
NEW ORLEANS MUSEUM OF ART
FINANCIAL STATEMENTS AND SCHEDULES
DECEMBER 31, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

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NEW ORLEANS MUSEUM OF ART

Financial Statements and Schedules

December 31, 2017

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:

Report on the Financial Statements

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, 2017 and 2016, 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, 2017 and 2016, 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.

Other Matters

Supplementary Information

Our audits were made for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 22 through 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 29, 2018 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 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
June 29, 2018

NEW ORLEANS MUSEUM OF ART

Statements of Financial Position

December 31, 2017 and 2016

	Assets	
	<u>2017</u>	<u>2016</u>
Current assets:		
Cash	\$ 2,018,079	\$ 997,592
Investments, short-term (note 2)	200,082	1,372,222
Receivables:		
Promises to give (note 4)	1,915,260	1,500,104
Other	50,603	734,632
Inventories	347,090	180,044
Prepaid expenses	138,584	255,108
Total current assets	<u>4,669,698</u>	<u>5,039,702</u>
Promises to give, long-term (note 4)	4,073,333	2,433,333
Investments, long-term and real property (note 2)	58,771,029	48,521,727
Building, improvements and equipment, net (note 3)	<u>12,418,782</u>	<u>11,859,839</u>
 Total assets	 <u>\$ 79,932,842</u>	 <u>\$ 67,854,601</u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 265,329	\$ 167,131
Accrued payroll and related expenses	413,541	321,531
Total current liabilities	<u>678,870</u>	<u>488,662</u>
 Total liabilities	 <u>678,870</u>	 <u>488,662</u>
Net assets:		
Unrestricted:		
Unrestricted, operating	176,750	589,843
Board designated, endowment	16,110,054	12,130,932
Board designated, investment in building	12,418,782	11,859,839
Total unrestricted net assets	<u>28,705,586</u>	<u>24,580,614</u>
Temporarily restricted	24,411,053	16,747,992
Permanently restricted	26,137,333	26,037,333
Total net assets	<u>79,253,972</u>	<u>67,365,939</u>
 Total liabilities and net assets	 <u>\$ 79,932,842</u>	 <u>\$ 67,854,601</u>

See accompanying notes to financial statements.

NEW ORLEANS MUSEUM OF ART

Statements of Activities

Years ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenue:								
Support:								
Individual contributions	\$ 185,021	\$ 2,779,227	\$ -	\$ 2,964,248	\$ 229,847	\$ 941,171	\$ -	\$ 1,171,018
City, state, and federal grants	163,931	-	-	163,931	188,422	-	-	188,422
Sponsorships	30,000	-	-	30,000	60,000	-	-	60,000
Corporate support	41,895	140,050	-	181,945	12,034	37,500	-	49,534
Affiliate memberships	417,496	-	-	417,496	424,859	-	-	424,859
Fundraising events (net of direct costs)	807,057	-	-	807,057	774,480	-	-	774,480
Legacies and bequests	4,527,661	-	-	4,527,661	249,950	-	-	249,950
Foundations	495,061	6,127,770	100,000	6,722,831	620,654	6,351,649	300,000	7,272,303
Total support	6,668,122	9,047,047	100,000	15,815,169	2,560,246	7,330,320	300,000	10,190,566
Revenue:								
Memberships	478,136	-	-	478,136	424,686	-	-	424,686
Admissions	534,150	-	-	534,150	545,295	-	-	545,295
Programs	98,925	-	-	98,925	133,399	-	-	133,399
Special evenings	221,682	-	-	221,682	165,241	-	-	165,241
Members' events	205,699	6,787	-	212,486	203,614	23,825	-	227,439
Museum store sales	333,313	-	-	333,313	351,126	-	-	351,126
Net appreciation in investments	2,958,863	4,305,475	-	7,264,338	2,188,108	2,138,732	-	4,326,840
Interest and dividends	24,136	50,828	-	74,964	196,847	185,248	-	382,095
Miscellaneous	17,441	(157)	-	17,284	517,379	4,081	-	521,460
Deaccessions	-	14,439	-	14,439	-	90,738	-	90,738
Total revenue	4,872,345	4,377,372	-	9,249,717	4,725,695	2,442,624	-	7,168,319
Total support and revenue before net assets released from restrictions/transfers	11,540,467	13,424,419	100,000	25,064,886	7,285,941	9,772,944	300,000	17,358,885
Net assets released from restrictions/transfers (note 6)	5,761,358	(5,761,358)	-	-	3,532,061	(3,532,061)	-	-
Total support and revenue	17,301,825	7,663,061	100,000	25,064,886	10,818,002	6,240,883	300,000	17,358,885

