

OGDEN MUSEUM OF SOUTHERN ART, INC.

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

DECEMBER 31, 2018 AND 2017



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Ogden Museum of Southern Art, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Ogden Museum of Southern Art, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



To the Board of Trustees of
Ogden Museum of Southern Art, Inc.
June 28, 2019

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ogden Museum of Southern Art, Inc as of December 31, 2018 and 2017, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements Ogden Museum of Southern Art, Inc. adopted the Financial Accounting Standards Board's ASU 2016-14, "*Not-for-Profit Entities*" for the year ended December 31, 2018. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits, and other payments to museum head is presented for purposes of additional analysis and is 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.



To the Board of Trustees of
Ogden Museum of Southern Art, Inc.
June 28, 2019

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, on our consideration of Ogden Museum of Southern Art, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Ogden Museum of Southern Art, Inc.'s 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 Ogden Museum of Southern Art, Inc.'s internal control over financial reporting and compliance.

June 28, 2019
New Orleans, Louisiana

Ericksen Krentel LLP

Certified Public Accountants

OGDEN MUSEUM OF SOUTHERN ART, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 1,192,800	\$ 982,441
Cash - donor restricted	234,338	233,753
Cash - board designated	149,842	500,143
Accounts receivable	164,825	52,548
Prepaid expenses	17,525	18,499
Promises to give, less present value discount	1,791,411	1,232,171
Inventory	114,238	164,417
Investments	472,225	508,851
Property and equipment - net	997,836	763,017
Art collection	2,545,896	2,425,896
Deposits	3,700	3,700
	<u> </u>	<u> </u>
Total assets	<u>\$ 7,684,636</u>	<u>\$ 6,885,436</u>
<u>LIABILITIES:</u>		
Accounts payable	\$ 362,632	\$ 134,628
Sales tax payable	-	3,750
Deferred revenue	160,720	191,798
Accrued vacation payable	57,960	39,057
Note payable	246,196	-
Construction contract payable	-	500,632
	<u> </u>	<u> </u>
Total liabilities	<u>827,508</u>	<u>869,865</u>
<u>NET ASSETS:</u>		
Without donor restrictions	5,720,171	4,698,992
With donor restrictions	1,136,957	1,316,579
	<u> </u>	<u> </u>
Total net assets	<u>6,857,128</u>	<u>6,015,571</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 7,684,636</u>	<u>\$ 6,885,436</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

OGDEN MUSEUM OF SOUTHERN ART, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT, OTHER REVENUES, AND RECLASSIFICATIONS:</u>			
Contributions, less discounts	\$ 2,200,580	\$ (66,890)	\$ 2,133,690
Grants	226,000	38,500	264,500
Memberships	214,708	-	214,708
Special event revenue	1,161,525	-	1,161,525
Admissions	329,437	-	329,437
Gift shop sales	223,933	-	223,933
Sculpture for New Orleans revenue	191,391	-	191,391
Other revenues	195,323	-	195,323
Investment (loss), net	(40,597)	-	(40,597)
Net assets released from restrictions	151,232	(151,232)	-
Total support, other revenues and reclassifications	4,853,532	(179,622)	4,673,910
<u>EXPENSES:</u>			
Program services	2,663,174	-	2,663,174
Supporting services			
Management and general	985,286	-	985,286
Fundraising	183,893	-	183,893
Total expenses	3,832,353	-	3,832,353
Change in net assets	1,021,179	(179,622)	841,557
Net assets, beginning of year	4,698,992	1,316,579	6,015,571
Net assets, end of year	\$ 5,720,171	\$ 1,136,957	\$ 6,857,128

See accompanying NOTES TO FINANCIAL STATEMENTS

OGDEN MUSEUM OF SOUTHERN ART, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT, OTHER REVENUES, AND RECLASSIFICATIONS:</u>			
Contributions, less discounts	\$ 1,090,622	\$ (56,197)	\$ 1,034,425
Grants	111,875	198,000	309,875
Memberships	182,566	-	182,566
Special event revenue	1,399,515	-	1,399,515
Admissions	334,411	-	334,411
Gift shop sales	188,131	-	188,131
Sculpture for New Orleans revenue	212,880	-	212,880
Other revenues	25,904	-	25,904
Investment return, net	49,320	-	49,320
Net assets released from restrictions	175,323	(175,323)	-
Total support, other revenues and reclassifications	3,770,547	(33,520)	3,737,027
<u>EXPENSES:</u>			
Program services	2,432,826	-	2,432,826
Supporting services			
Management and general	997,186	-	997,186
Fundraising	192,347	-	192,347
Total expenses	3,622,359	-	3,622,359
Change in net assets	148,188	(33,520)	114,668
Net assets, beginning of year	4,550,804	1,350,099	5,900,903
Net assets, end of year	\$ 4,698,992	\$ 1,316,579	\$ 6,015,571

