
NEW ORLEANS MUSEUM OF ART
FINANCIAL STATEMENTS AND SCHEDULES
DECEMBER 31, 2016



A Professional Accounting Corporation

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NEW ORLEANS MUSEUM OF ART

Financial Statements and Schedules

December 31, 2016

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, 2016 and 2015, 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, 2016 and 2015, 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 25 through 26 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 22, 2017 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.



Metairie, Louisiana
June 22, 2017

NEW ORLEANS MUSEUM OF ART

Statements of Financial Position

December 31, 2016 and 2015

	Assets	
	2016	2015
Current assets:		
Cash	\$ 997,592	\$ 654,240
Investments, short-term (note 2)	1,372,222	1,286,110
Receivables:		
Promises to give (note 4)	1,500,104	150,278
Other	734,632	107,067
Inventories	180,044	101,553
Prepaid expenses	255,108	170,810
Total current assets	5,039,702	2,470,058
Promises to give, long-term (note 4)	2,433,333	200,000
Arts collections (note 5)	-	-
Investments, long-term and real property (note 2)	48,521,727	45,482,938
Building, improvements and equipment, net (note 3)	11,859,839	12,454,747
Net cash provided by investing activities	\$ 67,854,601	\$ 60,607,743
	Liabilities and Net Assets	
Current liabilities:		
Accounts payable and other liabilities	\$ 167,131	\$ 98,591
Accrued salaries and payroll benefits	321,531	361,885
Net increase in cash and cash equivalents	488,662	460,476
Total liabilities	488,662	460,476
Net assets:		
Unrestricted:		
Unrestricted, operating	589,843	663,368
Board designated, investment in building	11,859,839	12,454,747
Board designated, functioning as operating endowments	12,130,932	10,784,710
Total unrestricted net assets	24,580,614	23,902,825
Temporarily restricted	16,747,992	10,507,109
Permanently restricted	26,037,333	25,737,333
Total net assets	67,365,939	60,147,267
Total liabilities and net assets	\$ 67,854,601	\$ 60,607,743

See accompanying notes to financial statements.

NEW ORLEANS MUSEUM OF ART

Statements of Activities

Years ended December 31, 2016 and 2015

	2016			2015				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenue:								
Support:								
Individual contributions	\$ 215,063	941,171	-	1,156,234	94,122	1,637,572	150,000	1,881,694
City, state, and federal grants	188,422	-	-	188,422	165,852	-	-	165,852
Sponsorships	60,000	-	-	60,000	-	-	-	-
Corporate support	12,034	37,500	-	49,534	124,498	49,170	-	173,668
Donation boxes	14,784	-	-	14,784	11,091	-	-	11,091
Affiliate memberships	424,859	-	-	424,859	493,071	-	-	493,071
Odyssey ball (net of direct costs of \$139,741 and \$81,150, respectively)	499,694	-	-	499,694	317,799	-	-	317,799
Special benefits (net of direct costs of \$207,174 and \$244,860, respectively)	274,786	-	-	274,786	259,618	-	-	259,618
Legacies and bequests	249,950	-	-	249,950	124,073	-	-	124,073
Foundations	620,654	6,351,649	300,000	7,272,303	689,346	366,583	200,000	1,255,929
Net cash provided by investing activities	\$ 2,560,246	7,320,320	300,000	10,190,566	2,279,470	2,053,325	350,000	4,682,795
Revenue:								
General membership dues	374,426	-	-	374,426	397,143	-	-	397,143
Business and university memberships	50,260	-	-	50,260	110,500	-	-	110,500
Admission charges	545,295	-	-	545,295	541,193	-	-	541,193
Education programs	62,588	-	-	62,588	75,543	-	-	75,543
Exhibition programs	70,811	-	-	70,811	221,659	-	-	221,659
Special evenings	165,241	-	-	165,241	266,901	-	-	266,901
Members' events	203,614	23,825	-	227,439	174,170	213,189	-	387,359
Interest and dividends	196,847	185,248	-	382,095	132,884	131,519	-	264,403
Net appreciation in investments	2,188,108	2,138,732	-	4,326,840	(228,852)	(221,919)	-	(450,771)
Miscellaneous	517,380	4,081	-	521,461	3,955	998	-	4,953
Deaccessions	-	90,738	-	90,738	-	-	-	-
Museum shop	351,126	-	-	351,126	405,982	-	-	405,982
Total revenue	4,725,696	2,442,624	-	7,168,320	2,101,078	123,787	-	2,224,865
Total support and revenue before net assets released from restrictions/transfers	7,285,942	9,772,944	300,000	17,358,886	4,380,548	2,177,112	350,000	6,907,660
Net assets released from restrictions/transfers (note 6)	3,532,061	(3,532,061)	-	-	2,889,747	(2,889,747)	-	-
Total support and revenue	10,818,003	6,240,883	300,000	17,358,886	7,270,295	(712,635)	350,000	6,907,660

