
NEW ORLEANS MUSEUM OF ART
FINANCIAL STATEMENTS AND SCHEDULES
DECEMBER 31, 2015



A Professional Accounting Corporation
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NEW ORLEANS MUSEUM OF ART

Financial Statements and Schedules

December 31, 2015

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, 2015 and 2014, 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, 2015 and 2014, 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 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 24, 2016 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 + Nettewille

Metairie, Louisiana
June 24, 2016

NEW ORLEANS MUSEUM OF ART

Statements of Financial Position

December 31, 2015 and 2014

	Assets	
	2015	2014
Current assets:		
Cash and cash equivalents	\$ 654,241	\$ 531,416
Investments, short-term (note 2)	1,286,110	1,215,086
Receivables:		
Promises to give (note 4)	150,278	215,000
Grants	-	162,500
Other	107,067	69,266
Inventories	101,553	169,009
Prepaid expenses	170,810	158,234
Total current assets	2,470,059	2,520,511
Promises to give, long-term (note 4)	200,000	330,000
Investments, long-term and real property (note 2)	45,482,938	47,433,388
Building, improvements and equipment, net (note 3)	12,454,747	12,317,369
Total assets	\$ 60,607,744	\$ 62,601,268
	Liabilities and Net Assets	
Current liabilities:		
Accounts payable and other liabilities	\$ 98,591	\$ 127,571
Accrued salaries and payroll benefits	361,885	384,546
Total current liabilities	460,476	512,117
Total liabilities	460,476	512,117
Net assets:		
Unrestricted:		
Unrestricted, operating	663,368	1,224,835
Board designated, investment in building	12,454,747	12,317,369
Board designated, functioning as operating endowments	10,784,711	11,939,871
Total unrestricted net assets	23,902,825	25,482,075
Temporarily restricted	10,507,109	11,219,743
Permanently restricted	25,737,333	25,387,333
Total net assets	60,147,267	62,089,151
Total liabilities and net assets	\$ 60,607,744	\$ 62,601,268

See accompanying notes to financial statements.

NEW ORLEANS MUSEUM OF ART

Statements of Activities

Years ended December 31, 2015 and 2014

	2015			2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenue:							
Support:							
Individual contributions	\$ 94,122	1,637,572	150,000	\$ 1,881,694	443,044	-	597,032
City, state, and federal grants	165,853	-	-	244,181	-	-	244,181
Corporate support	124,498	49,170	-	173,668	380,250	-	544,274
Donation boxes	11,091	-	-	8,120	-	-	8,120
Affiliate memberships	493,071	-	-	516,013	200	-	516,213
Odyssey ball (net of direct costs of \$139,741 and \$81,150, respectively)	317,799	-	-	831,592	-	-	831,592
Special benefits (net of direct costs of \$207,174 and \$244,860, respectively)	259,618	-	-	225,468	-	-	225,468
Legacies and bequests	124,073	-	-	193,632	-	-	193,632
Foundations	689,346	366,583	200,000	1,195,696	532,823	250,000	1,978,519
Total support	\$ 2,279,471	2,053,325	350,000	\$ 4,682,796	1,356,317	250,000	5,139,031
Revenue:							
General membership dues	397,143	-	-	408,460	-	-	408,460
Business and university memberships	110,500	-	-	195,037	-	-	195,037
Admission charges	541,193	-	-	520,549	-	-	520,549
Education programs	75,543	-	-	102,068	-	-	102,068
Exhibition programs	221,659	-	-	205,145	-	-	205,145
Special evenings	266,901	-	-	258,455	-	-	258,455
Members' events	174,170	213,189	-	387,359	75,680	-	181,335
Interest and dividends	132,884	131,519	-	264,403	111,778	-	221,688
Net appreciation (depreciation) in investments	(228,852)	(221,919)	-	(450,771)	1,483,594	-	3,125,426
Miscellaneous	3,955	997	-	4,952	17,019	-	48,241
Deaccessions	-	-	-	-	29,920	-	29,920
Museum shop	405,982	-	-	388,426	-	-	388,426
Total revenue	2,101,079	123,786	-	3,966,759	1,717,991	-	5,684,750
Total support and revenue before net assets released from restrictions	4,380,549	2,177,111	350,000	7,499,473	3,074,308	250,000	10,823,781
Net assets released from restrictions/transfers (note 6):	2,889,747	(2,889,747)	-	2,702,649	(2,702,649)	-	-
Net assets released from restrictions	2,889,747	(2,889,747)	-	2,702,649	(2,702,649)	-	-
Total net assets released/transfers	7,270,296	(712,635)	350,000	10,202,122	371,659	250,000	10,823,781
Total support and revenue							