NEW ORLEANS MUSEUM OF ART

Statements of Activities, continued

Years ended December 31, 2017 and 2016

	2017				2016			
Expenses:								
Art division:								
Collections	\$ 912,897	\$ -	\$ -	\$ 912,897	\$ 909,283	\$ -	\$ -	\$ 909,283
Art accessions not capitalized (note 5)	4,257,259	-	-	4,257,259	2,441,803	-	-	2,441,803
Exhibition programs	1,538,990	-	-	1,538,990	1,169,802	-	-	1,169,802
Education programs	640,180	-	-	640,180	607,401	-	-	607,401
General and administrative	1,850,951	-	-	1,850,951	1,310,529	-	-	1,310,529
Building/Security	2,128,786	-	-	2,128,786	2,350,041	-	-	2,350,041
Store operations	284,332	-	-	284,332	295,000	-	-	295,000
External affairs and development	1,563,458	-	-	1,563,458	1,056,355	-	-	1,056,355
Total expenses	<u>13,176,853</u>	<u>-</u>	<u>-</u>	<u>13,176,853</u>	<u>10,140,214</u>	<u>-</u>	<u>-</u>	<u>10,140,214</u>
Change in net assets	4,124,972	7,663,061	100,000	11,888,033	677,788	6,240,883	300,000	7,218,671
Net assets at beginning of year	<u>24,580,614</u>	<u>16,747,992</u>	<u>26,037,333</u>	<u>67,365,939</u>	<u>23,902,826</u>	<u>10,507,109</u>	<u>25,737,333</u>	<u>60,147,268</u>
Net assets at end of year	<u>\$ 28,705,586</u>	<u>\$ 24,411,053</u>	<u>\$ 26,137,333</u>	<u>\$ 79,253,972</u>	<u>\$ 24,580,614</u>	<u>\$ 16,747,992</u>	<u>\$ 26,037,333</u>	<u>\$ 67,365,939</u>

See accompanying notes to financial statements.

NEW ORLEANS MUSEUM OF ART

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash received from government entities	\$ 163,931	\$ 188,422
Cash received from contributors	12,306,138	3,783,085
Cash received from sales of art	14,439	90,738
Cash received from memberships and member activities	1,562,664	2,017,522
Cash received from auxiliary operations	333,313	351,126
Interest and dividends received	74,964	382,095
Cash paid to employees and suppliers	(8,051,679)	(7,105,232)
Cash paid for art acquisitions	<u>(4,257,259)</u>	<u>(2,441,803)</u>
Net cash provided by (used in) operating activities	<u>2,146,511</u>	<u>(2,734,047)</u>
Cash flows from investing activities:		
Purchase of investments	(9,243,682)	(30,734,674)
Proceeds from maturities/sales of investments	7,430,856	31,936,615
Purchases of building and equipment	<u>(1,287,171)</u>	<u>(132,875)</u>
Net cash provided by (used in) investing activities	<u>(3,099,997)</u>	<u>1,069,066</u>
Cash flows from financing activities:		
Proceeds from permanently restricted contributions	100,000	300,000
Contributions received for Sculpture Garden construction	<u>1,873,973</u>	<u>1,708,333</u>
Net cash provided by financing activities	<u>1,973,973</u>	<u>2,008,333</u>
Net increase in cash and cash equivalents	1,020,487	343,352
Cash and cash equivalents at beginning of year	<u>997,592</u>	<u>654,240</u>
Cash and cash equivalents at end of year	<u>\$ 2,018,079</u>	<u>\$ 997,592</u>
Reconciliation of changes in net assets to net cash provided by (used in) operating activities:		
Changes in net assets	\$ 11,888,033	\$ 7,218,671
Adjustments for long-term income and non-cash expenses:		
Permanently restricted contributions	(100,000)	(300,000)
Contributions received for Sculpture Garden construction	(1,873,973)	(1,708,333)
Appreciation of investments	(7,264,338)	(4,326,840)
Depreciation of building improvements and equipment	728,230	727,783
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Increase in current assets and long-term promises to give	(1,421,649)	(4,373,515)
Increase in current liabilities	<u>190,208</u>	<u>28,187</u>
Net cash provided by (used in) operating activities	<u>\$ 2,146,511</u>	<u>\$ (2,734,047)</u>

See accompanying notes to financial statements.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2017 and 2016

(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. 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. Net assets and support and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Museum and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Museum and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Museum pursuant to those stipulations.