See accompanying NOTES TO FINANCIAL STATEMENTS

OGDEN MUSEUM OF SOUTHERN ART, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 847,982	\$ 476,437	\$ 25,814	\$ 1,350,233
Payroll taxes	42,278	68,319	750	111,347
Employee benefits	39,165	28,578	293	68,036
	<u>929,425</u>	<u>573,334</u>	<u>26,857</u>	<u>1,529,616</u>
<u>EXPENSES:</u>				
Administrative	44,654	315,040	12,389	372,083
Development	137,918	5,120	-	143,038
Curatorial	564,237	-	-	564,237
Public relation	1,846	66,583	-	68,429
Travel and entertainment	47,641	9,892	-	57,533
Building	339,508	6,065	-	345,573
Gift shop and consigned merchandise sold	187,422	-	-	187,422
Museum store	17,153	-	-	17,153
Special event expenses	111,947	9,252	144,647	265,846
Education	112,894	-	-	112,894
Sculpture for New Orleans expenses	106,654	-	-	106,654
Depreciation	61,875	-	-	61,875
	<u>\$ 2,663,174</u>	<u>\$ 985,286</u>	<u>\$ 183,893</u>	<u>\$ 3,832,353</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

OGDEN MUSEUM OF SOUTHERN ART, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 881,196	\$ 443,464	\$ 35,177	\$ 1,359,837
Payroll taxes	41,900	33,218	1,276	76,394
Health insurance	43,788	28,400	1,550	73,738
	<u>966,884</u>	<u>505,082</u>	<u>38,003</u>	<u>1,509,969</u>
<u>EXPENSES:</u>				
Administrative	40,516	399,524	12,582	452,622
Development	147,119	5,583	-	152,702
Curatorial	313,362	-	-	313,362
Public relation	36,082	62,695	-	98,777
Travel and entertainment	46,290	5,942	-	52,232
Building	343,034	5,686	-	348,720
Gift shop and consigned merchandise sold	112,200	-	-	112,200
Museum store	14,258	-	-	14,258
Special event expenses	130,836	12,674	141,762	285,272
Education	87,632	-	-	87,632
Sculpture for New Orleans expenses	144,109	-	-	144,109
Depreciation	50,504	-	-	50,504
	<u>\$ 2,432,826</u>	<u>\$ 997,186</u>	<u>\$ 192,347</u>	<u>\$ 3,622,359</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

OGDEN MUSEUM OF SOUTHERN ART, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 841,557	\$ 114,668
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:		
Depreciation	61,875	50,504
Change in discount on promises to give	140,760	78,425
Non-cash contributions of art	(104,000)	(123,600)
Non-cash contributions of securities	(5,035)	(63,676)
Net realized/unrealized loss (gain) on investments	59,076	(41,699)
Gain on settlement of contract payable	(150,632)	-
(Increase) decrease in:		
Accounts receivable	(112,277)	5,387
Prepaid expenses	974	(6,516)
Promises to give	(700,000)	100,001
Inventory	50,179	7,263
Increase (decrease) in:		
Accounts payable	228,004	40,044
Sales tax payable	(3,750)	(614)
Deferred revenues	(31,078)	(21,492)
Accrued vacation payable	18,903	17,533
Construction contract payable	(350,000)	-
Net cash from (used for) operating activities	<u>(55,444)</u>	<u>156,228</u>
<u>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</u>		
Decrease (increase) in restricted/board designated cash	349,716	(305)
Purchases of art	(16,000)	-
Purchases of property and equipment	(46,694)	(29,859)
Proceeds from sale of investments	597,325	20,177
Purchases of investments	(614,740)	(26,713)
Net cash from (used for) investing activities	<u>269,607</u>	<u>(36,700)</u>
<u>CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:</u>		
Principal payments on note payable	(3,804)	(129,296)
Net cash from (used for) financing activities	<u>(3,804)</u>	<u>(129,296)</u>
Net increase (decrease) in cash and cash equivalents	210,359	(9,768)
Cash and cash equivalents, beginning of year	<u>982,441</u>	<u>992,209</u>
Cash and cash equivalents, end of year	<u>\$ 1,192,800</u>	<u>\$ 982,441</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

OGDEN MUSEUM OF SOUTHERN ART, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS**

Nature of Activities

The Ogden Museum of Southern Art, Inc. (the Museum) is a Louisiana non-profit corporation organized to broaden the knowledge, understanding, and appreciation of the visual arts and culture of the American South through its permanent collections, changing exhibitions, educational programs, publications, research center, and its Goldring-Woldenberg Institute for the Advancement of Southern Art and Culture. The Museum is supported primarily through donor contributions, museum admissions, memberships, and gift shop sales.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, the Museum is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Those net assets whose use is not restricted by donors.

