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**LOUISIANA MUSEUM FOUNDATION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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Postlethwaite & Netterville

A Professional Accounting Corporation

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**LOUISIANA MUSEUM FOUNDATION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Louisiana Museum Foundation  
New Orleans, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Louisiana Museum Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

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

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

**Opinion**

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the Louisiana Museum Foundation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Other Matter**

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 or on behalf of the Agency Head on page 17 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Foundation's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

New Orleans, Louisiana  
December 29, 2017

**LOUISIANA MUSEUM FOUNDATION**  
**NEW ORLEANS, LOUISIANA**

**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

	<b><u>ASSETS</u></b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
Cash and cash equivalents	\$ 736,777	\$ 456,123
Investments	2,362,894	2,337,887
Unconditional promises to give	11,851	32,436
Prepaid expenses and other assets	19,442	7,180
Furniture and office equipment, net	6,565	12,812
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 3,137,529</u></b>	<b><u>\$ 2,846,438</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Accounts payable	\$ 27,712	\$ 27,256
<b><u>TOTAL LIABILITIES</u></b>	<b><u>27,712</u></b>	<b><u>27,256</u></b>
Unrestricted		
Undesignated	470,862	276,267
Designated for endowment purposes	535,820	497,746
Designated for reserve purposes	153,729	153,729
Designated for records retention project	4,137	4,137
<b><u>TOTAL UNRESTRICTED NET ASSETS</u></b>	<b><u>1,164,548</u></b>	<b><u>931,879</u></b>
Temporarily restricted	1,945,269	1,887,303
<b><u>TOTAL NET ASSETS</u></b>	<b><u>3,109,817</u></b>	<b><u>2,819,182</u></b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 3,137,529</u></b>	<b><u>\$ 2,846,438</u></b>

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

**LOUISIANA MUSEUM FOUNDATION**  
**NEW ORLEANS, LOUISIANA**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>REVENUES</u></b>			
Memberships and contributions	\$ 109,168	\$ 133,040	\$ 242,208
Grants	-	27,202	27,202
Program management fees	30,328	-	30,328
Gala	80,550	-	80,550
Facility use contributions	-	172,388	172,388
Net unrealized gain on investments	14,310	15,158	29,468
Net realized gain on investments	18,517	56,181	74,698
Interest and dividends	26,085	42,615	68,700
Settlement revenue	438,323	-	438,323
	<hr/>	<hr/>	<hr/>
<b>Total revenues</b>	717,281	446,584	1,163,865
<b>Net assets released from restrictions</b>	<hr/>	<hr/>	<hr/>
	388,618	(388,618)	-
	<hr/>	<hr/>	<hr/>
<b>Total revenues and support</b>	1,105,899	57,966	1,163,865
	<hr/>	<hr/>	<hr/>
<b><u>EXPENSES</u></b>			
Program expenses	685,843	-	685,843
Fundraising	19,517	-	19,517
General and administrative expenses	102,123	-	102,123
Settlement expense	65,747	-	65,747
	<hr/>	<hr/>	<hr/>
<b>Total expenses</b>	873,230	-	873,230
	<hr/>	<hr/>	<hr/>
<b>Change in net assets</b>	232,669	57,966	290,635
	<hr/>	<hr/>	<hr/>
<b>Net assets, beginning of year</b>	931,879	1,887,303	2,819,182
	<hr/>	<hr/>	<hr/>
<b>Net assets, end of year</b>	<u>\$ 1,164,548</u>	<u>\$ 1,945,269</u>	<u>\$ 3,109,817</u>