NEW ORLEANS MUSEUM OF ART

Statements of Activities

Years ended December 31, 2016 and 2015

	2016			2015				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Expenses:								
Art division:								
Collections	\$ 909,283	-	-	909,283	\$ 1,267,209	-	-	1,267,209
Art accessions not capitalized (note 5)	2,441,803	-	-	2,441,803	751,101	-	-	751,101
Exhibition programs	1,169,802	-	-	1,169,802	845,341	-	-	845,341
Education programs	607,401	-	-	607,401	707,721	-	-	707,721
Member activities	152,172	-	-	152,172	396,209	-	-	396,209
Administration and general	1,310,529	-	-	1,310,529	1,121,098	-	-	1,121,098
Building/Security	2,350,041	-	-	2,350,041	2,421,892	-	-	2,421,892
Retail Operations	295,000	-	-	295,000	401,990	-	-	401,990
External affairs and development	904,183	-	-	904,183	936,983	-	-	936,983
Total expenses	10,140,214	-	-	10,140,214	8,849,544	-	-	8,849,544
Change in net assets	677,789	6,240,883	300,000	7,218,672	(1,579,249)	(712,635)	350,000	(1,941,884)
Net assets at beginning of year	23,902,825	10,507,109	25,737,333	60,147,267	25,482,074	11,219,744	25,387,333	62,089,151
Net assets at end of year	\$ 24,580,614	16,747,992	26,037,333	67,365,939	\$ 23,902,825	10,507,109	25,737,333	60,147,267

See accompanying notes to financial statements.

NEW ORLEANS MUSEUM OF ART

Statements of Cash Flows

Years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from government entities	\$ 188,422	\$ 165,852
Cash received from contributors	5,491,418	4,486,364
Cash received from sales of art	90,738	-
Cash received from memberships and member activities	2,017,522	2,005,250
Cash received from auxiliary operations	351,126	405,982
Interest and dividends received	382,095	264,403
Cash paid to employees and suppliers	(7,105,232)	(7,412,557)
Cash paid for art acquisitions	(2,441,803)	(751,101)
	<u>(1,025,714)</u>	<u>(835,807)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchase of investments	(30,734,674)	(20,547,964)
Proceeds from maturities/sales of investments	31,936,615	21,976,619
Purchases of building and equipment	(132,875)	(820,024)
	<u>1,069,066</u>	<u>608,631</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Proceeds from contributions, permanently restricted	300,000	350,000
	<u>300,000</u>	<u>350,000</u>
Net cash provided by financing activities		
Net increase in cash and cash equivalents	343,352	122,824
Cash and cash equivalents at beginning of year	<u>654,240</u>	<u>531,416</u>
Cash and cash equivalents at end of year	<u>\$ 997,592</u>	<u>\$ 654,240</u>
Reconciliation of changes in net assets to net cash from operating activities:		
Changes in net assets	\$ 7,218,672	\$ (1,941,884)
Adjustments for long-term income and non-cash expenses:		
Permanently restricted contributions	(300,000)	(350,000)
Appreciation of investments	(4,326,840)	450,771
Depreciation of building improvements and equipment	727,783	682,646
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Increase in current assets and long-term promises to give	(4,373,515)	374,301
Decrease in current liabilities	28,186	(51,641)
	<u>\$ (1,025,714)</u>	<u>\$ (835,807)</u>
Net cash used in operating activities		

See accompanying notes to financial statements.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2016 and 2015

(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 43-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 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, 2016 and 2015

(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, 2016 and 2015.