NEW ORLEANS MUSEUM OF ART

Statements of Activities

Years ended December 31, 2015 and 2014

	2015			2014				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Expenses:								
Administrative/Computer operations	\$ 1,121,098	-	-	1,121,098	\$ 1,199,823	-	-	1,199,823
Building/Security	2,421,892	-	-	2,421,892	2,342,330	-	-	2,342,330
Museum shop	401,990	-	-	401,990	348,391	-	-	348,391
Art division:								
Collections	1,267,209	-	-	1,267,209	1,305,566	-	-	1,305,566
Art accessions not capitalized (note 5)	751,101	-	-	751,101	979,644	-	-	979,644
Exhibition programs	845,341	-	-	845,341	1,148,449	-	-	1,148,449
Arts Quarterly	143,536	-	-	143,536	115,935	-	-	115,935
Education programs	564,185	-	-	564,185	494,703	-	-	494,703
Public relations and fund raising	936,983	-	-	936,983	1,170,714	-	-	1,170,714
Member activities and other restricted expenses	396,209	-	-	396,209	327,954	-	-	327,954
Total expenses	8,849,545	-	-	8,849,545	9,433,509	-	-	9,433,509
Change in net assets	(1,579,249)	(712,635)	350,000	(1,941,884)	768,613	371,659	250,000	1,390,272
Net assets at beginning of year	25,482,075	11,219,743	25,387,333	62,089,151	24,713,462	10,848,084	25,137,333	60,698,879
Net assets at end of year	\$ 23,902,826	10,507,109	25,737,333	60,147,268	\$ 25,482,075	11,219,743	25,387,333	62,089,151

See accompanying notes to financial statements.

NEW ORLEANS MUSEUM OF ART

Statements of Cash Flows

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from government entities	\$ 165,852	\$ 281,681
Cash received from contributors	4,486,364	4,528,149
Cash received from sales of art	-	29,920
Cash received from memberships and member activities	2,005,250	1,919,292
Cash received from auxiliary operations	405,982	388,426
Interest and dividends received	264,403	221,688
Cash paid to employees and suppliers	(7,412,557)	(7,924,595)
Cash paid for art acquisitions	<u>(751,101)</u>	<u>(979,644)</u>
Net cash used in operating activities	<u>(835,807)</u>	<u>(1,535,083)</u>
Cash flows from investing activities:		
Purchase of investments	(20,547,964)	(6,848,517)
Proceeds from maturities/sales of investments	21,976,619	9,314,179
Purchases of building and equipment	<u>(820,024)</u>	<u>(1,098,569)</u>
Net cash provided by investing activities	<u>608,631</u>	<u>1,367,093</u>
Cash flows from financing activities:		
Proceeds from contributions, permanently restricted	<u>350,000</u>	<u>250,000</u>
Net cash provided by financing activities	<u>350,000</u>	<u>250,000</u>
Net increase in cash and cash equivalents	122,824	82,010
Cash and cash equivalents at beginning of year	<u>531,416</u>	<u>449,406</u>
Cash and cash equivalents at end of year	<u>\$ 654,240</u>	<u>\$ 531,416</u>
Reconciliation of changes in net assets to net cash from operating activities:		
Changes in net assets	\$ (1,941,884)	\$ 1,390,272
Adjustments for long-term income and non-cash expenses:		
Permanently restricted contributions	(350,000)	(250,000)
Depreciation (appreciation) of investments	450,771	(3,125,426)
Depreciation of building improvements and equipment	682,646	615,862
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Decrease (increase) in current assets and long-term promises to give	374,301	(46,488)
Decrease in current liabilities	<u>(51,641)</u>	<u>(119,303)</u>
Net cash used in operating activities	<u>\$ (835,807)</u>	<u>\$ (1,535,083)</u>