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

**LOUISIANA MUSEUM FOUNDATION**  
**NEW ORLEANS, LOUISIANA**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>REVENUES</u></b>			
Memberships and contributions	\$ 115,757	\$ 165,785	\$ 281,542
Grants	-	149,351	149,351
Program management fees	50,289	-	50,289
Gala	156,929	-	156,929
Facility use contributions	-	187,875	187,875
Net unrealized gain on investments	10,116	65,258	75,374
Net realized loss on investments	(11,745)	(49,453)	(61,198)
Interest and dividends	25,805	41,827	67,632
	<hr/>	<hr/>	<hr/>
<b>Total revenues</b>	347,151	560,643	907,794
<b>Net assets released from restrictions</b>	<hr/>	<hr/>	<hr/>
	433,126	(433,126)	-
	<hr/>	<hr/>	<hr/>
<b>Total revenues and support</b>	780,277	127,517	907,794
<b><u>EXPENSES</u></b>			
Program expenses	801,374	-	801,374
Fundraising	18,884	-	18,884
General and administrative expenses	130,938	-	130,938
	<hr/>	<hr/>	<hr/>
<b>Total expenses</b>	951,196	-	951,196
<b>Change in net assets</b>	(170,919)	127,517	(43,402)
<b>Net assets, beginning of year</b>	<hr/>	<hr/>	<hr/>
	1,102,798	1,759,786	2,862,584
<b>Net assets, end of year</b>	<hr/>	<hr/>	<hr/>
	\$ 931,879	\$ 1,887,303	\$ 2,819,182

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

**LOUISIANA MUSEUM FOUNDATION**  
**NEW ORLEANS, LOUISIANA**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 290,635	\$ (43,402)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	6,247	9,637
Net unrealized gain on investments	(29,468)	(75,374)
Decrease (increase) in unconditional promises to give	20,585	(19,721)
Increase in prepaid expenses and other assets	(12,262)	(501)
Increase in accounts payable	456	552
Net cash provided by (used in) operating activities	276,193	(128,809)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of office equipment	-	(581)
Purchase of investments	(200,000)	(100,000)
Sale of investments	204,461	72,173
Net cash provided by (used in) investing activities	4,461	(28,408)
<b>Net increase (decrease) in cash and cash equivalents</b>	280,654	(157,217)
Cash and cash equivalents, beginning of year	456,123	613,340
Cash and cash equivalents, end of year	\$ 736,777	\$ 456,123

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

**LOUISIANA MUSEUM FOUNDATION**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Nature of Organization and Summary of Significant Accounting Policies**

The Louisiana Museum Foundation (the Foundation) is a nonprofit corporation which was formed to support the Louisiana State Museum (the Museum), through fund administration, promotional activities, fund raising programs and events, and management assistance.

**Organization and Income Tax**

The Foundation is a nonprofit corporation organized under the laws of the State of Louisiana to provide support to the Louisiana State Museum. It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC), and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the IRC. It is also exempt from Louisiana income tax under the authority of R.S. 47:121(5).

**Financial Statement Presentation**

Financial statement presentation follows the recommendations of the *Not-for-Profit Entities* Topic of the Accounting Standards Codification of the Financial Accounting Standards Board (ASC). Under the *Not-for-Profit Entities* Topic of the ASC, the Foundation classifies its net assets and revenues based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Unrestricted Net Assets** – Receives contributions and other revenues and expends funds for the general operation of the Foundation and for program support for the Louisiana State Museum. The Board of Directors of the Foundation has designated a portion of its unrestricted net assets for specific use.

**Temporarily Restricted Net Assets** – Grants and other revenues specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period.

**Permanently Restricted Net Assets** – Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by the Foundation. The Foundation does not have any permanently restricted net assets.

**Basis of Accounting**

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

**Use of Estimates**

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

**LOUISIANA MUSEUM FOUNDATION**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Nature of Organization and Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

For the purposes of the statements of cash flows, the Foundation considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash equivalents.

**Promises to Give**

Contributions are recognized as assets and revenues when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All promises to give at June 30, 2017 and 2016 were unconditional and receivable in less than one year. All promises to give are deemed by management to be collectible.

**Investments**

Investments of certificates of deposit are presented in the financial statements at cost which approximates fair market value. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities and changes in net assets. Gains, losses, and investment income are accounted for as unrestricted, temporarily restricted, or permanently restricted based on restrictions, if any, imposed by donors.

The Foundation records donated securities at their fair market value at the date of donation. Investments are shown in the financial statements at approximate current fair market value. Realized and unrealized gains and losses are included in the statement of activities and changes in net assets.