Net Assets with Donor Restrictions – Those net assets whose use is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

OGDEN MUSEUM OF SOUTHERN ART, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)**

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Museum considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Cash – Donor Restricted and Board Designated

Cash – Donor Restricted and Board Designated consists of cash on deposit with financial institutions, the use of which is temporarily restricted for specific uses in subsequent periods, restricted for endowment fund purposes or designated for specific purposes by the Board of Trustees.

Accounts Receivable

Accounts receivable consists of grants and other receivables. The Museum provides an allowance for doubtful accounts based on management's estimate of collectability of accounts receivable. For the years ended December 31, 2018 and 2017, management determined that all amounts are collectible and no allowance is necessary.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, less any liabilities or expenses depending on the form of the benefits received. Promises to give are recorded at the net present value of estimated future cash flows using an appropriate discount rate. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Based on management's experience and relationship with donors, all unconditional promises to give are considered to be fully collectible.

Investments

Investments in marketable securities and mutual funds with readily determinable fair values and all investments in debt securities are reported at fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Dividend, interest, and other investment income are recorded as increases in net assets without donor restrictions unless the use is restricted by the donor.

OGDEN MUSEUM OF SOUTHERN ART, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)**

Investments (Continued)

FASB ASC topic 820, *Fair Value Measurements and Disclosures* emphasizes market-based measurement and, in doing so, stipulates a fair value hierarchy. The hierarchy is based on the type of inputs, or data used, to measure fair value. The fair value hierarchy is summarized below:

Level 1 lies at the top of the hierarchy; inputs are quoted prices in active markets.

Level 2 inputs are in the middle of the hierarchy, where data is adjusted from similar items traded in markets that are active markets or from identical or similar items in markets that are not active. Level 2 inputs do not stem directly from quoted prices. No Level 2 inputs were used by the Museum.

Level 3 inputs are unobservable and require the entity to develop its own assumptions. No Level 3 inputs were used by the Museum.

Inventories

Gift shop and marketing material inventories are stated at the lower of cost, fair value at date of donation, or net realizable value.

Property and Equipment

Improvements, furniture, and equipment are recorded at cost at the date of acquisition, or market value at date of donation in the case of gifts. The Museum has adopted the practice of capitalizing all expenditures for depreciable assets where the unit cost exceeds \$1,500. Minor replacements, maintenance, and repairs that do not improve or extend the useful lives of the respective assets are charged to expense as incurred. Depreciation is computed on a straight-line basis over the following estimated useful lives:

Leasehold improvements	30 years or remaining lease term
Furniture and fixtures	10 years
Equipment	5 years

Donations of property and equipment are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Museum reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

OGDEN MUSEUM OF SOUTHERN ART, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)**

Art Collection

Art collection consists of works of art. The Museum does not record depreciation on its collections because depreciation is not presently required to be recognized on individual works of art whose economic benefit or service potential is used so slowly that their estimated useful lives are extraordinarily long. Collection items are capitalized at cost, if the items were purchased, or at their appraised or fair values, if the items were contributed.

Deferred Revenue

Income from membership dues is deferred and recognized over the periods to which the dues relate.

Contributions and Revenue

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

A substantial number of volunteers have given extensive amounts of time and services to the Museum. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under FASB ASC 958-605-50-1, *Accounting for Contributions Received and Contributions Made*.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Museum.

OGDEN MUSEUM OF SOUTHERN ART, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)**

Income Taxes

The Museum is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes. However, income from certain activities not directly related to the Museum's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Museum qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a).

The Museum's evaluation as of December 31, 2018 revealed no tax positions that would have a material impact on the financial statements. The 2015 through 2017 tax years remain subject to examination by the IRS. The tax return for the year ended December 31, 2018 has not been filed as of the report date. The Museum does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Impairment of Long-Lived Assets

The Museum periodically evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. 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 by independent market appraisals or by using the anticipated cash flows discounted at a rate commensurate with the risk involved. 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 recognized for the years ended December 31, 2018 or 2017.

