
NEW ORLEANS MUSEUM OF ART
FINANCIAL STATEMENTS AND SCHEDULES
DECEMBER 31, 2018



Postlethwaite & Netterville

A Professional Accounting Corporation

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NEW ORLEANS MUSEUM OF ART

Financial Statements and Schedules

December 31, 2018

With Independent Auditors' Report Thereon

NEW ORLEANS MUSEUM OF ART

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Independent Auditors' Report

The Board of Trustees
New Orleans Museum of Art:

We have audited the accompanying financial statements of the New Orleans Museum of Art (a nonprofit organization) (the Museum), which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Orleans Museum of Art 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Museum adopted Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, in the current year related to the presentation of financial statements. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included on pages 23 and 24 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 June 27, 2019 on our consideration of the Museum's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Museum's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control over financial reporting and compliance.



Metairie, Louisiana
June 27, 2019

NEW ORLEANS MUSEUM OF ART

Statements of Financial Position

December 31, 2018 and 2017

	Assets	
	2018	2017
Current assets:		
Cash and cash equivalents	\$ 780,900	\$ 1,697,654
Promises to give (note 5)	2,892,019	1,915,260
Accounts receivables	95,162	50,603
Inventories	310,717	347,090
Prepaid expenses	110,130	138,584
Total current assets	4,188,928	4,669,698
Restricted cash	2,207,986	520,507
Promises to give, long-term (note 5)	3,695,729	4,073,333
Investments, long-term and real property (note 3)	53,371,691	58,771,029
Building, improvements and equipment, net (note 4)	22,008,487	12,418,782
Total assets	\$ 85,472,821	\$ 79,932,842
	Liabilities	
Current liabilities:		
Accounts payable	\$ 718,317	\$ 265,329
Accrued payroll and related expenses	444,470	413,541
Total current liabilities	1,162,787	678,870
Lines of credit (note 6)	6,180,382	-
Total liabilities	7,343,169	678,870
	Net assets	
Without donor restrictions:		
Programming, general operations and improvements	21,208,446	12,595,532
Board designated quasi-endowment	14,045,081	16,110,054
Total net assets without donor restrictions	35,253,527	28,705,586
With donor restrictions	42,876,125	50,548,386
Total net assets	78,129,652	79,253,972
Total liabilities and net assets	\$ 85,472,821	\$ 79,932,842

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

NEW ORLEANS MUSEUM OF ART

Statements of Activities

Years ended December 31, 2018 and 2017

	2018			2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue:						
Support:						
Individual contributions	\$ 272,895	\$ 1,682,062	\$ 1,954,957	\$ 215,021	\$ 2,779,227	\$ 2,994,248
City, state, and federal grants	133,932	-	133,932	163,931	-	163,931
Corporate support	74,910	334,500	409,410	41,895	140,050	181,945
Affiliate memberships	442,872	-	442,872	417,496	-	417,496
Fundraising events (net of direct costs)	677,965	-	677,965	807,057	-	807,057
Legacies and bequests	20,000	10,850	30,850	4,527,661	-	4,527,661
Foundations	519,498	9,646,848	10,166,346	495,061	6,227,770	6,722,831
Total support	2,142,072	11,674,260	13,816,332	6,668,122	9,147,047	15,815,169
Revenue:						
Memberships	483,994	-	483,994	478,136	-	478,136
Admissions	840,710	-	840,710	534,150	-	534,150
Programs	158,763	-	158,763	98,925	-	98,925
Auxiliary activities	844,741	214,343	1,059,084	760,694	6,787	767,481
Investment income (loss), net	(866,080)	(1,536,460)	(2,402,540)	2,982,999	4,356,303	7,339,302
Miscellaneous	53,001	9,846	62,847	17,441	(158)	17,283
Deaccessions	-	2,300	2,300	-	14,439	14,439
Total revenue	1,515,129	(1,309,971)	205,158	4,872,345	4,377,371	9,249,716
Total support and revenue before net assets released from restrictions	3,657,201	10,364,289	14,021,490	11,540,467	13,524,418	25,064,885
Net assets released from restrictions (note 7)	18,036,550	(18,036,550)	-	5,761,358	(5,761,358)	-
Total support and revenue	21,693,751	(7,672,261)	14,021,490	17,301,825	7,763,060	25,064,885