**Furniture and Office Equipment**

Furniture and office equipment of the Foundation are recorded at cost and depreciated over the estimated useful life using the straight-line method. Estimated useful life of furniture and office equipment is five to seven years, except computer equipment which is three years.

**Compensated Absences**

During the year ended June 30, 2017, the Foundation implemented a compensated absences policy. Employees of the Foundation are entitled to paid vacation and paid sick days, depending on job classification, length of service, and other factors. The Foundation estimates the amount of compensation for future absences, and, accordingly, a liability has been recorded in the accompanying financial statements. The Foundation's policy is to recognize the costs of vested compensated absences when accrued.

**LOUISIANA MUSEUM FOUNDATION**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Nature of Organization and Summary of Significant Accounting Policies (continued)**

**Contribution and Revenue Recognition**

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restrictions. When the restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

**Recent Accounting Pronouncements**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosures of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risks is required. This ASU is effective for fiscal years beginning after December 15, 2017. Early application of the standard is permitted. The Foundation is currently assessing the impact of this pronouncement on the financial statements.

In February 2016, FASB issued 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. This ASU is effective for fiscal years beginning after December 15, 2019. The Foundation is currently assessing the impact of this pronouncement on its financial statements.

**2. Furniture and Office Equipment**

Furniture and office equipment at June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Furniture and office equipment, cost	\$ 91,656	\$ 112,931
Less: accumulated depreciation	<u>(85,091)</u>	<u>(100,119)</u>
Furniture and office equipment, net	<u>\$ 6,565</u>	<u>\$ 12,812</u>

Depreciation expense totaled \$6,247 and \$9,637 for the years ended June 30, 2017 and 2016, respectively.

**LOUISIANA MUSEUM FOUNDATION**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**3. Investments**

Investments consist of the following at June 30th:

	<u>Fair Market Value</u>	<u>Cost</u>	<u>Excess of Market Over (Under) Cost Value</u>
<u>June 30, 2017</u>			
Certificates of deposit	\$ 200,000	\$ 200,000	
Mutual funds	<u>2,162,894</u>	<u>1,921,459</u>	
Total	<u>\$ 2,362,894</u>	<u>\$ 2,121,459</u>	<u>\$ 241,435</u>
<u>June 30, 2016</u>			
Certificates of deposit	\$ 300,000	\$ 300,000	
Mutual funds	<u>2,037,887</u>	<u>1,825,920</u>	
Total	<u>\$ 2,337,887</u>	<u>\$ 2,125,920</u>	<u>\$ 211,967</u>
Net unrealized gain for the year ended June 30, 2017			<u>\$ 29,468</u>

**LOUISIANA MUSEUM FOUNDATION**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**4. Temporarily Restricted Net Assets**

Changes in temporarily restricted net assets during the year ended June 30, 2017 were as follows:

Fund	Balance June 30, 2016	Revenues	Expenses	Transfers	Balance June 30, 2017
Collections, Acquisitions and Conservation					
LSM Collections Fund	\$ 4,055	\$ -	\$ 1,178	\$ -	\$ 2,877
New Orleans Branch Mint Coin Collection	875	-	-	-	875
Map Collection	250	-	-	-	250
Socola Painting	5,715	-	-	-	5,715
Photography Collection	2,487	-	-	-	2,487
Colonial Documents	8,676	-	8,676	-	-
Textiles and Costumes Collection	848	500	50	-	1,298
Colonial Documents National Endowment for the Humanities	-	1,282	1,282	-	-
Visual Arts	782	-	-	-	782
Decorative Arts	2,195	-	-	-	2,195
Louisiana Historical Center	1,477	536	54	-	1,959
Louisiana Endowment for the Humanities Grant	169	1,020	100	(1,089)	-
Exhibits					
Hurricane Exhibit Community Contributions	651	-	651	-	-
Traveling Exhibits	6	-	-	-	6
Washington Mardi Gras	10,000	-	-	-	10,000
Small Permanent Exhibits	2,603	-	-	-	2,603
Big Apple Big Easy	870	-	-	-	870
Women's Krewe's Exhibit Fund	13,500	10,750	22,352	-	1,898
Battle of New Orleans Community Exhibit	568	-	568	-	-
Exhibits Department Fund	-	75	8	-	67
Educational Programming / Public Outreach					
Louisiana State Museum Miscellaneous Educational and Special Project	431	-	-	-	431
K-12 Education Fund	1,749	-	-	-	1,749
Created Equal Gilder Lehrman Grant	1,200	-	1,150	-	50
Patrick F Taylor Grant Fund	7,185	10,900	4,902	-	13,183
Reading Room Attendant Fund	35,040	-	12,945	-	22,095
Bequests					
Norma Eyrich Gross Cabildo	6,272	-	6,272	-	-
Welch Cartoon Bequest	9,800	-	-	-	9,800
New Orleans Jazz Museum					
Jazz Museum and Blue Room Fund	22,337	55,747	28,175	(33,909)	16,000
Jazz Curator Fund	-	12,700	2,153	375	10,922
Downriver Festival	-	3,000	300	-	2,700
Jazz Collection	10,638	1,950	3,652	(374)	8,562
MAIM Program Partners	-	13,901	19,148	12,271	7,024
NOJM Community	-	-	-	33,909	33,909
NOJM Education	-	10,000	-	-	10,000
Other					
Museum Endowment Fund	1,510,171	113,373	16,084	-	1,607,460
Louisiana State Museum	102,106	172,388	19,154	(150,000)	105,340
Joint Budget 2013	991	-	991	-	-
Joint Budget 2014A	1,356	-	1,356	-	-
Joint Budget 2014B	1,811	-	1,811	-	-
Joint Budget 2015 - 2016	40,427	-	34,450	(4,417)	1,560
Joint Budget 2016 - 2017	-	-	136,257	154,417	18,160
Peg Bolton Fund	1,790	-	-	-	1,790
Baton Rouge Museum	-	1,691	169	-	1,522
Natchitoches Fund	7,727	10,405	8,187	-	9,945
Regional Museums Fund	21,639	6,495	12,407	1,089	16,816
Historian Fund	-	75	8	-	67
LSM All Purpose	42,746	16,931	55,792	-	3,885
LSM Marketing	6,160	2,865	608	-	8,417
<b>Totals</b>	<b>\$ 1,887,303</b>	<b>\$446,584</b>	<b>\$400,890</b>	<b>\$ 12,272</b>	<b>** \$ 1,945,269</b>

\*\* The balance in transfers is related to reclassifications/circumstances resulting in the net of transfers in to (out of) temporarily restricted funds

**LOUISIANA MUSEUM FOUNDATION**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**4. Temporarily Restricted Net Assets (continued)**

Changes in temporarily restricted net assets during the year ended June 30, 2016 were as follows:

Fund	Balance June 30, 2015	Revenues	Expenses	Transfers	Balance June 30, 2016
<b>Collections, Acquisitions and Conservation</b>					
LSM Collections Fund	\$ 3,652	\$ 917	\$ 514	\$ -	\$ 4,055
Jazz Collection	10,413	250	25	-	10,638
New Orleans Branch Mint Coin Collection	875	-	-	-	875
Map Collection	250	-	-	-	250
Socola Painting	5,715	-	-	-	5,715
Photography Collection	2,487	-	-	-	2,487
Colonial Documents	12,894	50	4,268	-	8,676
War of 1812 Coat	991	-	-	(991)	-
Textiles and Costumes Collection	1,008	100	260	-	848
Colonial Documents National Endowment for the Humanities	-	97,615	97,615	-	-
Visual Arts	1,280	-	498	-	782
Decorative Arts	620	1,750	175	-	2,195
National Center for Preservation Technology and Training Grant Fund	-	28,201	28,201	-	-
Louisiana Historical Center	1,198	292	13	-	1,477
Louisiana Endowment for the Humanities Grant	-	3,750	3,581	-	169
<b>Exhibits</b>					
Hurricane Exhibit Community Contributions	2,156	1,500	3,005	-	651
Jazz Museum Community Contributions	25,639	53,427	169,729	113,000	22,337
Traveling Exhibits	129	1,500	1,623	-	6
Washington Mardi Gras	10,000	-	-	-	10,000
Small Permanent Exhibits	2,603	-	-	-	2,603
Big Apple Big Easy	4,223	-	3,353	-	870
Women's Krewes Exhibit Fund	-	15,000	1,500	-	13,500
Krewe of Hermes	1,887	-	-	(1,887)	-
Battle of New Orleans Community Exhibit	618	-	50	-	568
<b>Educational Programming / Public Outreach</b>					
Louisiana State Museum Miscellaneous Educational and Special Project	431	-	-	-	431
K-12 Education Fund	1,949	-	200	-	1,749
Publications	1,017	-	956	(61)	-
Performing Arts Venue	-	-	(90)	(90)	-
Created Equal Gilder Lehrman Grant	1,200	-	-	-	1,200
Patrick F Taylor Grant Fund	-	19,785	12,600	-	7,185
Reading Room Attendant Fund	22,260	25,000	12,220	-	35,040
<b>Bequests</b>					
Norma Eyrich Gross Cabildo	6,272	-	-	-	6,272
Welch Cartoon Bequest	9,800	-	-	-	9,800
<b>Other</b>					
Museum Endowment Fund	1,468,146	57,632	15,607	-	1,510,171
Louisiana State Museum	88,849	187,875	19,618	(155,000)	102,106
Joint Budget 2013	-	-	-	991	991
Joint Budget 2014A	12,523	-	11,167	-	1,356
Joint Budget 2014B	10,039	-	8,228	-	1,811
Joint Budget 2015	-	-	109,573	150,000	40,427
Peg Bolton Fund	1,790	-	-	-	1,790
Baton Rouge Museum	2,576	-	-	(2,576)	-
Natchitoches Fund	7,959	12,500	5,029	(7,703)	7,727
Regional Museums Fund	-	20,186	8,827	10,280	21,639
LSM All Purpose	36,145	28,780	27,179	5,000	42,746
LSM Marketing	192	4,533	452	1,887	6,160
<b>Totals</b>	<b>\$ 1,759,786</b>	<b>\$560,643</b>	<b>\$545,976</b>	<b>\$112,850 **</b>	<b>\$ 1,887,303</b>

\*\* The balance in transfers is related to reclassifications/circumstances resulting in the net of transfers in to (out of) temporarily restricted funds

**LOUISIANA MUSEUM FOUNDATION**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. Fair Value Measurements**

The Foundation follows the provisions of the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification. Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.

Level 3 - Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The Foundation's measurements of fair value are made on a recurring basis, and their valuation techniques for assets recorded at fair value are as follows:

Mutual Funds - The fair value of mutual funds is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Certificates of Deposit – Fair value approximates cost basis.

**LOUISIANA MUSEUM FOUNDATION**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

5. **Fair Value Measurements (continued)**

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ 200,000	\$ -	\$ -	\$ 200,000
Mutual Funds				
Bonds	531,937	-	-	531,937
Equities	1,274,935	-	-	1,274,935
Other	356,022	-	-	356,022
<b>Total</b>	<b>\$ 2,362,894</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,362,894</b>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ 300,000	\$ -	\$ -	\$ 300,000
Mutual Funds				
Bonds	527,297	-	-	527,297
Equities	1,180,176	-	-	1,180,176
Other	330,414	-	-	330,414
<b>Total</b>	<b>\$ 2,337,887</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,337,887</b>

At June 30, 2017 and 2016 there were no assets measured at fair value on a non-recurring basis.

6. **Concentration of Credit Risk**

The Foundation has concentrated its credit risk for cash by maintaining deposits in financial institutions in New Orleans, Louisiana, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

7. **Louisiana State Museum Fund and Joint Budget Funds**

Donations are made to the Foundation by groups or individuals who use the Museum's facilities for special functions. The Foundation must designate these funds for use by the Louisiana State Museum for endowment, educational, acquisitions, publications, conservation, and building function support purposes. Expenditures of net monies from the funds are subject to the approval of the Joint Legislative Committee on the Budget, State of Louisiana.