Advertising

All non-direct response advertising costs, other than marketing materials inventory, are expensed as incurred. Advertising expense amounted to \$167,903 and \$205,954 for the years ended December 31, 2018 and 2017, respectively.

Fundraising Expenses

All expenses associated with fundraising activities are expensed as incurred, including those expenses related to fundraising appeals in a subsequent year.

OGDEN MUSEUM OF SOUTHERN ART, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)

Subsequent Events

Subsequent events have been evaluated through June 28, 2019, which is the date the financial statements were available to be issued.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – the Presentation of Financial Statements of Not-for-Profit Entities*. The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Museum has adjusted the presentation of these statements accordingly.

(2) SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION

Cash paid for interest during the years ended December 31, 2018 and 2017 amounted to \$1,033 and \$2,949, respectively.

Non-cash Investing and Financing Activities

During the year ended December 31, 2018, the Museum financed the acquisition of a chiller through a note payable of \$250,000.

(3) PROMISES TO GIVE

Promises to give consist of the following at December 31st:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 320,000	\$ 120,000
Receivable in one to five years	1,000,000	400,000
Receivable in more than five years	<u>1,000,000</u>	<u>1,100,000</u>
Total promises to give	2,320,000	1,620,000
Less discounts to net present value	<u>(528,589)</u>	<u>(387,829)</u>
Net promises to give	<u>\$ 1,791,411</u>	<u>\$ 1,232,171</u>

OGDEN MUSEUM OF SOUTHERN ART, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(3) PROMISES TO GIVE (CONTINUED)

Promises to give that are to be received after 2018 are discounted to net present value based on the applicable federal rate (3.6% and 2.6% at December 31, 2018 and 2017, respectively) for valuing these types of gifts. Uncollectible promises are expected to be insignificant; therefore, no allowance has been recorded for the years ended December 31, 2018 and 2017.

(4) INVESTMENTS

Investments are stated at market value and consist of the following at December 31st:

	<u>2018</u>	<u>2017</u>
Money market	\$ 9,519	\$ 62,990
Equity securities	135,509	3,475
Mutual funds	<u>327,197</u>	<u>442,386</u>
	<u>\$ 472,225</u>	<u>\$ 508,851</u>

The following schedule summarizes the investment return classified as unrestricted in the Statement of Activities for the year ended December 31st:

	<u>2018</u>	<u>2017</u>
Interests and dividends	\$ 24,394	\$ 7,621
Realized (losses) gains	11,024	20,177
Unrealized (losses) gains	(70,100)	21,522
Fees	<u>(5,915)</u>	<u>-</u>
	<u>\$ (40,597)</u>	<u>\$ 49,320</u>

In accordance with FASB ASC topic 820, *Fair Value Measurements and Disclosures*, the fair value of these assets and investments are determined by quoted prices in active market (Level 1). See Note 1 for a description of the Museum's policies and valuation procedures.

OGDEN MUSEUM OF SOUTHERN ART, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(5) PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31st:

	2018	2017
Leasehold improvements	\$ 1,420,120	\$ 1,125,191
Furniture, fixtures, and equipment	520,811	519,046
	1,940,931	1,644,237
Less: accumulated depreciation	(943,095)	(881,220)
	\$ 997,836	\$ 763,017

Depreciation expense totaled \$61,875 and \$50,504 for the years ended December 31, 2018 and 2017, respectively.

(6) NOTE PAYABLE

The Museum was obligated on a note payable to Hancock Whitney Bank which requires monthly interest and principal payments of \$4,837 and matures on November 16, 2023. Interest expense is based on a rate of 5.95% and totaled \$1,033 for the year ended December 31, 2018. The note had a balance of \$246,196 at December 31, 2018.

The maturity of the note payable at December 31, 2018 is as follows:

2019	\$	44,397
2020		47,116
2021		50,072
2022		53,178
2023		51,433
	\$	246,196

The Museum was also obligated on a note payable to Whitney Bank which required monthly interest payments at the prime rate (4% at December 31, 2017) with principal due on December 9, 2017. Interest expense on the note totaled \$2,949 for the year ended December 31, 2017. The note was paid off during 2017. The loan was guaranteed by three current or former members of the Board of Trustees, all of which were released from their obligation when the loan was paid off.