(c) Promises to Give

Contributions are recognized when the donor makes a promise to give to the Museum that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. 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. Promises to give that are expected to be collected in future years are considered long-term and are recorded at the present value of estimated future cash flows.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2017 and 2016

(1) Summary of Significant Accounting Policies (continued)

(d) 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 statement of income. 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, 2017 and 2016.

(e) Vacation and Sick Pay

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.

(f) Investments

Investments, consisting of common stocks, non-traditional investments, corporate bonds, and U.S. government and agency issues, are recorded at fair value. Unrealized gains and losses on investments in equity securities with readily determinable fair values and all investments in debt securities are recorded in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Dividend, interest, and other investment income are recorded as increases in unrestricted net assets unless the use is restricted by the donor. Donated investments are recorded at fair market value at the date of receipt. Investments consisting of real property contributed to the Museum are recorded at fair value at the date of the donation.

Realized gains and losses, and declines in value judged to be other than temporary, are included in net appreciation of investments. Realized gains and losses on the sales of securities are determined using the specific-identification method. A decline in the fair value of investments below cost that is deemed to be other than temporary results in a charge to change in net assets and the establishment of a new cost basis for the investment.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2017 and 2016

(1) Summary of Significant Accounting Policies (continued)

(g) 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.

(h) Income Taxes

The Museum is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950.

The Museum applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, the Museum has reviewed its tax positions and determined there were no outstanding or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities.

(i) Restricted Net Assets

The Museum reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

Gifts of long-lived operating assets such as land, buildings, or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support and are reflected as financing activities in the statement of cash flows. Absent explicit donor stipulations about how long these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(j) 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 accounting principles generally accepted in the United States of America. 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.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2017 and 2016

(1) Summary of Significant Accounting Policies (continued)

(k) Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include bank deposits and money market accounts.

(l) Reclassification

Certain reclassifications from prior year information were made to conform to current year presentation.

(m) Recent Accounting Pronouncements - Adopted

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-11, Inventory (Topic 330), Simplifying the Measurement of Inventory. This update requires an entity that determines the cost of inventory by methods other than last-in, first-out and the retail inventory method to measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Museum adopted this ASU prospectively effective January 1, 2017. The adoption of this guidance did not have a material impact on the Museum's financial statements.

(n) Recent Accounting Pronouncements – Not Yet Adopted

On August 18, 2016, FASB issued 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 will be effective for the year ended December 31, 2018 and the Museum expects adoption of this ASU to have no material impact on the total net assets.

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 balance sheet as well as additional disclosures. This ASU is effective for fiscal years beginning after December 15, 2019. The Museum is currently assessing the impact of this pronouncement on its financial statements.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2017 and 2016

(2) Investments

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 74,964	\$ 382,095
Net realized and unrealized gains, net of losses:		
Realized	939,459	6,770,737
Unrealized	<u>6,324,879</u>	<u>(2,443,897)</u>
	<u>7,264,338</u>	<u>4,326,840</u>
Total return on investments	<u>\$ 7,339,302</u>	<u>\$ 4,708,935</u>

Dividends, interest, and unrealized and realized gains on permanently restricted investments are reflected in the related unrestricted or temporarily restricted net assets. If the permanent and the temporarily restricted funds do not have sufficient net assets to fund investment losses, appropriate transfers from the unrestricted net assets are made to the funds.

