for profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer paid from public funds.

This Museum is not required to report the total compensation, reimbursements, and benefits paid to the agency head as these costs are supported by private funds.

See accompanying independent auditors' report.

Independent Auditors' 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 Trustees
of New Orleans Museum of Art
New Orleans, Louisiana

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 New Orleans Museum of Art (a nonprofit organizations) (the Museum), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2023.

Report on 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) as a basis for designing 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 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 financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses 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 and significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Museum'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 financial statements. 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.

Postlethwaite & Netterville

Metairie, Louisiana
June 30, 2023

NEW ORLEANS MUSEUM OF ART

REPORT ON STATEWIDE
AGREED-UPON PROCEDURES on COMPLIANCE and CONTROL
AREAS

FOR THE YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of New Orleans Museum of Art and the Louisiana Legislative Auditor:

We have performed the procedures enumerated in Schedule A on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2022 through December 31, 2022. New Orleans Museum of Art's management is responsible for those C/C areas identified in the SAUPs.

New Orleans Museum of Art (the Museum) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2022 through December 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed, and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were engaged by the Museum to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Museum and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Postlethwaite & Netterville

Metairie, Louisiana
June 30, 2023

**NEW ORLEANS MUSEUM OF ART
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2022**

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read “*no exception noted*” or for step 13 “*we performed the procedure and discussed the results with management*”. If not, then a description of the exception ensues.

1) Written Policies and Procedures

A. Obtain and inspect the entity’s written policies and procedures and observe whether they address each of the following categories and subcategories (if applicable to public funds and the entity’s operations):

- i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.

No policies provided regarding budgeting.

- ii. ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

Policy lacked how vendors are added to vendor list. Policy lacked controls to ensure compliance with bid law. Policy lacked documentation required to be maintained for all bids and price quotes.

- iii. ***Disbursements***, including processing, reviewing, and approving

No exceptions noted.

- iv. ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

No exceptions noted.

- v. ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

No exceptions noted.

- vi. ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

No policy provided regarding contracting.

**NEW ORLEANS MUSEUM OF ART
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
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- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

No exceptions noted.

- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Policy lacked allowable business uses. Policy lacked documentation requirements. Policy lacked required approvers of statements. Policy lacked monitoring card usage.

- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

No exceptions noted.

- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Not applicable.

- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

No exceptions noted.

- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Not applicable.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- i. Observe whether the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions noted.

NEW ORLEANS MUSEUM OF ART
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Schedule A

- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

No exceptions noted.

- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

This attribute is not applicable for this non-for-profit entity.

- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

This attribute is not applicable, no audit findings.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

A listing of bank accounts was provided and included a total of 9 bank accounts. Management identified the entity's main operating account. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected 5 bank accounts (1 main operating and 4 randomly) and obtained the bank reconciliations for the month ending July 31, 2022, resulting in 5 bank reconciliations obtained and subjected to the below procedures.

- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

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Exceptions noted. For all 5 bank reconciliations selected for testing, the reconciliation provided has no evidence supporting the date prepared; therefore, it could not be reasonably determined that the bank reconciliation was complete within 2 months of the related statement closing date.

- ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Exceptions noted. For all 5 bank reconciliations selected for testing, the reconciliation provided has no written evidence of review by a member of management.

- iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Of the 5 bank accounts selected, 3 bank reconciliation had reconciling items that have been outstanding for more than 12 months. There was no documentation evidencing that these reconciling items were researched for proper disposition.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

A listing of deposit sites was provided and included a total of 2 deposit sites. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected the 2 deposit sites and performed the procedures below.

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

A listing of collection locations for each deposit site selected in procedure #4 was provided and included a total of 3 collection locations. No exceptions were noted as a result of performing this procedure.

From each of the listings provided, we selected all collection locations for each deposit site. Review of the entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

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- i. Employees responsible for cash collections do not share cash drawers/registers;

No exceptions noted.

- ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit;

No exceptions noted.

- iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and

No exceptions noted.

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee verifies the reconciliation.

No exceptions noted.

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.

No exceptions noted.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

We randomly selected 2 deposit dates for each of the 5 bank accounts selected in procedure #3. We obtained supporting documentation for each of the 10 deposits and performed the procedures below.

- i. Observe that receipts are sequentially pre-numbered.

The Entity does not maintain sequentially pre-numbered receipts.

- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

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The Entity does not maintain sequentially pre-numbered receipts, system reports, or other related collection documentation. As such, we were unable to perform the procedure.

- iii. Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

Exceptions noted. For 6 out of the 10 deposits selected for our procedures, the deposit was not made within one business day of receipt.

- v. Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

5) Non-payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

The listing of locations that process payments for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 locations and performed the procedures below.

- B. For each location selected under #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:

The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #8 was provided. Exceptions were noted as a result of performing this procedure.

Review of the Entity's written policies and procedures or inquiry with employee(s) regarding job duties was performed in order to perform the procedures below.

- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;

No exceptions noted.

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- ii. At least two employees are involved in processing and approving payments to vendors;

No exceptions noted.

- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;

Exceptions noted. The same employee who processed the payment can adjust vendor files.

- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and

Exceptions noted. The same employee who processed the payment is mailing the payment.

- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

No exceptions noted.

- C. For each location selected under #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and

A listing of non-payroll disbursements for each payment processing location selected in procedures #8 was provided related to the reporting period. Exceptions were noted as a result of performing this procedure.

From each of the listings provided, we randomly selected 5 disbursements and performed the procedures below.

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice, and that supporting documentation indicates that deliverables included on the invoice were received by the entity, and

No exceptions noted.

- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

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Exceptions noted. For 5 out of the 5 disbursements selected for our procedures, the payment processor had the ability to modify vendor files. For 5 out of the 5 disbursements selected for our procedures, the check signer did not mail check or give to someone other than payment processor to mail check.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

No exceptions noted.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

A listing of all active credit cards, bank debit cards, fuel cards, and P-cards for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and

From the listing provided, we randomly selected 5 credit cards used in the fiscal period. We randomly selected one monthly statement for each of the 5 cards selected and performed the procedures noted below.

- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported; and

Exceptions noted. For all 5 credit cards selected for our procedures, the monthly statement was not reviewed and approved, in writing, by someone other than the authorized card holder.

- ii. Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions noted.

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AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
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- C. Using the monthly statements or combined statements selected under procedure #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.

Exceptions noted. For 5 out of the 48 individual credit card transactions selected for testing, an original itemized receipt identifying precisely what was purchased could not be provided. For 6 out of the 48 individual credit card transactions selected for testing, written documentation of the business/public purpose could not be provided. For 1 out of the 48 individual credit card transactions selected for testing, documentation of the individuals participating in meals could not be provided.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

The listing of travel and travel-related expense reimbursements was provided for the fiscal period. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 reimbursements and performed the procedures below.

- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);

Of the 5 reimbursements selected for our procedures, none used a per diem. No exceptions noted.

- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

No exceptions noted.

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- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by “Written Policies and Procedures”, procedure #1A(vii); and

No exceptions noted.

- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner’s contract, and

An active vendor list for the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 contracts and performed the procedures below.

- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;

No exceptions noted.

- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter);

No exceptions noted.

- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and

No exceptions noted.

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- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

9) Payroll and Personnel

- A. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

A listing of employees/elected officials employed during the fiscal year was provided. No exceptions were noted as a result of performing this procedure.

From the listing provided, we randomly selected 5 employees/officials and performed the specified procedures. No exceptions noted.

- B. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and

We randomly selected 1 pay period during the fiscal period and performed the procedures below for the 5 employees/officials selected in procedure #16.

- i. Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);

No exceptions noted.

- ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

No exceptions noted.

- iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and

No exceptions noted.

- iv. Observe the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.

No exceptions noted.

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- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

A listing of employees/officials receiving termination payments during the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions noted.

10) Ethics

These procedures are not applicable because the Museum is a not-for-profit entity and does not have public debt.

- A. Using the 5 randomly selected employees/officials from procedure "Payroll and Personnel" procedure #9A, above obtain ethics documentation from management, and
- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

11) Debt Service

These procedures are not applicable because the Museum is a not-for-profit entity.

- A. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued as required by Article VII, Section 8 of the Louisiana Constitution.

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- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

Management represented that there we no misappropriations of public funds or assets during the fiscal period.

- B. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions noted.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures:

- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

We performed the procedure and discussed the results with management.

- ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

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- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidenced that the selected terminated employees have been removed or disabled from the network.

No exceptions noted.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from “Payroll and Personnel” procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

Not applicable.

- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website).

The notice was not posted on the Entity’s website or in a conspicuous location on the Entity’s premises.

- C. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

- i. Number and percentage of public servants in the agency who have completed the training requirements;

Not applicable.

- ii. Number of sexual harassment complaints received by the agency;

Not applicable.

- iii. Number of complaints which resulted in a finding that sexual harassment occurred;

Not applicable.

- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

Not applicable.

- v. Amount of time it took to resolve each complaint.

Not applicable.



**Corrective Action Plan for the Statewide Agreed Upon Procedures for the year ended
December 31, 2022**

Submitted to:

Postlethwaite & Netterville,
APAC 1 Galleria Blvd, Suite
2100
Metairie, LA 70001

New Orleans Museum of Art respectfully submits the following corrective action plan for the year ended December 31, 2022 for the corrective action implemented.

RESPONSE TO EXCEPTIONS IN STATEWIDE AUP RESULTS:

We have done a preliminary review of the recommendations provided in the AUP results. We are in agreement with the report as provided by Postlethwaite & Netterville. New Orleans Museum of Art will add policies and procedures and implement changes where necessary to meet the expectations identified in the report.

Signature: 

Title: CFO