OGDEN MUSEUM OF SOUTHERN ART, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following at December 31st:

	<u>2018</u>	<u>2017</u>
Exhibitions	\$ -	\$ 22,673
Educational programs	67,250	157,309
Endowment funds	<u>1,069,707</u>	<u>1,136,597</u>
	<u>\$ 1,136,957</u>	<u>\$ 1,316,579</u>

Net assets with donor restrictions were released from restrictions for the following purposes during the year ended December 31st:

	<u>2018</u>	<u>2017</u>
Exhibitions	\$ 26,757	\$ 4,341
Educational programs	124,475	79,133
Administrative	-	89,849
LDOA After Hours	<u>-</u>	<u>2,000</u>
	<u>\$ 151,232</u>	<u>\$ 175,323</u>

(8) ENDOWMENT FUNDS

The Museum's endowment established in 2013 consists of donor designated gifts to support the Museum's operations. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Museum classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA.

OGDEN MUSEUM OF SOUTHERN ART, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(8) ENDOWMENT FUNDS (CONTINUED)

In accordance with UPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income, and (6) the Museum's spending policies.

Spending Policies

The Museum has a policy of appropriating for distribution when needed the endowment fund's income that is not with donor restrictions, and the Museum plans to allocate income annually to support the Museum's operating costs. The current spending policy is expected to allow the endowment fund to grow as a result of earned income. This is consistent with the Museum's objectives to provide income for its operations supported by the endowment, preserve endowment assets without subjecting them to substantial risk, and provide additional real growth through new gifts.

Endowment Net Assets

Endowment net asset composition by type of fund at December 31, 2018 and 2017 is as follows:

	2018	2017
Donor-designated funds	\$ 1,069,707	\$ 1,136,597

Change in endowment net assets at December 31, 2018 and 2017 consists of the following:

	2018	2017
Endowment net assets, beginning of year	\$ 1,136,597	\$ 1,192,794
Contributions	8,000	19,000
Net accretion on present value discount	(74,890)	(75,197)
Amounts appropriated for expenditure	-	-
Endowment net assets, end of year	\$ 1,069,707	\$ 1,136,597

(9) CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Museum to concentrations of credit risk consist principally of cash and cash equivalents and receivables. The Museum's policy is to not require receivables to be collateralized.

OGDEN MUSEUM OF SOUTHERN ART, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(9) CONCENTRATION OF CREDIT RISK (CONTINUED)

The Museum maintains its cash and cash equivalents in several local financial institutions in Louisiana. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2018 and 2017, cash deposits in excess of the insured limits totaled \$1,025,189 and \$1,217,045, respectively. The Museum has not experienced a loss in such accounts and believes it is not exposed to any significant credit risk on cash.

One donor contributed 12% and 11% of total revenues to the Museum for the years ended December 31, 2018 and 2017, respectively.

(10) DONATED SERVICES

During the years ended December 31, 2018 and 2017, the Museum received donated legal services totaling \$22,436 and \$28,055, respectively, which are reflected in the statement of activities as offsetting contribution revenue and administrative expenses.

(11) RELATED PARTY TRANSACTIONS

The Board of Trustees provides support to the Museum through contribution and membership revenues. Total revenues from the Board amounted to \$751,975 and \$187,154 for the years ended December 31, 2018 and 2017, respectively.

As more fully disclosed in Note 6, some members of the Board of Trustees were guarantors on the note payable to Whitney Bank.

(12) COOPERATIVE ENDEAVOR AGREEMENT

The accompanying financial statements do not include certain portions of the Museum's expenses paid directly by the University of New Orleans under a cooperative endeavor agreement between the University of New Orleans, the UNO Foundation, and the Museum. These expenses include utilities for the years ended December 31, 2018 and 2017.

OGDEN MUSEUM OF SOUTHERN ART, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(13) CO-ORGANIZATION AGREEMENT

On September 25, 2017, the Museum entered into an exhibition co-organization agreement with the Baltimore Museum of Art. The parties agree to share the net income equally. Revenues are recorded when received and expenses as incurred. Total revenues as recorded as part of this agreement was \$167,409 and \$235,000 for the years ended December 31, 2018 and 2017, respectively, located in contributions and other revenues on the statements of activities. Total expenses as recorded as part of this agreement was \$305,352 and \$154,329 for the years ended December 31, 2018 and 2017, respectively, located in curatorial expenses on the statements of activities. Amounts due from the Baltimore Museum of Art was \$42,409 at December 31, 2018 located in accounts receivable on the statements of financial position. Amounts due to the Baltimore Museum of Art was \$307,969 at December 31, 2018 located in accounts payable on the statements of financial position. There were no amounts due to or from Baltimore Museum of Art as of December 31, 2017.