See accompanying notes to financial statements.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2015 and 2014

(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 42-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. Net assets, support and revenues, and expenses 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.

(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.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2015 and 2014

(1) Summary of Significant Accounting Policies (continued)

(d) Building Improvements and Equipment (continued)

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, 2015 and 2014.

(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 (depreciation) 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.

(g) Inventory

The Museum's shop inventory is valued at the lower of cost or market. 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.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2015 and 2014

(1) Summary of Significant Accounting Policies (continued)

(h) *Income Taxes (continued)*

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. Therefore, the implementation of this standard has not had a material effect on the Museum.

(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. 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. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

(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.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2015 and 2014

(1) **Summary of Significant Accounting Policies (continued)**

(i) *Recently Issued Accounting Pronouncements*

In May 2015, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2015-07, “Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent).” This ASU removes the requirement to make certain disclosures and to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per practical expedient. The amendments in ASU 2015-07 are effective for interim and annual periods beginning after December 15, 2015. The amendment is required to be applied retrospectively and early adoption is permitted. The Company has early adopted and applied the amendments for the year ended December 31, 2015. Other than requiring a change to the disclosures, the adoption of this standard did not have a material impact on the financial statements.

(2) **Investments**

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

	<u>2015</u>	<u>2014</u>
Cash equivalents	\$ 1,495,920	\$ 1,456,465
Mutual funds	44,357,711	46,266,320
Corporate stocks	241,190	233,138
Real property	436,260	436,260
Limited partnership hedge funds	6,105	14,953
Other	<u>231,862</u>	<u>241,338</u>
	<u>\$ 46,769,048</u>	<u>\$ 48,648,474</u>

Reconciliation to the statements of financial position is as follows:

	<u>2015</u>	<u>2014</u>
Short-term investments	\$ 1,286,110	\$ 1,215,086
Long-term investments	<u>45,482,938</u>	<u>47,433,388</u>
	<u>\$ 46,769,048</u>	<u>\$ 48,648,474</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2015 and 2014

(2) **Investments (continued)**

Investments are held for the following purposes:

	<u>2015</u>	<u>2014</u>
Unrestricted, substantially board designated	\$ 11,112,939	\$ 12,719,189
Temporarily restricted:		
Operating:		
Capital	1,049,104	-
Curatorship, functioning as endowments	716,629	941,089
Directorship, functioning as endowments	421,080	517,850
Education program	119,342	153,065
Gallery maintenance	821,944	1,027,383
General operating program	380,833	810,076
	<u>3,508,932</u>	<u>3,449,463</u>
Art accessions	6,760,121	7,562,489
	<u>10,269,053</u>	<u>11,011,952</u>
Permanently restricted:		
Curatorship	3,500,000	3,500,000
Directorship	1,000,000	1,000,000
Education program	941,418	891,695
Gallery maintenance	468,782	298,782
General operating program	14,383,869	14,133,869
Scholar program	357,143	357,143
	<u>20,651,212</u>	<u>20,181,489</u>
Art accessions	4,735,844	4,735,844
	<u>25,387,056</u>	<u>24,917,333</u>
	<u>\$ 46,769,048</u>	<u>\$ 48,648,474</u>

