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**NEW ORLEANS MUSEUM OF ART**  
**FINANCIAL STATEMENTS AND SCHEDULES**  
**DECEMBER 31, 2021**

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**NEW ORLEANS MUSEUM OF ART**

Financial Statements and Schedules

December 31, 2021

With Independent Auditors' Report Thereon

**NEW ORLEANS MUSEUM OF ART**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
New Orleans Museum of Art

### ***Opinion***

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, 2021 and 2020, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the New Orleans Museum of Art and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Museum's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules on pages 26-28 are presented for purposes of additional analysis and are 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 30, 2022, on our consideration of the Museum's internal control over financial reporting and 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Metairie, Louisiana  
June 30, 2022

**NEW ORLEANS MUSEUM OF ART**

Statements of Financial Position

December 31, 2021 and 2020

|   | <b>Assets</b>         |                      |
|---|-----------------------|----------------------|
|   | <u>2021</u>           | <u>2020</u>          |
| Current assets:                                     |                       |                      |
| Cash and cash equivalents                           | \$ 1,666,368          | \$ 562,149           |
| Promises to give (note 5)                           | 1,201,030             | 2,798,672            |
| Accounts receivable                                 | 908,496               | 247,587              |
| Inventories   | 155,797               | 158,840              |
| Prepaid expenses                                    | 206,079               | 192,810              |
| Total current assets                                | <u>4,137,770</u>      | <u>3,960,058</u>     |
| Restricted cash                                     | 2,079,457             | 1,585,420            |
| Restricted accounts receivable                      | 398,976               | 133,663              |
| Promises to give, long-term (note 5)                | 543,334               | 1,382,587            |
| Investments, long-term and real property (note 3)   | 70,349,009            | 60,575,339           |
| Buildings, improvements and equipment, net (note 4) | <u>30,729,032</u>     | <u>31,928,395</u>    |
| Total assets  | <u>\$ 108,237,578</u> | <u>\$ 99,565,462</u> |
|   | <b>Liabilities</b>    |                      |
| Current liabilities:                                |                       |                      |
| Accounts payable                                    | \$ 936,405            | \$ 174,229           |
| Construction payable                                | -                     | 664,615              |
| Accrued payroll and related expenses                | 609,454               | 483,339              |
| Deferred revenue (note 10)                          | 646,781               | 547,907              |
| Lines of credit - current portion (note 6)          | 976,030               | 2,748,672            |
| Total current liabilities                           | <u>3,168,670</u>      | <u>4,618,762</u>     |
| Lines of credit (note 6)                            | 2,705,555             | 3,465,913            |
| Deferred revenue (note 10)                          | 868,478               | 1,057,426            |
| Other noncurrent liabilities (note 9)               | <u>55,000</u>         | <u>-</u>             |
| Total liabilities                                   | <u>6,797,703</u>      | <u>9,142,101</u>     |
|   | <b>Net assets</b>     |                      |
| Without donor restrictions:                         |                       |                      |
| Programming, general operations and improvements    | 31,884,633            | 31,176,721           |
| Board designated quasi-endowment                    | 20,834,925            | 16,848,828           |
| Total net assets without donor restrictions         | <u>52,719,558</u>     | <u>48,025,549</u>    |
| With donor restrictions (note 8)                    |                       |                      |
| Temporarily restricted                              | 20,674,172            | 14,513,682           |
| Permanently restricted                              | 28,046,145            | 27,884,130           |
| Total net assets with donor restrictions            | <u>48,720,317</u>     | <u>42,397,812</u>    |
| Total net assets                                    | <u>101,439,875</u>    | <u>90,423,361</u>    |
| Total liabilities and net assets                    | <u>\$ 108,237,578</u> | <u>\$ 99,565,462</u> |