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

	<u>2017</u>	<u>2016</u>
Cash equivalents	\$ 1,887,378	\$ 1,727,685
Mutual funds	55,680,542	47,229,874
Corporate stocks	298,722	263,488
Real property	436,260	436,260
Limited partnership hedge funds	417,114	6,588
Other	<u>251,095</u>	<u>230,054</u>
	<u>\$ 58,971,111</u>	<u>\$ 49,893,949</u>

Reconciliation to the statements of financial position is as follows:

	<u>2017</u>	<u>2016</u>
Short-term investments	\$ 200,082	\$ 1,372,222
Long-term investments	<u>58,771,029</u>	<u>48,521,727</u>
	<u>\$ 58,971,111</u>	<u>\$ 49,893,949</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2017 and 2016

(2) Investments (continued)

Investments are held for the following purposes:

	<u>2017</u>	<u>2016</u>
Unrestricted, substantially board designated	\$ 15,027,050	\$ 11,515,541
Temporarily restricted:		
Operating:		
Capital	4,788,175	2,723,988
Curatorship, functioning as endowments	1,700,253	888,337
Directorship, functioning as endowments	714,983	494,685
Education programs	284,875	163,623
Gallery maintenance	1,239,814	917,438
Exhibitions and programming	759,439	481,614
	<u>9,487,539</u>	<u>5,669,685</u>
Art accessions	8,419,189	6,897,609
	<u>17,906,728</u>	<u>12,567,294</u>
Permanently restricted:		
Operating:		
Curatorship	3,500,000	3,500,000
Directorship	1,000,000	1,000,000
Education programs	1,141,695	1,090,476
Gallery maintenance	568,782	518,782
Exhibitions and programming	14,733,870	14,608,870
Scholar programs	357,143	357,143
	<u>21,301,490</u>	<u>21,075,271</u>
Art accessions	4,735,843	4,735,843
	<u>26,037,333</u>	<u>25,811,114</u>
	<u>\$ 58,971,111</u>	<u>\$ 49,893,949</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2017 and 2016

(3) Building, Improvements, and Equipment

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

	2017			Estimated useful lives
	Cost	Accumulated Depreciation	Net	
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>	

	2016			Estimated useful lives
	Cost	Accumulated Depreciation	Net	
Building and improvements	\$ 17,828,028	\$ (10,100,228)	\$ 7,727,800	39-40 years
Equipment	1,110,643	(511,991)	598,652	5-7 years
Vehicles	45,747	(36,598)	9,149	5 years
Land improvements	450,076	(168,779)	281,297	40 years
Sculpture garden	3,535,527	(1,128,288)	2,407,239	40 years
Construction in progress	835,702	-	835,702	N/A
	<u>\$ 23,805,723</u>	<u>\$ (11,945,884)</u>	<u>\$ 11,859,839</u>	

Construction in progress for the years ended December 31, 2017 and 2016 represent construction related to the new sculpture garden.

(4) 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.

Scheduled payments were \$5,988,593 and \$3,933,437 at December 31, 2017 and 2016, respectively, and due in the following installments at December 31:

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2017 and 2016

(4) Promises to Give (continued)

	<u>2017</u>	<u>2016</u>
2018	\$ 1,915,260	\$ 1,500,104
2019	2,264,583	1,408,333
2020	711,250	1,025,000
2021	456,250	-
2022	461,250	-
2023	180,000	-
	<u>\$ 5,988,593</u>	<u>\$ 3,933,437</u>

(5) Art Collection

In conformity with the practice followed by many museums, art purchased and donated is not capitalized. During 2017 and 2016, the cost of collection items purchased by the Museum as a decrease in the appropriate class of net assets was \$4,257,259 and \$2,441,803, 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.

(6) Net Assets Released / Transferred

Temporarily restricted net 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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Purpose accomplished:		
Exhibitions and programming	\$ 1,504,099	\$ 1,090,258
Art accessions	4,257,259	2,441,803
	<u>\$ 5,761,358</u>	<u>\$ 3,532,061</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2017 and 2016

(7) Net Assets Composition

Board-designated, functioning as endowments, unrestricted net assets are designated to support operations and totaled \$16,110,054 and \$12,130,932 as of December 31, 2017 and 2016, respectively.