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

	<u>2015</u>	<u>2014</u>
Dividends and interest	\$ 264,403	\$ 221,688
Net realized and unrealized gains, net of losses:		
Realized	4,035,216	178,623
Unrealized	(4,485,987)	2,946,803
	<u>(450,771)</u>	<u>3,125,426</u>
Total return on investments	<u>\$ (186,368)</u>	<u>\$ 3,347,114</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.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2015 and 2014

(3) Building, Improvements, and Equipment

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

2015				
	Cost	Accumulated Depreciation	Net	Estimated useful lives
Building and improvements	\$ 17,828,028	\$ (9,644,804)	\$ 8,183,224	39-40 years
Equipment	1,074,493	(368,844)	705,649	5-7 years
Vehicles	45,748	(27,449)	18,299	5 years
Land improvements	450,076	(157,527)	292,549	40 years
Sculpture garden	3,535,527	(1,019,478)	2,516,049	40 years
Construction in progress	738,977	-	738,977	N/A
	<u>\$ 23,672,849</u>	<u>\$ (11,218,102)</u>	<u>\$ 12,454,747</u>	

2014				
	Cost	Accumulated Depreciation	Net	Estimated useful lives
Building and improvements	\$ 17,690,007	\$ (9,192,180)	\$ 8,497,827	39-40 years
Equipment	494,445	(256,989)	237,456	5-7 years
Vehicles	45,748	(18,299)	27,449	5 years
Land improvements	450,076	(146,275)	303,801	40 years
Sculpture garden	3,422,132	(921,713)	2,500,419	40 years
Construction in progress	750,417	-	750,417	N/A
	<u>\$ 22,852,825</u>	<u>\$ (10,535,456)</u>	<u>\$ 12,317,369</u>	

Depreciation expense in 2015 and 2014 was \$682,646 and \$615,862, respectively.

(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 balance sheet date.

Scheduled payments were \$350,278 at December 31, 2015 and are collectible in installments of \$150,278 in fiscal year 2016, \$150,000 in fiscal year from 2017, and \$50,000 in fiscal year 2018. Scheduled payments were \$545,000 at December 31, 2014 and are collectible in installments of \$215,000 in fiscal year 2015, \$130,000 in each fiscal year from 2016 through 2017, and \$70,000 in fiscal year 2018.

(5) Art Collection

In conformity with the practice followed by many museums, art purchased and donated is not capitalized. During 2015 and 2014, the cost of collection items purchased by the Museum as a decrease in the appropriate class of net assets was \$751,101 and \$979,644, 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.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2015 and 2014

(5) Art Collection (continued)

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

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 December 31 and transfers are as follows:

	<u>2015</u>	<u>2014</u>
Purpose accomplished:		
Operations and other activities	\$ 1,505,812	\$ 1,066,505
Art accessions	751,101	979,644
Restricted activities and programs	<u>632,834</u>	<u>656,500</u>
	<u>\$ 2,889,747</u>	<u>\$ 2,702,649</u>

(7) Net Assets Composition

Board-designated, functioning as endowments, unrestricted net assets are designated to support operations and totaled \$10,784,710 and \$11,939,871 as of December 31, 2015 and 2014, respectively.

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

	<u>2015</u>	<u>2014</u>
Art accessions	\$ 7,796,774	\$ 7,568,676
Curatorship	1,169,914	1,422,401
Operation, including scholar and general	562,434	1,036,288
Directorship	421,081	517,394
Gallery maintenance and exhibits	395,688	455,485
Education	156,842	219,499
Capital	<u>4,376</u>	<u>-</u>
	<u>\$ 10,507,109</u>	<u>\$ 11,219,743</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2015 and 2014

(7) Net Assets Composition (continued)

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

	<u>2015</u>	<u>2014</u>
Operations	\$ 14,483,870	\$ 14,283,870
Art accessions	4,735,844	4,735,844
Curatorship	3,500,000	3,500,000
Education	1,041,695	891,695
Directorship	1,000,000	1,000,000
Gallery maintenance	618,782	618,782
Scholar program	<u>357,142</u>	<u>357,142</u>
	<u>\$ 25,737,333</u>	<u>\$ 25,387,333</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 6 months 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 \$130,002 and \$111,104 in profit sharing contributions and \$56,098 and \$42,269 in employer match contributions for the years ended December 31, 2015 and 2014, 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 \$34,968 and \$38,792 for the years ended December 31, 2015 and 2014, respectively.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2015 and 2014