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

**NEW ORLEANS MUSEUM OF ART**

Statements of Activities and Changes in Net Assets

Years ended December 31, 2021 and 2020

|  | <b>2021</b>                           |                                    |                      | <b>2020</b>                           |                                    |                      |
|--|---------------------------------------|------------------------------------|----------------------|---------------------------------------|------------------------------------|----------------------|
|  | <b>Without donor<br/>restrictions</b> | <b>With donor<br/>restrictions</b> | <b>Total</b>         | <b>Without donor<br/>restrictions</b> | <b>With donor<br/>restrictions</b> | <b>Total</b>         |
| Support and revenue:   |                                       |                                    |                      |                                       |                                    |                      |
| Support:   |                                       |                                    |                      |                                       |                                    |                      |
| Individual contributions   | \$ 242,219                            | \$ 794,892                         | \$ 1,037,111         | \$ 288,506                            | \$ 879,689                         | \$ 1,168,195         |
| City and state grants  | 284,000                               | -                                  | 284,000              | 268,314                               | -                                  | 268,314              |
| Federal grants   | 962,800                               | 162,800                            | 1,125,600            | 933,600                               | 278,513                            | 1,212,113            |
| Corporate support  | 65,600                                | 187,686                            | 253,286              | 74,093                                | 100,000                            | 174,093              |
| Affiliate memberships  | 492,216                               | -                                  | 492,216              | 299,336                               | -                                  | 299,336              |
| Fundraising events (net of direct costs)                               | 489,706                               | -                                  | 489,706              | 476,624                               | -                                  | 476,624              |
| Legacies and bequests  | 103,008                               | 2,725                              | 105,733              | 154,220                               | -                                  | 154,220              |
| Foundations  | 415,617                               | 2,275,225                          | 2,690,842            | 701,027                               | 2,165,319                          | 2,866,346            |
| Total support  | <u>3,055,166</u>                      | <u>3,423,328</u>                   | <u>6,478,494</u>     | <u>3,195,720</u>                      | <u>3,423,521</u>                   | <u>6,619,241</u>     |
| Revenue:   |                                       |                                    |                      |                                       |                                    |                      |
| Memberships  | 387,840                               | -                                  | 387,840              | 452,329                               | -                                  | 452,329              |
| Admissions   | 699,234                               | -                                  | 699,234              | 338,772                               | -                                  | 338,772              |
| Programs   | 31,227                                | -                                  | 31,227               | 19,381                                | -                                  | 19,381               |
| Auxiliary activities   | 641,648                               | -                                  | 641,648              | 286,283                               | -                                  | 286,283              |
| Investment income (loss), net  | 5,546,143                             | 5,715,044                          | 11,261,187           | 2,315,727                             | 2,299,507                          | 4,615,234            |
| Miscellaneous  | 1,903,108                             | 70,886                             | 1,973,994            | 122,980                               | -                                  | 122,980              |
| Deaccessions   | -                                     | 1,707                              | 1,707                | -                                     | 120                                | 120                  |
| Total revenue  | <u>9,209,200</u>                      | <u>5,787,637</u>                   | <u>14,996,837</u>    | <u>3,535,472</u>                      | <u>2,299,627</u>                   | <u>5,835,099</u>     |
| Total support and revenue before net assets released from restrictions | <u>12,264,366</u>                     | <u>9,210,965</u>                   | <u>21,475,331</u>    | <u>6,731,192</u>                      | <u>5,723,148</u>                   | <u>12,454,340</u>    |
| Net assets released from restrictions (note 7)                         | <u>2,888,460</u>                      | <u>(2,888,460)</u>                 | <u>-</u>             | <u>10,060,240</u>                     | <u>(10,060,240)</u>                | <u>-</u>             |
| Total support and revenue  | <u>\$ 15,152,826</u>                  | <u>\$ 6,322,505</u>                | <u>\$ 21,475,331</u> | <u>\$ 16,791,432</u>                  | <u>\$ (4,337,092)</u>              | <u>\$ 12,454,340</u> |

(continued)