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

NEW ORLEANS MUSEUM OF ART

Statements of Activities

Years ended December 31, 2018 and 2017

	2018			2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Expenses:						
Art and education:						
Collections	\$ 4,750,821	\$ -	\$ 4,750,821	\$ 4,358,293	\$ -	\$ 4,358,293
Art accessions not capitalized	5,572,409	-	5,572,409	4,257,259	-	4,257,259
Support services:						
Management and general:						
Management and general	2,189,820	-	2,189,820	1,878,593	-	1,878,593
Building and security	1,365,889	-	1,365,889	1,397,900	-	1,397,900
Fundraising and membership	1,266,871	-	1,266,871	1,284,808	-	1,284,808
Total expenses	<u>15,145,810</u>	<u>-</u>	<u>15,145,810</u>	<u>13,176,853</u>	<u>-</u>	<u>13,176,853</u>
Change in net assets	6,547,941	(7,672,261)	(1,124,320)	4,124,972	7,763,060	11,888,032
Net assets at beginning of year	<u>28,705,586</u>	<u>50,548,386</u>	<u>79,253,972</u>	<u>24,580,614</u>	<u>42,785,326</u>	<u>67,365,940</u>
Net assets at end of year	<u>\$ 35,253,527</u>	<u>\$ 42,876,125</u>	<u>\$ 78,129,652</u>	<u>\$ 28,705,586</u>	<u>\$ 50,548,386</u>	<u>\$ 79,253,972</u>

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

NEW ORLEANS MUSEUM OF ART

Statements of Cash Flows

Years ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Cash received from government entities	\$ 133,932	\$ 163,931
Cash received from contributors	9,789,101	12,306,138
Cash received from memberships and member activities	1,029,492	1,128,496
Cash received from auxiliary operations	1,059,084	767,481
Interest and dividends received	518,852	74,964
Cash paid to employees and suppliers	(8,582,662)	(8,243,213)
Net cash provided by operating activities	3,947,799	6,197,797
Cash flows from investing activities:		
Purchases of investments	(47,366,222)	(9,243,682)
Proceeds from maturities/sales of investments	50,363,020	7,630,938
Proceeds from sales of art	2,300	14,439
Purchases of art acquisitions	(5,572,409)	(4,257,259)
Purchases of building, improvements and equipment	(10,033,730)	(1,095,637)
Net cash used in investing activities	(12,607,041)	(6,951,201)
Cash flows from financing activities:		
Proceeds from restricted contributions	(50,000)	100,000
Proceeds from Sculpture Garden lines of credit	6,180,382	-
Contributions received for Sculpture Garden construction	3,299,585	1,873,973
Net cash provided by financing activities	9,429,967	1,973,973
Net increase in cash and cash equivalents	770,725	1,220,569
Cash and cash equivalents at beginning of year	2,218,161	997,592
Cash and cash equivalents at end of year	\$ 2,988,886	\$ 2,218,161
Composition of cash and cash equivalents at end of year:		
Cash and cash equivalents	\$ 780,900	\$ 1,697,654
Restricted cash	2,207,986	520,507
	\$ 2,988,886	\$ 2,218,161
<u>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY</u>		
Accounts payable for Sculpture Garden construction	\$ 278,042	\$ 191,534

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

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2018 and 2017

(1) Summary of Significant Accounting Policies

(a) History and Organization

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

(b) Financial Statement Presentation

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

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

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

(c) Cash and Cash Equivalents

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

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2018 and 2017

(1) Summary of Significant Accounting Policies (continued)

(d) Promises to Give

Contributions are recognized when the donor makes a promise to give to the Museum that is, in substance, unconditional. The Museum provides for an allowance for uncollectible unconditional promises receivable when necessary based on prior years' experience and management's analysis of specific promises made. At December 31, 2018 and 2017, the allowance was \$-0-. Promises to give that are expected to be collected in future years are considered long-term and are recorded at the net realizable value of estimated future cash flows.