(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.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2016 and 2015

(1) Summary of Significant Accounting Policies (continued)

(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.

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. 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.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2016 and 2015

(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.

(2) Investments

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

	<u>2016</u>	<u>2015</u>
Cash equivalents	\$ 1,727,685	\$ 1,495,920
Mutual funds	47,229,874	44,357,711
Corporate stocks	263,488	241,190
Real property	436,260	436,260
Limited partnership hedge funds	6,588	6,105
Other	230,054	231,862
	<u>\$ 49,893,949</u>	<u>\$ 46,769,048</u>

Reconciliation to the statements of financial position is as follows:

	<u>2016</u>	<u>2015</u>
Short-term investments	\$ 1,372,222	\$ 1,286,110
Long-term investments	48,521,727	45,482,938
	<u>\$ 49,893,949</u>	<u>\$ 46,769,048</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2016 and 2015

(2) Investments (continued)

Investments are held for the following purposes:

	<u>2016</u>	<u>2015</u>
Unrestricted, substantially board designated	\$ 11,515,541	\$ 11,112,939
Temporarily restricted:		
Operating:		
Capital	2,723,988	1,049,104
Curatorship, functioning as endowments	888,337	716,629
Directorship, functioning as endowments	494,685	421,080
Education program	163,623	119,342
Gallery maintenance	917,438	821,944
General operating program	481,614	380,833
	<u>5,669,685</u>	<u>3,508,932</u>
Art accessions	6,897,609	6,760,121
	<u>12,567,294</u>	<u>10,269,053</u>
Permanently restricted:		
Operating:		
Curatorship	3,500,000	3,500,000
Directorship	1,000,000	1,000,000
Education program	1,090,476	941,418
Gallery maintenance	518,782	468,782
General operating program	14,608,870	14,383,869
Scholar program	357,143	357,143
	<u>21,075,271</u>	<u>20,651,212</u>
Art accessions	4,735,843	4,735,844
	<u>25,811,114</u>	<u>25,387,056</u>
	<u>\$ 49,893,949</u>	<u>\$ 46,769,048</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2016 and 2015

(2) Investments (continued)

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

	<u>2016</u>	<u>2015</u>
Dividends and interest	\$ 382,095	\$ 264,403
Net realized and unrealized gains, net of losses:		
Realized	6,770,737	4,035,216
Unrealized	<u>(2,443,897)</u>	<u>(4,485,987)</u>
	4,326,840	(450,771)
Total return on investments	<u>\$ 4,708,935</u>	<u>\$ (186,368)</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, 2016 and 2015

(3) Building, Improvements, and Equipment

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

2016				
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	Estimated useful lives
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>	
2015				
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	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>	

Depreciation expense in 2016 and 2015 was \$727,783 and \$682,646, respectively.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2016 and 2015

(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 \$3,933,437 at December 31, 2016, due in installments of \$1,500,104 in fiscal year 2017, \$1,408,333 in fiscal year 2018, and \$1,025,000 in fiscal year 2019. Scheduled payments were \$350,278 at December 31, 2015, due in installments of \$150,278 in fiscal year 2016, \$150,000 in fiscal year from 2017, and \$50,000 in fiscal year 2018.

(5) Art Collection

In conformity with the practice followed by many museums, art purchased and donated is not capitalized. During 2016 and 2015, the cost of collection items purchased by the Museum as a decrease in the appropriate class of net assets was \$2,441,803 and \$751,101, 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

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>2016</u>	<u>2015</u>
Purpose accomplished:		
Operations and programs	\$ 1,090,258	\$ 2,138,646
Art accessions	2,441,803	751,101
	<u>\$ 3,532,061</u>	<u>\$ 2,889,747</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2016 and 2015

(7) Net Assets Composition

Board-designated, functioning as endowments, unrestricted net assets are designated to support operations and totaled \$12,130,932 and \$10,784,710 as of December 31, 2016 and 2015, respectively.