(14) PENSION PLAN

The Museum has a deferred compensation 401(k) plan for qualifying employees. The employer makes a discretionary matching contribution to the plan based upon the level of individual employee contributions. There were no amounts expensed for this plan during the years ended December 31, 2018 and 2017.

(15) CONTINGENCIES

At December 31, 2017, the Museum listed an outstanding balance of \$500,632 due to a construction contractor for construction of a passageway between Goldring Hall and Taylor Library. Although contested, this amount was included in the accompanying statements of financial position as a liability. There was a dispute over which entity is ultimately responsible for the payment of this liability. The matter has been settled with the Museum making a payment of \$350,000 in complete satisfaction of a disputed obligation to the construction contractor. As a result of the settlement agreement, a gain of \$150,632 was recognized and recorded in other revenue in the statement of activities.

The Museum is involved in litigation and other legal proceedings arising in the ordinary course of its business. The eventual resolution of these matters is not expected to have an adverse effect on the Museum's financial position, results of operations, or cash flows.

(16) LIQUIDITY AND AVAILIBLTY OF FINANCIAL ASSETS

The following reflects Ogden Museum of Southern Art, Inc.'s financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available also include amounts set aside for future required funding of debt. However, amounts already appropriated for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

OGDEN MUSEUM OF SOUTHERN ART, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

(16) LIQUIDITY AND AVAILIBLTY OF FINANCIAL ASSETS (CONTINUED)

	2018	2017
Financial assets, at year end	\$ 4,005,441	\$ 3,509,907
Less those unavailable for general expenditure		
Within one year due to:		
Contractual or donor-imposed restrictions:		
Endowment fund	1,069,707	1,136,597
Restricted by donor with time or purpose restrictions	234,338	233,753
Board designated	149,833	500,134
Debt service	201,799	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,349,764	\$ 1,639,423

The Museum is substantially supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Museum must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Museum's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(17) RECLASSISIFICATIONS

Certain reclassifications have been made to prior year amounts to conform with the current year presentation.



**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
Ogden Museum of Southern Art, Inc.

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 Ogden Museum of Southern Art, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ogden Museum of Southern Art, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ogden Museum of Southern Art, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 purpose 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002 that we consider to be significant deficiencies.



To the Board of Trustees of
Ogden Museum of Southern Art, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ogden Museum of Southern Art, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Ogden Museum of Southern Art, Inc.'s Response to Findings

Ogden Museum of Southern Art, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Ogden Museum of Southern Art, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

June 28, 2019
New Orleans, Louisiana

Erickson Krentel LLP

Certified Public Accountants

OGDEN MUSEUM OF SOUTHERN ART, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

I. SUMMARY OF INDEPENDENT AUDITORS' REPORTS

1. The independent auditors' report expresses an unmodified opinion on the financial statements of Ogden Museum of Southern Art, Inc.
2. Significant deficiencies in internal control relating to the audit of the financial statements were reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Ogden Museum of Southern Art, Inc. were reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
4. A management letter was issued for the year ended December 31, 2018.

II. FINANCIAL STATEMENT FINDINGS

Significant Deficiencies

2018-001 Inventory Management

Condition: Donated inventory items for the year were not recorded, inventory records were not completely adjusted to physical inventory count, differences were noted between inventory records and the general ledger, and monthly reconciliations of inventory records to the general ledger are not being performed. Some inventory items need to be evaluated for obsolescence; however, those items are immaterial.

Criteria: FASB ASC 985-605-25-20 states that gifts in kind shall be reported as contributions and measured at fair value when originally received.

FASB ASC 330-10-35-1 states that when there is evidence that the utility of goods, in their disposal in the ordinary course of business, will be less than cost, whether due to physical deterioration, obsolescence, changes in price levels, or other causes, the difference should be recognized as a loss of the current period.

Cause: The Museum did not have a procedure in place to ensure that inventory is reconciled monthly and obsolete, slow-moving inventory items were properly written off at the time the determination of obsolescence was made by management.

OGDEN MUSEUM OF SOUTHERN ART, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Effect: Inventory was understated as of December 31, 2018.

Recommendations: We recommend that donated items are recorded when received. We recommend that all adjustments after a physical inventory count be made to the inventory records and the general ledger. We recommend that monthly inventory reconciliations be prepared to identify the reconciling items between the general ledger and the inventory records. This will provide a test of the accuracy of both systems and, therefore, provide more accurate monthly financial statements.

We recommend that the Museum continue to reinforce the detailed policies that address the proper handling and disposal of obsolete, slow-moving items. Additionally, management should continue to perform a detailed review of obsolete, slow-moving items on a regular basis and ensure that all such items have been properly recorded on a consistent basis.