(e) Inventory

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

(f) Investments

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

(g) Building, Improvements and Equipment

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

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using appraisals. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose. There were no impairments of long-lived assets recorded by management during the years ended December 31, 2018 and 2017.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2018 and 2017

(1) Summary of Significant Accounting Policies (continued)

(h) Art Collection

In conformity with the practice followed by many museums, art purchased and donated is not capitalized. During 2018 and 2017, the cost of collection items purchased by the Museum as a decrease in the appropriate class of net assets was \$5,572,409 and \$4,257,259, respectively. When not on display in the permanent collection galleries, the objects are maintained in climate controlled storage. The Museum maintains policies and procedures addressing the maintenance and conservation of the collection, as well as other aspects of its management, including accession/deaccession policies.

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

(i) Vacation and Sick Pay

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

(j) Revenue Recognition

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional contributions and promises to give are not recognized until the conditions on which they depend have been substantially met.

(k) Donated Services and In-Kind Contributions

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

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2018 and 2017

(1) Summary of Significant Accounting Policies (continued)

(l) Income Taxes

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

(m) Use of Estimates

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

(n) Financial Instruments and Credit Risk

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

(o) Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

(p) Recent Accounting Pronouncements - Adopted

The Museum adopted Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash, effective for the year ended December 31, 2018. The ASU requires presentation of the total change in cash, cash equivalents, restricted cash, and restricted cash equivalents for the period in the statements of cash flows.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2018 and 2017

(1) Summary of Significant Accounting Policies (continued)

(p) Recent Accounting Pronouncements – Adopted (continued)

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *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, enhanced disclosures about underwater endowment funds, and the lack of consistency in the type of information provided about expenses and investment return. The Museum has implemented ASU 2016-14 and adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

(q) Recent Accounting Pronouncements – Not Yet Adopted

Revenue Recognition

The FASB has issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. This standard will be effective for the Museum for the year ending December 31, 2019.

Contributions

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This standard will be effective for the Museum for the year ending December 31, 2019.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years' results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, companies can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of retained earnings. This standard will be effective for the Museum for the year ending December 31, 2020.

The Museum is currently assessing the impact of these pronouncements on its financial statements.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2018 and 2017

(2) Liquidity and Availability

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

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

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

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

Financial assets at year end:

Cash and cash equivalents	\$ 2,988,886
Promises to give	6,587,748
Accounts receivables	95,162
Investments	52,935,431
Total financial assets at year-end	<u>\$ 62,607,227</u>

Financial assets available to meet general expenditures over the next 12 months:

Cash and cash equivalents	\$ 364,990
Accounts receivables	38,986
Donor-restricted endowment appropriations over next 12 months	1,499,747
Board restricted quasi-endowment appropriations over next 12 months	797,832
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 2,701,555</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2018 and 2017

(3) Investments

The market value of investments is as follows at December 31:

	<u>2018</u>	<u>2017</u>
Cash equivalents	\$ 531,118	\$ 1,687,296
Mutual funds	30,717,715	35,047,491
Corporate stocks	272,220	298,722
Real property	436,260	436,260
Hedge funds	21,183,612	21,050,165
Other	230,766	251,095
	<u>\$ 53,371,691</u>	<u>\$ 58,771,029</u>

Investments are held for the following purposes:

	<u>2018</u>	<u>2017</u>
Without donor restrictions, substantially board designated	<u>\$ 13,149,886</u>	<u>\$ 14,826,968</u>
With donor restrictions:		
Operating:		
Capital	2,558,860	4,788,175
Curatorship, functioning as endowments	5,488,532	5,200,253
Directorship, functioning as endowments	1,533,047	1,714,983
Education programs	1,013,711	1,426,570
Gallery maintenance	1,016,594	1,808,596
Exhibitions and programming	15,416,778	15,493,309
Scholar programs	372,152	357,143
	<u>27,399,674</u>	<u>30,789,029</u>
Art accessions	<u>12,822,131</u>	<u>13,155,032</u>
	<u>\$ 53,371,691</u>	<u>\$ 58,771,029</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2018 and 2017