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

	<u>2016</u>	<u>2015</u>
Art accessions	\$ 7,321,094	\$ 7,796,774
Curatorship	1,398,780	1,169,914
Operation, including scholar and general	586,219	562,434
Directorship	494,685	421,081
Gallery maintenance and exhibits	459,966	395,688
Education	163,623	156,842
Capital	6,323,625	4,376
	<u>\$ 16,747,992</u>	<u>\$ 10,507,109</u>

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

	<u>2016</u>	<u>2015</u>
Operations	\$ 14,783,870	\$ 14,483,870
Art accessions	4,735,844	4,735,844
Curatorship	3,500,000	3,500,000
Education	1,041,695	1,041,695
Directorship	1,000,000	1,000,000
Gallery maintenance	618,782	618,782
Scholar program	357,142	357,142
	<u>\$ 26,037,333</u>	<u>\$ 25,737,333</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 \$118,982 and \$130,002 in profit sharing contributions and \$51,665 and \$56,098 in employer match contributions for the years ended December 31, 2016 and 2015, respectively.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2016 and 2015

(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 \$25,363 and \$34,968 for the years ended December 31, 2016 and 2015, respectively.

(9) Expenses

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

	<u>2016</u>	<u>2015</u>
Salaries, wages, and benefits	\$ 4,678,922	\$ 4,708,315
Office and occupancy	2,253,002	2,025,002
Supplies and materials	211,659	216,524
Cost of goods sold	173,466	280,956
Depreciation	727,783	682,646
Art accessions	2,095,382	936,101
	<u>\$ 10,140,214</u>	<u>\$ 8,849,544</u>

(10) Commitments

The Museum participated in a number of state and federally-assisted grant programs in fiscal year 2016. 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, 2016 and 2015

(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.

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, 2016 and 2015

(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, 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
Limited partnership hedge funds	-	-	6,588	6,588
Other	-	230,054	-	230,054
Total assets in fair value hierarchy	<u>\$ 31,734,453</u>	<u>\$ 230,054</u>	<u>\$ 46,513</u>	<u>\$ 32,011,020</u>
Investments measured at net asset value				17,446,669
Real property				436,260
Investments at fair value				<u>\$ 49,893,949</u>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2016 and 2015

(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	<u>\$ 38,849,734</u>	<u>\$ 231,862</u>	<u>\$ 62,865</u>	<u>39,144,461</u>
Investments measured at net asset value				7,188,327
Real property				436,260
Investments at fair value				<u>\$ 46,769,048</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. 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.

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".

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2016 and 2015

(11) Fair Value Measurements (continued)

	Segregated Portfolio	Absolute Return Pool Fund	Limited Partnership Hedge Funds	Hedged Total
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>
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)
Transfers in and/or out of Level 3	-	-	-	-
Balance, December 31, 2016	<u>\$ 39,925</u>	<u>\$ -</u>	<u>\$ 6,588</u>	<u>\$ 46,513</u>

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values
Segregated Portfolio	\$39,925	Side pocket residual investment	Practical expedient	Not applicable
Limited Partnership Hedge Funds	<u>6,588</u>	Side pocket residual investment	Practical expedient	Not applicable
	<u>\$46,513</u>			

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2016 and 2015

(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 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, 2016 and 2015

(12) Endowment Net Assets (continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, by type				
Donor-restricted endowment funds	\$ -	\$ 7,709,828	\$ 13,423,646	\$ 21,133,474
Board-designated endowment funds	12,130,932	-	12,613,687	24,744,619
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	<u>-</u>	<u>248,100</u>	<u>-</u>	<u>248,100</u>
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>

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2016 and 2015

(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)	(219,115)	(181,779)	-	(400,894)
	(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>(63,164)</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	1,131,974	449,760	-	1,581,734
Subtotal	<u>1,186,442</u>	<u>1,075,634</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, 2016 and 2015

(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, 2016 and 2015. 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 22, 2017, and determined that there were no subsequent events requiring disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