Views of Responsible Officials: Management is in agreement with the finding and is actively working on implementing the recommendation. See Management's Correction Action Plan for further information.

2018-002 Donated Legal Services

Condition: The Museum did not record donated legal services.

Criteria: FASB ASC 958-605-25-16 requires that contributions of services be recognized if the services received meet any of the following criteria: (a) they create or enhance a nonfinancial asset and (b) they require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, such as services provided by a lawyer. Recognized contributed services should be reported as contribution revenue and as assets or expenses

Cause: The Museum did not have a procedure in place to ensure that donated legal services were properly recorded in the financial books and records.

Effect: The Museum's contributions and expenses were understated as of December 31, 2018.

Recommendation: We recommend that the Museum improve controls to ensure that the donated services are (a) properly tracked and evaluated to determine if the appropriate recognition criteria are met and (b) consistently and properly valued.

Views of Responsible Officials: Management is in agreement with the finding and is actively working on implementing the recommendation. See Management's Correction Action Plan for further information.

OGDEN MUSEUM OF SOUTHERN ART, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

Material Weaknesses

2017-001 Present Value Discount on Promise to Give

Condition: The Museum did not record the present value discount on promises to give using the applicable federal rate as December 31, 2017 and 2016. Instead the Museum used a flat rate of 2% for both year ends.

Current Status: The Museum used the applicable federal rate for December 2018.

This issue has been resolved for the year end December 31, 2018.

2017-002 Inventory Management

Condition: Several inventory items were determined to be slow-moving and/or obsolete in a prior year; however, those items were not actually removed from the Museum's accounting records.

Current Status: There has been no change in procedures in the current year.

This issue has not been resolved and has been repeated as a finding for the year ended December 31, 2018.

Significant Deficiencies

2017-003 Donated Legal Services

Condition: The Museum did not record donated legal services.

Current Status: The Museum does not have a procedure in place to ensure that donated legal services were properly recorded in the financial books and records.

This issue has not been resolved and has been repeated as a finding for the year ended December 31, 2018.

OGDEN MUSEUM OF SOUTHERN ART, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION II MANAGEMENT LETTER

2017-004 Journal Entry Approval

Condition: Our review of the general journal entries revealed that many entries lack proper approval by a responsible employee. We recommend the adoption of a policy whereby all journal entries will be approved by the controller or other designated member of management. All entries should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individuals.

Current Status: The Museum has not changed their policy on journal entry approvals.

This issue has not been resolved as documented by Management Letter Item 2018-004.

2017-005 Establish Written Financial Policies and Procedures

Condition: We noted that the Museum lacks formal, written financial policies and procedures concerning its key transaction processes. Written procedures, instructions, and assignments of duties help to prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that similar transactions are treated consistently, the accounting principles used are proper, and that records are produced in the form desired by management. We recommend that the Museum develop a comprehensive set of policies and procedures specifically related to its accounting procedures and controls.

Current Status: The Museum has been reviewing their financial policies and procedures and is in process of updating them.

This issue has not been resolved as documented by Management Letter Item 2018-005.



OGDEN MUSEUM OF SOUTHERN ART, INC.
MANAGEMENT'S CORRECTIVE ACTION PLAN – FINDINGS
DECEMBER 31, 2018

June 28, 2019

Louisiana Legislative Auditor

The Ogden Museum of Southern Art, Inc., respectfully submits the following corrective action plan for the year ended December 31, 2018.

Name and address of independent public accounting firm:

Ericksen Krentel, L.L.P.
4227 Canal St.
New Orleans, Louisiana 70119
Contact: Claude Silverman

Audit Period: 01/01/2018 to 12/31/2018

The findings from the December 31, 2018 schedule of findings and responses are discussed below. The findings are numbered consistently with the number assigned in the schedule of findings and responses.

SECTION II FINANCIAL STATEMENT FINDINGS

2018-001 Inventory Management

Recommendations: We recommend that donated items are recorded when received. We recommend that all adjustments after a physical inventory count be made to the inventory records and the general ledger. We recommend that monthly inventory reconciliations be prepared to identify the reconciling items between the general ledger and the inventory records. This will provide a test of the accuracy of both systems and, therefore, provide more accurate monthly financial statements.

Response: Reconciliations of the inventory records and the general ledger will be performed monthly. Going forward, the Ogden Museum will record donated inventory when received. Twice a year, the Ogden Museum will perform a detailed review of all inventory items. During these reviews, obsolete, slow-moving inventory items will be addressed and properly recorded. The inventory asset accounts have been corrected for 2018 with a correcting journal entry.