(4) Building, Improvements, and Equipment

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

2018				
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	Estimated useful lives
Building and improvements	\$ 18,324,753	\$ (11,035,913)	\$ 7,288,840	39-40 years
Equipment	1,145,529	(765,377)	380,152	5-7 years
Vehicles	94,246	(57,064)	37,182	5 years
Land improvements	450,076	(191,282)	258,794	40 years
Sculpture garden	3,535,527	(1,346,543)	2,188,984	40 years
Construction in progress	11,854,535	-	11,854,535	N/A
	<u>\$ 35,404,666</u>	<u>\$ (13,396,179)</u>	<u>\$ 22,008,487</u>	
2017				
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	Estimated useful lives
Building and improvements	\$ 18,324,753	\$ (10,572,107)	\$ 7,752,646	39-40 years
Equipment	1,119,651	(636,367)	483,284	5-7 years
Vehicles	94,247	(47,447)	46,800	5 years
Land improvements	450,076	(180,130)	269,946	40 years
Sculpture garden	3,535,527	(1,238,063)	2,297,464	40 years
Construction in progress	1,568,642	-	1,568,642	N/A
	<u>\$ 25,092,896</u>	<u>\$ (12,674,114)</u>	<u>\$ 12,418,782</u>	

Construction in progress for the years ended December 31, 2018 and 2017 represent construction costs related to the expansion of the Sydney and Walda Besthoff Sculpture Garden. On May 15, 2019 the Museum opened the expansion of the renowned Sydney and Walda Besthoff Sculpture Garden. The expansion is privately funded, with sites for sculptures, an outdoor amphitheater and stage, pedestrian bridges and walkways, a new gallery and an outdoor learning center.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2018 and 2017

(5) Promises to Give

Promises to give are dedicated by the donors for the Museum's Endowments, Sculpture Garden, or other operating purposes and represent a promise by the donors to pay after the year end. Promises to give were \$6,587,748 and \$5,988,593 at December 31, 2018 and 2017, respectively, and due in the following installments at December 31:

	<u>2018</u>	<u>2017</u>
2018	\$ -	\$ 1,915,260
2019	2,892,019	2,264,583
2020	1,191,892	711,250
2021	1,689,625	456,250
2022	429,212	461,250
2023	285,000	180,000
2024	100,000	-
	<u>\$ 6,587,748</u>	<u>\$ 5,988,593</u>

(6) Lines of Credit

On February 2, 2018, the Museum entered into a \$5,500,000 bank line of credit with a local bank that expires on February 2, 2023. The line of credit bears interest at LIBOR plus 2.44% and is secured by pledge receivables of the Museum. Interest is due monthly, with all accrued interest and principal due at maturity. As of December 31, 2018, the Museum had a balance of \$5,498,130 outstanding under this line of credit. For the year ended December 31, 2018, interest expense totaled \$111,709.

On October 10, 2018, the Museum entered into a \$6,500,000 bank line of credit with a local bank that expires on February 2, 2023. The line of credit bears interest at LIBOR plus 2.44% and is secured by pledge receivables of the Museum. Interest is due monthly, with all accrued interest and principal due at maturity. As of December 31, 2018, the Museum had a balance of \$682,252 outstanding under this line of credit. For the year ended December 31, 2018, interest expense totaled \$0.

(7) Net Assets Released

Assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Purpose accomplished:		
Exhibitions, programming and capital	\$ 12,464,141	\$ 1,504,099
Art accessions	5,572,409	4,257,259
	<u>\$ 18,036,550</u>	<u>\$ 5,761,358</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2018 and 2017

(8) Net Assets With Donor Restrictions

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

	<u>2018</u>	<u>2017</u>
Art accessions	\$ 11,698,303	\$ 13,440,983
Curatorship	5,497,232	5,899,095
Exhibitions and programming	15,568,226	15,893,622
Directorship	1,533,047	1,713,486
Gallery maintenance	993,693	1,366,940
Education	1,113,711	1,428,919
Capital	6,099,761	10,448,198
Scholar program	372,152	357,143
	<u>\$ 42,876,125</u>	<u>\$ 50,548,386</u>

(9) Pension Plan

The Museum sponsors a defined contribution 401(k) Profit Sharing Plan for the benefit of its employees. Employees, who are at least age 21, may contribute to the plan after one year of service and at least 500 hours. In order to receive matching and employer contributions, employees, who are at least age 21, must work 12 months and 1000 hours. Employees covered under the City of New Orleans Service Retirement Plan are not eligible. The Museum makes a 5% contribution to eligible employees and a matching contribution up to 3% of eligible participating employees' wages annually, amounting to \$176,256 and \$147,675 in profit sharing contributions and \$71,686 and \$53,788 in employer match contributions for the years ended December 31, 2018 and 2017, respectively.