Temporarily restricted net assets are donor-restricted for the following purposes:

	<u>2017</u>	<u>2016</u>
Art accessions	\$ 8,705,140	\$ 7,321,094
Curatorship	2,399,095	1,398,780
Exhibitions and programming	1,109,752	586,219
Directorship	713,486	494,685
Gallery maintenance	748,158	459,966
Education	287,224	163,623
Capital	10,448,198	6,323,625
	<u>\$ 24,411,053</u>	<u>\$ 16,747,992</u>

Permanently restricted net assets, investments in perpetuity, the income from which can be used in accordance with donor restrictions, are as follows:

	<u>2017</u>	<u>2016</u>
Exhibitions and programming	\$ 14,783,870	\$ 14,683,870
Art accessions	4,735,843	4,735,843
Curatorship	3,500,000	3,500,000
Education	1,141,695	1,141,696
Directorship	1,000,000	1,000,000
Gallery maintenance	618,782	718,782
Scholar program	357,143	357,142
	<u>\$ 26,137,333</u>	<u>\$ 26,137,333</u>

(8) 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 CNO 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 \$147,675 and \$118,982 in profit sharing contributions and \$53,788 and \$51,665 in employer match contributions for the years ended December 31, 2017 and 2016, respectively.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2017 and 2016

(8) Pension Plan (continued)

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 \$23,943 and \$25,363 for the years ended December 31, 2017 and 2016, respectively.

(9) Expenses

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

	<u>2017</u>	<u>2016</u>
Salaries, wages, and benefits	\$ 4,959,513	\$ 4,678,922
Office and occupancy	2,811,272	2,253,002
Supplies and materials	259,910	211,659
Cost of goods sold	160,669	173,466
Depreciation	728,230	727,783
Art accessions	4,257,259	2,095,382
	<u>\$ 13,176,853</u>	<u>\$ 10,140,214</u>

(10) Commitments

The Museum participated in a number of state and federally-assisted grant programs in fiscal year 2017. 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, 2017 and 2016

(11) 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, corporate stocks: Valued at fair value by using quoted prices for identical securities.

Limited partnership hedge funds: Valued at fair value by using discounted cash flow techniques.

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.

The hedge equity funds include investments in hedge 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, 2017 and 2016

(11) 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, 2017.

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 1,887,378	\$ -	\$ -	\$ 1,887,378
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>\$ 43,559,237</u>	<u>\$ 251,095</u>	<u>\$ 438,306</u>	<u>44,248,638</u>
Investments (hedge funds) measured at net asset value (a)				14,286,213
Real property				436,260
Investments at fair value				<u>\$ 58,971,111</u>

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of December 31, 2016.

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 1,727,685	\$ -	\$ -	\$ 1,727,685
Mutual funds				
Segregated portfolio	-	-	39,925	39,925
Pooled equity fund	24,188,932	-	-	24,188,932
Total return fund	5,554,348	-	-	5,554,348
Corporate stocks	263,488	-	-	263,488
Hedge funds	4,520,041	-	6,588	4,526,629
Other	-	230,054	-	230,054
Total assets in fair value hierarchy	<u>\$ 34,526,809</u>	<u>\$ 230,054</u>	<u>\$ 46,513</u>	<u>36,531,061</u>
Investments (hedge funds) measured at net asset value (a)				12,926,628
Real property				436,260
Investments at fair value				<u>\$ 49,893,949</u>

(a) These investments are measured using net asset value (NAV) as a practical expedient. These investments have not been classified in the fair value hierarchy table, per ASU No. 2015-07, Fair Value Measurement (Topic 820). The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2017 and 2016

(11) 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	Limited Partnership Hedge Funds	Hedged Total
Balance, January 1, 2016	\$ 56,760	\$ 6,105	\$ 62,865
Unrealized gains/losses relating to instruments still held at the reporting date, net	(1,263)	483	(780)
Purchases, sales, issuances and settlements, net	(15,572)	-	(15,572)
Balance, December 31, 2016	<u>\$ 39,925</u>	<u>\$ 6,588</u>	<u>\$ 46,513</u>
Balance, January 1, 2017	\$ 39,925	\$ 6,588	\$ 46,513
Unrealized gains/losses relating to instruments still held at the reporting date, 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>

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
Segregated Portfolio	\$ 21,192	Side pocket residual investment	Practical expedient	Not applicable
Limited Partnership Hedge Funds	417,114	Side pocket residual investment	Practical expedient	Not applicable
	<u>\$ 438,306</u>			

(12) 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

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2017 and 2016

(12) Endowment Net Assets (continued)

operating requirements of the Museum. An annual real total return (net of fees) of at least 5% measured over rolling five-year periods is expected. The goals and objectives of the Museum's investment policy are to 1) provide investment earnings adequate to fulfill the desires of donors as stated in the gift instruments, 2) achieve a total return adequate to fund the spending rate plus corpus growth to ensure future benefits to new generations, and 3) invest in a variety of diversified categories so that the diversity of the performance characteristics will reduce the volatility of returns from year to year.