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**NOTES TO FINANCIAL STATEMENTS**

8. **Museum Endowment Fund**

The Museum Endowment Fund was created by the Board to accumulate \$3,000,000 for Museum support. Revenue and other support for the fund consist of contributions, investment income, and transfer of excess funds from other temporarily restricted or unrestricted funds as the Board authorizes.

1. Expenditures of investment income earned from the temporarily restricted portion of the corpus are limited to acquisitions, conservation, exhibitions, public programs, and publications.
2. No expenditures are to be made until the temporarily restricted portion of the fund reaches a corpus balance of \$3,000,000. Annually, thereafter, 50% of investments income may be spent; the other 50% is to be added to corpus.
3. The temporarily restricted portion of the corpus is never to be touched except for emergencies.
4. Emergency expenditures of the temporarily restricted portion of the corpus will require 100% approval of the members of the Louisiana Museum Foundation Board of Directors present at a board meeting with a quorum of members in attendance.

Investment expenses, fees, and charges related to the endowment totaled \$20,679 and \$20,747 for the years ended June 30, 2017 and 2016, respectively.

Activity in the Museum Endowment Fund was as follows:

	<b><u>Temporarily Restricted</u></b>	<b><u>Unrestricted</u></b>	<b><u>Total</u></b>
<b><u>Balance, June 30, 2015</u></b>	\$ 1,468,146	\$ 483,894	\$ 1,952,040
Interest and dividends	41,827	13,781	55,608
Net unrealized gain on investments	65,258	21,510	86,768
Net realized loss on investments	(49,453)	(16,300)	(65,753)
Fees and expenses	<u>(15,606)</u>	<u>(5,141)</u>	<u>(20,747)</u>
<b><u>Balance, June 30, 2016</u></b>	<u>1,510,172</u>	<u>497,744</u>	<u>2,007,916</u>
Interest and dividends	42,615	14,046	56,661
Net unrealized gain on investments	15,158	9,526	24,684
Net realized gain on investments	56,181	18,517	74,698
Fees and expenses	<u>(16,666)</u>	<u>(4,013)</u>	<u>(20,679)</u>
<b><u>Balance, June 30, 2017</u></b>	<u>\$ 1,607,460</u>	<u>\$ 535,820</u>	<u>\$ 2,143,280</u>

**LOUISIANA MUSEUM FOUNDATION**  
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**NOTES TO FINANCIAL STATEMENTS**

9. **Accounting for Uncertain Tax Positions**

The Foundation follows the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB Accounting Standards Codification. All tax returns have been appropriately filed by the Foundation. The Foundation recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Foundation's tax filings are subject to audit by various taxing authorities. Management evaluated the Foundation's tax position and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Foundation's 2017 tax return has not been filed as of the report date.

10. **Gain on Settlement**

During the year ending June 30, 2017, the Foundation settled a claim filed with the Deepwater Horizon Court-Supervised Settlement Program for approximately \$438,000, which is recorded in Settlement Revenue in the accompanying statement of activities. Additionally, during the year ending June 30, 2017, the Foundation paid approximately \$66,000 in fees to an accounting firm to assist with the application and processing of this settlement. These fees are included in general and administrative expenses on the Statement of Activities and Changes in net Assets.

11. **Subsequent Events**

Management has evaluated events through the date that the financial statements were available to be issued, December 29, 2017, noting no events requiring disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

**LOUISIANA MUSEUM FOUNDATION**  
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**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER**  
**PAYMENTS TO OR ON BEHALF OF THE AGENCY HEAD**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Agency Head Name: Susan Maclay, Executive Director**

<b><u>Purpose</u></b>	<b><u>Amount</u></b>
Salary	\$ -
Benefits - Insurance	-
Benefits - Retirement	-

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.

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

**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**

Board of Directors  
Louisiana Museum Foundation  
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 the Louisiana Museum Foundation (the Foundation) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 December 29, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Foundation's internal control over financial reporting (internal control) to determine the auditing 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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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. 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 may exist that have not been identified.

**Compliance and Other Matters**

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

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

*Postlethwaite & Netterville*

New Orleans, Louisiana  
December 29, 2017