Civil service employees of the Museum are eligible for membership in the City of New Orleans Employees' Retirement System. The report on the City of New Orleans Employees' Retirement System can be obtained from the City of New Orleans, Perdido Street, New Orleans, Louisiana. The actuarially computed value of vested benefits of the Museum's employees in the City's pension plan is not available. However, pension payments for these employees are the responsibility of the Museum and amounted to \$26,759 and \$23,943 for the years ended December 31, 2018 and 2017, respectively.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2018 and 2017

(10) Expenses

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

Expenses by natural classification and function have been incurred for the following for the year ended December 31, 2018:

	Program Services	Support Services		Total
	Art and Education Activities	Management and General	Fundraising and Membership	
Salaries, wages, and benefits	\$ 2,095,565	\$ 2,382,118	\$ 782,863	\$ 5,260,546
Office and occupancy	2,165,987	771,462	693,616	3,631,065
Supplies and materials	101,117	94,404	62,496	258,017
Cost of goods sold	-	229,742	-	229,742
Depreciation	624,731	77,983	19,351	722,065
Art accessions	5,335,830	-	-	5,335,830
	\$ 10,323,230	\$ 3,555,709	\$ 1,558,326	\$ 15,437,265

(11) Commitments

The Museum participated in a number of state and federally-assisted grant programs in fiscal year 2018. The programs are subject to compliance audits. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. The Museum believes that the amount of disallowances, if any, which may arise from future audits, will not be material to the financial statements.

The Museum has also entered into an employment agreement with a member of executive management. Per the terms of said employment agreement, the Museum may incur compensation liabilities if the employee is terminated without good cause during the term of the agreement.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2018 and 2017

(12) Fair Value Measurements

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

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

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

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

Hedge funds: Valued at fair value by using quoted prices for identical securities or discounted cash flow techniques or valued using net asset value (NAV) as a practical expedient.

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

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Museum believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2018 and 2017

(12) Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of December 31, 2018.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 531,118	\$ -	\$ -	\$ 531,118
Mutual funds				
Pooled equity fund	24,966,408	-	-	24,966,408
Total return fund	5,751,307	-	-	5,751,307
Corporate stocks	272,220	-	-	272,220
Hedge funds	5,563,095	-	583,275	6,146,370
Other	-	230,766	-	230,766
Total assets in fair value hierarchy	<u>\$ 37,084,148</u>	<u>\$ 230,766</u>	<u>\$ 583,275</u>	<u>\$ 37,898,189</u>
Investments (hedge funds) measured at net asset value				\$ 15,037,242
Real property				436,260
Investments at fair value				<u>\$ 53,371,691</u>

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of December 31, 2017.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 1,687,296	\$ -	\$ -	\$ 1,687,296
Mutual funds				
Segregated portfolio	-	-	21,192	21,192
Pooled equity fund	29,569,781	-	-	29,569,781
Total return fund	5,456,518	-	-	5,456,518
Corporate stocks	298,722	-	-	298,722
Hedge funds	6,346,838	-	417,114	6,763,952
Other	-	251,095	-	251,095
Total assets in fair value hierarchy	<u>\$ 43,359,155</u>	<u>\$ 251,095</u>	<u>\$ 438,306</u>	<u>\$ 44,048,556</u>
Investments (hedge funds) measured at net asset value				\$ 14,286,213
Real property				436,260
Investments at fair value				<u>\$ 58,771,029</u>

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

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2018 and 2017

(12) Fair Value Measurements (continued)

As required by the standard, the following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3). Unrealized gains and/or losses are shown in the statements of activities as “net appreciation (depreciation) in investments”.