2018-002 Donated Legal Services

Recommendation: The Museum should improve controls to ensure that the donated services are (a) properly tracked and evaluated to determine if the appropriate recognition criteria are met and (b) consistently and properly valued.

OGDEN MUSEUM OF SOUTHERN ART, INC.
MANAGEMENT'S CORRECTIVE ACTION PLAN – FINDINGS (CONTINUED)
DECEMBER 31, 2018

Response: Going forward, the Ogden Museum will record donated services that meet the recognition criteria on a monthly basis. At year-end, the total value of donated services will be recognized and confirmed with individuals and organizations that donated those qualifying services. Donated services have been corrected for 2018 with a correcting journal entry.

If there are any questions regarding this plan, please contact William Andrews at wandrews@ogdenmuseum.org.

Sincerely,



Signature

Deputy Director

Title



MANAGEMENT LETTER

June 28, 2019

To the Board of Trustees of the
Ogden Museum of Southern Art, Inc.

In planning and performing our audit of the financial statements of Ogden Museum of Southern Art, Inc. (the Museum), as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, we considered the Museum's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. A separate letter dated June 28, 2019 contains our communication of significant deficiencies or material weaknesses in the Museums' internal controls. This letter does not affect our report dated June 28, 2019, on the financial statements of Ogden Museum of Southern Art, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Ogden Museum of Southern Art, Inc. personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

2018-003 Long Outstanding Items

During our audit testing, we noted many long-outstanding checks and deposits. We recommend that the Museum review the long-outstanding items and void and re-issue as necessary or report to the state as required by escheat laws.



To the Board of Trustees of the
Ogden Museum of Southern Art, Inc.
June 28, 2019
Page 2

2018-004 Journal Entry Approval

Our review of the general journal entries revealed that many entries lack proper approval by a responsible employee. We recommend the adoption of a policy whereby all journal entries will be approved by the controller or other designated member of management. All entries should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individuals.

2018-005 Establish Written Financial Policies and Procedures

We noted that the Museum lacks formal, written financial policies and procedures concerning its key transaction processes. Written procedures, instructions, and assignments of duties help to prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that similar transactions are treated consistently, the accounting principles used are proper, and that records are produced in the form desired by management. We recommend that the Museum develop a comprehensive set of policies and procedures specifically related to its accounting procedures and controls.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within Ogden Museum of Southern Art, Inc., and the Louisiana Legislative Auditor and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.

Very truly yours,

Erickson Krentel LLP

Certified Public Accountants



OGDEN MUSEUM OF SOUTHERN ART, INC.
MANAGEMENT'S CORRECTIVE ACTION PLAN – MANAGEMENT LETTER ITEMS
DECEMBER 31, 2018

Louisiana Legislative Auditor

The Ogden Museum of Southern Art, Inc., respectfully submits the following corrective action plan for the year ended December 31, 2018.

Name and address of independent public accounting firm:

Ericksen Krentel, L.L.P.
4227 Canal St.
New Orleans, Louisiana 70119
Contact: Claude Silverman

Audit Period: 01/01/2018 to 12/31/2018

The comments from the December 31, 2018 Management Letter are discussed below. The comments are numbered consistently with the number assigned in the Management Letter.

SECTION III MANAGEMENT LETTER ITEMS

2018-003 Long Outstanding Items

Recommendation: We recommend that the Museum review the many long-outstanding items and then void and re-issue as necessary or report to the state as required by escheat laws.

Response: The Ogden Museum will review and investigate the many long-outstanding checks and deposits and then void and re-issue as necessary or report to the state as required by escheat laws.

2018-004 Journal Entry Approval

Recommendation: We recommend the adoption of a policy whereby all journal entries will be approved by the controller or other designated member of management. All entries should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individuals.

Response: Going forward, the Ogden Museum will adopt a policy of approving all journal entries. Both the preparer and approver will initial all entries.

2018-005 Establish Written Financial Policies and Procedures

Recommendation: We recommend that the Museum develop a comprehensive set of policies and procedures specifically related to its accounting procedures and controls.

OGDEN MUSEUM OF SOUTHERN ART, INC.
MANAGEMENT'S CORRECTIVE ACTION PLAN – MANAGEMENT LETTER ITEMS
(CONTINUED)
DECEMBER 31, 2018

If there are any questions regarding this plan, please contact William Andrews at
wandrews@ogdenmuseum.org

Sincerely,



Signature

Deputy Director

Title