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, by type				
Donor-restricted endowment funds	\$ -	\$ 11,076,036	\$ 26,137,333	\$ 37,213,369
Board-designated endowment funds	16,110,054	-	-	16,110,054
Total funds	<u>\$ 16,110,054</u>	<u>\$ 11,076,036</u>	<u>\$ 26,137,333</u>	<u>\$ 53,323,423</u>
Change in endowment net assets				
Endowment net assets, beginning of year	<u>\$ 12,130,932</u>	<u>\$ 7,709,828</u>	<u>\$ 26,037,333</u>	<u>\$ 45,878,093</u>
Investment return:				
Investment income	22,898	45,146	-	68,044
Net appreciation (realized and unrealized)	<u>2,958,863</u>	<u>3,825,310</u>	<u>-</u>	<u>6,784,173</u>
	2,981,761	3,870,456	-	6,852,217
Other income	3,004,663	-	100,000	3,104,663
Contributions	<u>-</u>	<u>475,000</u>	<u>-</u>	<u>475,000</u>
Subtotal	<u>5,986,424</u>	<u>4,345,456</u>	<u>100,000</u>	<u>10,431,880</u>
Other changes:				
Art purchase	-	(410,734)	-	(410,734)
Operating	(53,557)	(90,352)	-	(143,909)
Transfers out	<u>(1,953,745)</u>	<u>(478,162)</u>	<u>-</u>	<u>(2,431,907)</u>
Subtotal	<u>(2,007,302)</u>	<u>(979,248)</u>	<u>-</u>	<u>(2,986,550)</u>
Endowment net assets, end of year end of year	<u>\$ 16,110,054</u>	<u>\$ 11,076,036</u>	<u>\$ 26,137,333</u>	<u>\$ 53,323,423</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2017 and 2016

(12) Endowment Net Assets (continued)

The composition of the Museum's endowments by net asset class as of December 31, 2016 was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, by type				
Donor-restricted endowment funds	\$ -	\$ 7,709,828	\$ 26,037,333	\$ 33,747,161
Board-designated endowment funds	12,130,932	-	-	12,130,932
Total funds	<u>\$ 12,130,932</u>	<u>\$ 7,709,828</u>	<u>\$ 26,037,333</u>	<u>\$ 45,878,093</u>
Change in endowment net assets				
Endowment net assets, beginning of year	<u>\$ 10,784,710</u>	<u>\$ 6,716,983</u>	<u>\$ 25,737,333</u>	<u>\$ 43,239,026</u>
Investment return:				
Investment income	186,373	159,645	-	346,018
Net appreciation (realized and unrealized)	<u>2,082,440</u>	<u>1,838,805</u>	<u>-</u>	<u>3,921,245</u>
	2,268,813	1,998,450	-	4,267,263
Other income	214,479	15,058	300,000	529,537
Contributions	-	248,100	-	248,100
Subtotal	<u>2,483,292</u>	<u>2,261,608</u>	<u>300,000</u>	<u>5,044,900</u>
Other changes:				
Art purchase	-	(500,583)	-	(500,583)
Operating	(44,588)	(167,099)	-	(211,687)
Transfers out	<u>(1,092,482)</u>	<u>(601,081)</u>	<u>-</u>	<u>(1,693,563)</u>
Subtotal	<u>(1,137,070)</u>	<u>(1,268,763)</u>	<u>-</u>	<u>(2,405,833)</u>
Endowment net assets, end of year end of year	<u>\$ 12,130,932</u>	<u>\$ 7,709,828</u>	<u>\$ 26,037,333</u>	<u>\$ 45,878,093</u>

(13) 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 \$635,000 for each year ended December 31, 2017 and 2016. These costs have not been reflected in the financial statements of the Museum.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2017 and 2016

(14) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 29, 2018, 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.

On February 2, 2018, the Museum entered into a business loan agreement with Iberia Bank for the purpose of bridging receipt of pledged contributions towards the expansion of the sculpture garden. The proceeds of the loan may be drawn down in multiple advances as needed by the Museum to fund construction of the new sculpture garden. The loan matures on February 2, 2023 and bears a variable interest rate of 1 Month LIBOR + 2.19%. Principal is due at maturity and interest is to be paid monthly.