	Segregated		
	Portfolio	Hedge Funds	Hedged Total
Balance, January 1, 2017	\$ 39,925	\$ 6,588	\$ 46,513
Investment income (loss), net	1,702	(30,447)	(28,745)
Purchases, sales, issuances and settlements, net	(20,435)	440,973	420,538
Balance, December 31, 2017	<u>\$ 21,192</u>	<u>\$ 417,114</u>	<u>\$ 438,306</u>
Balance, January 1, 2018	\$ 21,192	\$ 417,114	\$ 438,306
Investment income (loss), net	-	116,610	116,610
Purchases, sales, issuances and settlements, net	(21,192)	49,551	28,359
Balance, December 31, 2018	<u>\$ -</u>	<u>\$ 583,275</u>	<u>\$ 583,275</u>

Instrument	Fair Value	Principal Valuation Technique	Range of Significant Input Values
Hedge Funds	\$ 583,275	Side pocket residual investment	Not applicable

(13) Endowment Net Assets

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

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

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2018 and 2017

(13) Endowment Net Assets (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Museum to retain as a fund of perpetual duration.

The composition of the Museum's endowments by net asset class as of December 31, 2018 was as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, by type			
Board-designated endowment funds	\$ 14,045,081	\$ -	\$ 14,045,081
Donor-restricted endowment funds	-	34,715,758	34,715,758
Total funds	<u>\$ 14,045,081</u>	<u>\$ 34,715,758</u>	<u>\$ 48,760,839</u>
Changes in endowment net assets			
Endowment net assets, beginning of year	<u>\$ 16,110,054</u>	<u>\$ 37,213,369</u>	<u>\$ 53,323,423</u>
Investment income (loss), net	(781,051)	(1,428,661)	(2,209,712)
Other income	20,000	-	20,000
Contributions	-	450,000	450,000
Subtotal	<u>(761,051)</u>	<u>(978,661)</u>	<u>(1,739,712)</u>
Other changes:			
Art purchase	-	(584,639)	(584,639)
Operating	(30,110)	(73,506)	(103,616)
Appropriations	(1,273,812)	(860,805)	(2,134,617)
Subtotal	<u>(1,303,922)</u>	<u>(1,518,950)</u>	<u>(2,822,872)</u>
Endowment net assets, end of year	<u>\$ 14,045,081</u>	<u>\$ 34,715,758</u>	<u>\$ 48,760,839</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2018 and 2017

(13) Endowment Net Assets (continued)

The composition of the Museum's endowments by net asset class as of December 31, 2017 was:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, by type			
Board-designated endowment funds	\$ 16,110,054	\$ -	\$ 16,110,054
Donor-restricted endowment funds	-	37,213,369	37,213,369
Total funds	<u>\$ 16,110,054</u>	<u>\$ 37,213,369</u>	<u>\$ 53,323,423</u>
Changes in endowment net assets			
Endowment net assets, beginning of year	<u>\$ 12,130,932</u>	<u>\$ 33,747,161</u>	<u>\$ 45,878,093</u>
Investment income (loss), net	2,981,761	3,870,456	6,852,217
Other income	3,004,663	100,000	3,104,663
Contributions	-	475,000	475,000
Subtotal	<u>5,986,424</u>	<u>4,445,456</u>	<u>10,431,880</u>
Other changes:			
Art purchase	-	(410,734)	(410,734)
Operating	(53,557)	(90,352)	(143,909)
Appropriations	(1,953,745)	(478,162)	(2,431,907)
Subtotal	<u>(2,007,302)</u>	<u>(979,248)</u>	<u>(2,986,550)</u>
Endowment net assets, end of year	<u>\$ 16,110,054</u>	<u>\$ 37,213,369</u>	<u>\$ 53,323,423</u>

(14) Expenses Paid by Related Party

The City of New Orleans pays certain costs on behalf of the Museum, including fine art insurance, property insurance, phone and internet service, and electricity, approximating \$675,000 and \$635,000 for the years ended December 31, 2018 and 2017, respectively. These costs have not been reflected on the statements of activities of the Museum.

(15) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 27, 2019, and determined that there were no other subsequent events requiring disclosure except as noted below. No events occurring after this date have been evaluated for inclusion in these financial statements.