NEW ORLEANS MUSEUM OF ART
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016

NEW ORLEANS MUSEUM OF ART
Schedules of Endowment Funds
December 31, 2016 and 2015

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:

	2016	2015
	Total	Total
	Net Assets	Net Assets
Acquisitions Endowment Funds		
William McDonald and Eva Carol Boles Endowment Fund	\$ 3,729,488	\$ 3,467,775
George Frierson Art Purchase Fund	1,357,239	1,324,426
Robert Gordy Art Purchase Fund	976,929	980,263
Carmen Donaldson Art Purchase Fund	747,271	717,314
Carrie Heiderich Acquisition Fund	574,007	571,919
Elise Mayer Bestoff Endowment Fund	546,660	496,688
Mervin G. Morais Endowment for Decorative Arts	361,626	343,101
Tina Freeman Photography Art Purchase Fund	328,623	301,117
P.R. and Sunny Norman Art Purchase Fund	284,893	252,396
Joel Weinstock Art Purchase Fund	264,189	257,665
Francoise Billion Richardson African Art Acquisition Fund	233,187	272,166
Alvin and Carol Merlin Acquisition Fund	61,543	55,918
Augusta M. Jourdan Art Purchase Fund	17,376	15,787
Benjamin J. Harrod Art Purchase Fund	16,943	16,300
	9,499,974	9,072,835
Exhibition and Program Endowment Funds		
Favrot Architecture and Design Endowment Fund	376,199	262,429
Azby Endowment Fund	322,206	314,486
Charlotte Mann & Joshua Mann Paillet Endowment Fund	269,297	262,632
Elise M. Besthoff Charitable Foundation Gallery	265,660	250,000
George F. Lapeyre Fund	199,495	181,260
Chapman H. Hyams 1951 Trust Fund	250,111	225,925
Chapman H. Hyams 1952 Trust Fund	21,926	19,746
	1,704,894	1,516,478
Position Endowment Funds		
RosaMary Foundation Curator of Decorative Arts and Design	1,545,391	1,468,913
Zemurray Foundation Curatorial Fellow for Spanish Colonial Art	1,544,860	1,468,415
Ella West Freeman Foundation Director's Fund	1,494,685	1,421,081
Freeman Family Curator of Photography	1,272,822	1,210,449
Francoise Billion Richardson Curator of African Art Endowment Fund	535,707	507,137
	6,393,465	6,075,995

(continued)

NEW ORLEANS MUSEUM OF ART
Schedules of Endowment Funds
December 31, 2016 and 2015

	2016	2015
	Total	Total
	Net Assets	Net Assets
Education Endowment Funds		
Taylor Education Endowment Fund	\$ 615,724	\$ 583,372
Patrick F. Taylor Scholar Fund	392,092	387,772
MD Van Horn Education Fund	186,918	177,665
Janice Parmelee & Bill Hammock Early Education Fund	152,676	150,000
	1,347,410	1,298,809
Operating Endowment Funds		
General Operating Endowment Fund	24,744,617	23,298,397
Besthoff Operating Endowment Fund	1,343,096	1,276,512
Helis Operating Endowment Fund	844,637	700,000
	26,932,350	25,274,909
	\$ 45,878,093	\$ 43,239,026
Reconciliation with Statement of Financial Position		
Net assets:		
Unrestricted:		
Unrestricted, operating	\$ 589,843	\$ 663,368
Board designated, investment in building	11,859,839	12,454,747
Board designated, functioning as operating endowments	12,130,932	10,784,710
	24,580,614	23,902,825
Temporarily restricted	16,747,992	10,507,109
Permanently restricted	26,037,333	25,737,333
	67,365,939	60,147,267
Less items not included in endowments:		
Unrestricted net assets in operating fund	(589,843)	(663,368)
Temporarily restricted assets in investment in building	(11,859,839)	(12,454,747)
Temporarily restricted assets in funds for specified purposes	(9,038,164)	(3,790,126)
	(21,487,846)	(16,908,241)
	\$ 45,878,093	\$ 43,239,026

See accompanying independent auditors' report.