NEW ORLEANS MUSEUM OF ART
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

NEW ORLEANS MUSEUM OF ART
Schedules of Endowment Funds
December 31, 2017 and 2016

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:

	2017	2016
	Total	Total
	Net Assets	Net Assets
Acquisitions Endowment Funds		
William McDonald and Eva Carol Boles Endowment Fund	\$ 4,307,533	\$ 3,729,488
George Frierson Art Purchase Fund	1,590,920	1,357,239
Robert Gordy Art Purchase Fund	1,115,734	976,929
Carmen Donaldson Art Purchase Fund	892,136	747,271
Carrie Heiderich Acquisition Fund	657,017	574,007
Elise Mayer Bestoff Endowment Fund	652,380	546,660
Mervin G. Morais Endowment for Decorative Arts	415,810	361,626
Tina Freeman Photography Art Purchase Fund	390,272	328,623
P.R. and Sunny Norman Art Purchase Fund	353,596	284,893
Joel Weinstock Art Purchase Fund	304,391	264,189
Francoise Billion Richardson African Art Acquisition Fund	270,810	233,187
Alvin and Carol Merlin Acquisition Fund	73,445	61,543
Augusta M. Jourdan Art Purchase Fund	20,737	17,376
Benjamin J. Harrod Art Purchase Fund	20,224	16,943
	11,065,005	9,499,974
Exhibition and Program Endowment Funds		
Favrot Architecture and Design Endowment Fund	418,913	376,199
Azby Endowment Fund	342,560	322,206
Charlotte Mann & Joshua Mann Paillet Endowment Fund	287,404	269,297
Elise M. Besthoff Charitable Foundation Gallery	269,315	265,660
George F. Lapeyre Fund	238,078	199,495
Chapman H. Hyams 1951 Trust Fund	286,151	250,111
Chapman H. Hyams 1952 Trust Fund	25,059	21,926
	1,867,480	1,704,894
Position Endowment Funds		
RosaMary Foundation Curator of Decorative Arts and Design	1,771,904	1,545,391
Zemurray Foundation Curatorial Fellow for Spanish Colonial Art	2,048,448	1,544,860
Ella West Freeman Foundation Director's Fund	1,713,486	1,494,685
Freeman Family Curator of Photography	1,460,283	1,272,822
Francoise Billion Richardson Curator of African Art Endowment Fund	614,859	535,707
	7,608,980	6,393,465

(continued)

NEW ORLEANS MUSEUM OF ART
Schedules of Endowment Funds
December 31, 2017 and 2016

	2017	2016
	Total	Total
	Net Assets	Net Assets
Education Endowment Funds		
Taylor Education Endowment Fund	704,171	615,724
Patrick F. Taylor Scholar Fund	433,807	392,092
MD Van Horn Education Fund	214,314	186,918
Janice Parmelee & Bill Hammack Early Education Fund	157,934	152,676
	1,510,226	1,347,410
Operating Endowment Funds		
General Operating Endowment Fund	28,723,739	24,744,617
Besthoff Operating Endowment Fund	1,539,961	1,343,096
Helis Operating Endowment Fund	1,008,032	844,638
	31,271,732	26,932,351
	\$ 53,323,423	\$ 45,878,094
 Reconciliation with Statement of Financial Position		
Net assets:		
Unrestricted:		
Unrestricted, operating	\$ 176,750	\$ 589,843
Board designated, investment in building	12,418,782	11,859,839
Board designated, functioning as operating endowments	16,110,054	12,130,932
	28,705,586	24,580,614
Temporarily restricted	24,411,053	16,747,992
Permanently restricted	26,137,333	26,037,333
	79,253,972	67,365,939
Less items not included in endowments:		
Unrestricted net assets in operating fund	(176,750)	(589,843)
Unrestricted board designated assets in investment in building	(12,418,782)	(11,859,839)
Temporarily restricted assets in funds for specified purposes	(13,335,017)	(9,038,163)
	(25,930,549)	(21,487,845)
	\$ 53,323,423	\$ 45,878,094

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, 2017**

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 chief executive officer 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, 2017, 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 29, 2018.

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 29, 2018