(9) Expenses

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

	2015	2014
Salaries, wages, and benefits	\$ 4,708,315	\$ 4,581,827
Office and occupancy	2,025,003	2,814,371
Supplies and materials	216,524	239,705
Cost of goods sold	280,956	202,100
Depreciation	682,646	615,862
Art accessions	936,101	979,644
	<u>\$ 8,849,545</u>	<u>\$ 9,433,509</u>

(10) Commitments

The Museum participated in a number of state and federally-assisted grant programs in fiscal year 2015. 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.

(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.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2015 and 2014

(11) Fair Value Measurements (continued)

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.

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, 2015 and 2014

(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, 2015.

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 1,495,920	\$ -	\$ -	\$ 1,495,920
Mutual funds				
Segregated portfolio	-	-	56,760	56,760
Pooled equity fund	31,777,802	-	-	31,777,802
Total return fund	5,334,822	-	-	5,334,822
Corporate stocks	241,190	-	-	241,190
Limited partnership hedge funds	-	-	6,105	6,105
Other	-	231,862	-	231,862
Total assets in fair value hierarchy	\$ 38,849,734	\$ 231,862	\$ 62,865	\$ 39,144,461
Investments measured at net asset value				7,188,327
Real property				436,260
Investments at fair value				<u>\$ 46,769,048</u>

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of December 31, 2014.

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 1,456,465	\$ -	\$ -	\$ 1,456,465
Mutual funds				
Segregated portfolio	-	-	81,917	81,917
Pooled equity fund	39,042,640	-	-	39,042,640
Total return fund	5,301,175	-	-	5,301,175
Corporate stocks	233,138	-	-	233,138
Limited partnership hedge funds	-	-	14,953	14,953
Other	-	241,338	-	241,338
Total assets at fair value	\$ 46,033,418	\$ 241,338	\$ 96,870	\$ 46,371,626
Investments measured at net asset value				1,840,588
Real Property				436,260
Investments at fair value				<u>\$ 48,648,474</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2015 and 2014

(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	Absolute Return Pool Fund	Limited Partnership Hedge Funds	Hedged Total
Balance, January 1, 2014	\$ 92,266	\$ 3,087,743	\$ 18,937	\$ 3,198,946
Unrealized gains/losses relating to instruments still held at the reporting date, net	9,976	-	-	9,976
Purchases, sales, issuances and settlements, net	(20,325)	-	(1,772)	(22,097)
Transfers in and/or out of Level 3	-	(3,087,743)	(2,212)	(3,089,955)
Balance, December 31, 2014	<u>\$ 81,917</u>	<u>\$ -</u>	<u>\$ 14,953</u>	<u>\$ 96,870</u>
Balance, January 1, 2015	81,917	-	14,953	96,870
Unrealized gains/losses relating to instruments still held at the reporting date, net	(403)	-	(8,848)	(9,251)
Purchases, sales, issuances and settlements, net	(24,754)	-	-	(24,754)
Transfers in and/or out of Level 3	-	-	-	-
Balance, December 31, 2015	<u>\$ 56,760</u>	<u>\$ -</u>	<u>\$ 6,105</u>	<u>\$ 62,865</u>

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
Segregated Portfolio	\$56,760	Side pocket residual investment	Practical expedient	Not applicable
Limited Partnership Hedge Funds	\$6,105	Side pocket residual investment	Practical expedient	Not applicable

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2015 and 2014

(12) Endowment Net Assets

In accordance with the requirements, 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 Directors (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.