NEW ORLEANS MUSEUM OF ART
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

NEW ORLEANS MUSEUM OF ART
Schedules of Endowment Funds
December 31, 2018 and 2017

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

	2018	2017
	Total	Total
	Net Assets	Net Assets
Acquisitions Endowment Funds		
William McDonald and Eva Carol Boles Endowment Fund	\$ 3,997,949	\$ 4,307,533
George Frierson Art Purchase Fund	1,304,786	1,590,920
Robert Gordy Art Purchase Fund	1,043,680	1,115,734
Carmen Donaldson Art Purchase Fund	836,830	892,136
Carrie Heiderich Acquisition Fund	589,890	657,017
Elise Mayer Bestoff Endowment Fund	401,937	652,380
Mervin G. Morais Endowment for Decorative Arts	370,728	415,810
Tina Freeman Photography Art Purchase Fund	321,249	390,272
P. R. and Sunny Norman Art Purchase Fund	302,557	353,596
Joel Weinstock Art Purchase Fund	285,519	304,391
Francoise Billion Richardson African Art Acquisition Fund	256,393	270,810
Alvin and Carol Merlin Acquisition Fund	-	73,445
Augusta M. Jourdan Art Purchase Fund	19,451	20,737
Benjamin J. Harrod Art Purchase Fund	18,969	20,224
Total Acquisitions Endowment Funds	9,749,938	11,065,005
Exhibition and Program Endowment Funds		
Favrot Architecture and Design Endowment Fund	375,739	418,913
Azby Endowment Fund	313,536	342,560
Charlotte Mann & Joshua Mann Paillet Endowment Fund	262,778	287,404
Elise M. Besthoff Charitable Foundation Gallery	250,000	269,315
George F. Lapeyre Fund	223,319	238,078
Chapman H. Hyams 1951 Trust Fund	257,893	286,151
Chapman H. Hyams 1952 Trust Fund	22,602	25,059
Total Exhibition and Program Endowment Funds	1,705,867	1,867,480
Position Endowment Funds		
RosaMary Foundation Curator of Decorative Arts and Design	1,585,316	1,771,904
Zemurray Foundation Curatorial Fellow for Spanish Colonial Art	2,046,974	2,048,448
Ella West Freeman Foundation Director's Fund	1,533,046	1,713,486
Freeman Family Curator of Photography	1,306,458	1,460,283
Francoise Billion Richardson Curator of African Art Endowment Fund	549,786	614,859
Total Position Endowment Funds	7,021,580	7,608,980
Education Endowment Funds		
Taylor Education Endowment Fund	622,019	704,171
Patrick F. Taylor Scholar Fund	372,154	433,807
MD Van Horn Education Fund	191,693	214,314
Janice Parmelee & Bill Hammack Early Education Fund	200,000	157,934
David & Sara Kelso Early Education Fund	100,000	-
Total Education Endowment Funds	1,485,866	1,510,226
Operating Endowment Funds		
General Operating Endowment Fund	25,858,768	28,223,739
Besthoff Operating Endowment Fund	1,377,753	1,539,961
Helis Operating Endowment Fund	1,061,067	1,008,032
Collins Diboll Endowment Fund	500,000	500,000
Total Operating Endowment Funds	28,797,588	31,271,732
Total Endowment Funds	\$ 48,760,839	\$ 53,323,423
Reconciliation with Statements of Financial Position		
Net assets:		
Without donor restrictions		
Net assets without donor restrictions, in operating fund	\$ 21,208,446	\$ 12,595,532
Board designated, functioning as operating endowments	14,045,081	16,110,054
Total net assets without donor restrictions	35,253,527	28,705,586
With donor restrictions	42,876,125	50,548,386
Total net assets	78,129,652	79,253,972
Less items not included in endowments:		
Net assets without donor restrictions in operating fund	(21,208,446)	(12,595,532)
Net assets with donor restrictions in funds for specified purposes	(8,160,367)	(13,335,017)
	(29,368,813)	(25,930,549)
Total Endowment Funds	\$ 48,760,839	\$ 53,323,423

See accompanying independent auditors' report.

NEW ORLEANS MUSEUM OF ART

**Schedule of Compensation, Benefits,
and Other Payments to Agency Head
For the Year Ended December 31, 2018**

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

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

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

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

See accompanying independent auditors' report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
New Orleans Museum of Art
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New Orleans Museum of Art (a nonprofit organization) (the Museum), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Museum's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited 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 Museum's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Museum's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Metairie, Louisiana
June 27, 2019