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.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2015 and 2014

(12) Endowment Net Assets (continued)

The composition of the Museum's endowments by net asset class as of December 31, 2015 was:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, by type				
Donor-restricted endowment funds	\$ -	\$ 6,716,983	\$ 12,523,647	\$19,240,630
Board-designated endowment funds	10,784,710	-	13,213,686	23,998,396
Total funds	<u>\$ 10,784,710</u>	<u>\$ 6,716,983</u>	<u>\$ 25,737,333</u>	<u>\$43,239,026</u>
Change in endowment net assets				
Endowment net assets, beginning of year	<u>\$ 11,939,871</u>	<u>\$ 7,855,781</u>	<u>\$ 25,387,333</u>	<u>\$45,182,985</u>
Investment return:				
Investment income	126,324	117,118	-	243,442
Net depreciation (realized and unrealized)	<u>(219,115)</u>	<u>(181,779)</u>	<u>-</u>	<u>(400,894)</u>
	(92,791)	(64,661)	-	(157,452)
Other income	124,072	997	200,000	325,069
Contributions	-	500	150,000	150,500
Subtotal	<u>31,281</u>	<u>46,836</u>	<u>350,000</u>	<u>318,117</u>
Other changes:				
Art purchase	-	555,377	-	555,377
Operating	54,468	70,497	-	124,965
Transfers out	<u>1,131,974</u>	<u>449,760</u>	<u>-</u>	<u>1,581,734</u>
Subtotal	<u>1,186,442</u>	<u>1,108,134</u>	<u>-</u>	<u>2,262,076</u>
Endowment net assets, end of year end of year	<u>\$ 10,784,710</u>	<u>\$ 6,716,983</u>	<u>\$ 25,737,333</u>	<u>\$43,239,026</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2015 and 2014

(12) Endowment Net Assets (continued)

The composition of the Museum's endowments by net asset class as of December 31, 2014 was:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, by type				
Donor-restricted endowment funds	\$ -	\$ 7,855,781	\$ 12,373,646	\$ 20,229,427
Board-designated endowment funds	11,939,871	-	13,013,687	24,953,558
Total funds	<u>\$ 11,939,871</u>	<u>\$ 7,855,782</u>	<u>\$ 25,387,333</u>	<u>\$ 45,182,985</u>
Change in endowment net assets				
Endowment net assets, beginning of year	<u>\$ 11,006,103</u>	<u>\$ 6,909,439</u>	<u>\$ 25,137,333</u>	<u>\$ 43,052,875</u>
Investment return:				
Investment income	178,244	97,920	-	276,164
Net appreciation (realized and unrealized)	1,461,416	1,273,326	-	2,734,742
	<u>1,639,660</u>	<u>1,371,246</u>	<u>-</u>	<u>3,010,906</u>
Art deaccessions	-	29,920	-	29,920
Other income	393,632	16,395	250,000	660,027
Contributions	37	-	-	37
Subtotal	<u>2,033,329</u>	<u>1,417,561</u>	<u>250,000</u>	<u>3,700,890</u>
Other changes:				
Art purchase	-	49,345	-	49,345
Operating	53,270	61,925	-	115,195
Transfers out	1,046,291	359,949	-	1,406,240
Subtotal	<u>1,099,561</u>	<u>471,219</u>	<u>-</u>	<u>1,570,780</u>
Endowment net assets, end of year	<u>\$ 11,939,871</u>	<u>\$ 7,855,781</u>	<u>\$ 25,387,333</u>	<u>\$ 45,182,985</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2015 and 2014

(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, 2015 and 2014. These costs have not been reflected in the financial statements of the Museum.

(14) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 24, 2016, and determined that there were no subsequent events requiring disclosure.

NEW ORLEANS MUSEUM OF ART

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015

NEW ORLEANS MUSEUM OF ART
Schedules of Endowment Funds
December 31, 2015 and 2014

Endowment Funds include both donor (temporarily and permanently restricted) and board designated (unrestricted) 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:

	2015	2014
	Total	Total
	Net Assets	Net Assets
Acquisitions Endowment Funds		
William McDonald and Eva Carol Boles Endowment Fund	\$ 3,467,776	\$ 3,671,149
George Frierson Art Purchase Fund	1,324,426	1,584,368
Robert Gordy Art Purchase Fund	980,263	991,845
Carmen Donaldson Art Purchase Fund	717,314	721,844
Carrie Heiderich Acquisition Fund	571,919	573,628
Elise Mayer Bestoff Endowment Fund	496,688	499,824
Mervin G. Morais Endowment for Decorative Arts	343,101	344,247
Tina Freeman Photography Art Purchase Fund	301,117	336,544
Francoise Billion Richardson African Art Acquisition Fund	272,166	277,709
Joel Weinstock Art Purchase Fund	257,665	259,292
P.R. and Sunny Norman Art Purchase Fund	252,396	343,854
Alvin and Carol Merlin Acquisition Fund	55,918	56,270
Benjamin J. Harrod Art Purchase Fund	16,300	16,403
Augusta M. Jourdan Art Purchase Fund	15,787	15,887
	9,072,835	9,692,864
Total Acquisitions Endowment Funds		
Exhibition and Program Endowment Funds		
Azby Endowment Fund	314,486	321,225
Charlotte Mann & Joshua Mann Paillet Endowment Fund	262,632	268,676
Favrot Architecture and Design Endowment Fund	262,429	267,704
Elise M. Besthoff Charitable Foundation Gallery	250,000	250,000
Chapman H. Hyams 1951 Trust Fund	225,925	219,165
George F. Lapeyre Fund	181,260	182,405
Chapman H. Hyams 1952 Trust Fund	19,746	19,159
	1,516,478	1,528,334
Total Exhibition and Program Endowment Funds		
Position Endowment Funds		
RosaMary Foundation Curator of Decorative Arts and Design	1,468,913	1,551,433
Zemurray Foundation Curatorial Fellow for Spanish Colonial Art	1,468,415	1,550,916
Ella West Freeman Foundation Director's Fund	1,421,081	1,517,394
Freeman Family Curator of Photography	1,210,449	1,292,941
Francoise Billion Richardson Curator of African Art Endowment Fund	507,137	527,111
	6,075,995	6,439,795
Total Position Endowment Funds		

NEW ORLEANS MUSEUM OF ART
Schedules of Endowment Funds
December 31, 2015 and 2014

	2015	2014
	Total	Total
	Net Assets	Net Assets
Education Endowment Funds		
Taylor Education Endowment Fund	583,372	606,893
Patrick F. Taylor Scholar Fund	387,772	426,123
Marian Dreux Van Horn II Youth Art Education Fund	177,665	187,634
Janice Parmalee & Bill Hammick Early Education Fund	150,000	-
	1,298,809	1,220,650
Operating Endowment Funds		
General Operating Endowment Fund	23,998,397	24,953,557
Besthoff Operating Endowment Fund	1,276,512	1,347,785
	25,274,909	26,301,342
	\$ 43,239,026	\$ 45,182,985
Reconciliation with Statement of Financial Position		
Net assets:		
Unrestricted:		
Unrestricted, operating	\$ 663,368	\$ 1,224,835
Board designated, investment in building	12,454,747	12,317,369
Board designated, functioning as operating endowments	10,784,711	11,939,871
	23,902,825	25,482,075
Temporarily restricted	10,507,109	11,219,743
Permanently restricted	25,737,333	25,387,333
	60,147,267	62,089,151
Less items not included in endowments:		
Unrestricted net assets in operating fund	(663,368)	(1,224,835)
Temporarily restricted assets in investment in building	(12,454,747)	(12,317,369)
Temporarily restricted assets in funds for specified purposes	(3,790,127)	(3,363,962)
	(16,908,241)	(16,906,166)
	\$ 43,239,026	\$ 45,182,985

See accompanying independent auditors' report.