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

**NEW ORLEANS MUSEUM OF ART**

Statements of Activities and Changes in Net Assets

Years ended December 31, 2021 and 2020

|                                 | 2021                          |                            |                | 2020                          |                            |               |
|---------------------------------|-------------------------------|----------------------------|----------------|-------------------------------|----------------------------|---------------|
|                                 | Without donor<br>restrictions | With donor<br>restrictions | Total          | Without donor<br>restrictions | With donor<br>restrictions | Total         |
| Expenses:                       |                               |                            |                |                               |                            |               |
| Art and education:              |                               |                            |                |                               |                            |               |
| Exhibitions and programming     | \$ 4,020,566                  | \$ -                       | \$ 4,020,566   | \$ 3,996,849                  | \$ -                       | \$ 3,996,849  |
| Art accessions not capitalized  | 1,161,514                     | -                          | 1,161,514      | 1,479,301                     | -                          | 1,479,301     |
| Support services:               |                               |                            |                |                               |                            |               |
| Management and general:         |                               |                            |                |                               |                            |               |
| Management and general          | 2,678,495                     | -                          | 2,678,495      | 2,254,703                     | -                          | 2,254,703     |
| Building and security           | 1,243,646                     | -                          | 1,243,646      | 1,221,235                     | -                          | 1,221,235     |
| Fundraising and membership      | 1,354,596                     | -                          | 1,354,596      | 1,018,314                     | -                          | 1,018,314     |
| Total expenses                  | 10,458,817                    | -                          | 10,458,817     | 9,970,402                     | -                          | 9,970,402     |
| Change in net assets            | 4,694,009                     | 6,322,505                  | 11,016,514     | 6,821,030                     | (4,337,092)                | 2,483,938     |
| Net assets at beginning of year | 48,025,549                    | 42,397,812                 | 90,423,361     | 41,204,519                    | 46,734,904                 | 87,939,423    |
| Net assets at end of year       | \$ 52,719,558                 | \$ 48,720,317              | \$ 101,439,875 | \$ 48,025,549                 | \$ 42,397,812              | \$ 90,423,361 |

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



**NEW ORLEANS MUSEUM OF ART**

Statements of Cash Flows

Years ended December 31, 2021 and 2020

|  | <b>2021</b>  | <b>2020</b>  |
|--|--------------|--------------|
| Cash flows from operating activities:                              |              |              |
| Cash received from government entities                             | \$ 1,394,215 | \$ 1,045,576 |
| Cash received from contributors and private grantors               | 2,227,390    | 2,167,430    |
| Cash received from sales of memberships                            | 408,856      | 428,626      |
| Cash received from admissions and auxiliaries                      | 2,488,782    | 756,394      |
| Interest and dividends received                                    | 952,984      | 800,557      |
| Payments of interest   | (110,523)    | (139,511)    |
| Payments to employees and suppliers                                | (8,020,157)  | (6,455,624)  |
| Net cash used in operating activities                              | (658,453)    | (1,396,552)  |
| Cash flows from investing activities:                              |              |              |
| Investment purchases   | (7,207,073)  | (8,433,238)  |
| Investment sales and maturities                                    | 7,890,299    | 8,910,074    |
| Proceeds from deaccessioned art                                    | 1,707        | 121          |
| Art purchases  | (441,514)    | (1,468,962)  |
| Project payments for the Auditorium, Café and Courtyard renovation | (854,208)    | (6,683,256)  |
| Net cash used in investing activities                              | (610,789)    | (7,675,261)  |
| Cash flows from financing activities:                              |              |              |
| Contributions for Sculpture Garden Art purchases                   | 960,000      | 1,001,572    |
| Contributions for Sculpture Garden construction                    | 958,979      | 1,719,113    |
| Contributions for Auditorium Construction                          | 2,033,644    | 1,950,000    |
| Contract advances for Café NOMA construction                       | 106,420      | 1,137,000    |
| Draws on line of credit  | -            | 2,393,000    |
| Principal repayments on line of credit                             | (2,533,000)  | (1,013,000)  |
| Proceeds from other restricted contributions                       | 1,341,455    | 1,240,052    |
| Net cash provided by financing activities                          | 2,867,498    | 8,427,737    |
| Net (decrease) increase in cash and cash equivalents               | 1,598,256    | (644,076)    |
| Cash and cash equivalents at beginning of year                     | 2,147,569    | 2,791,645    |
| Cash and cash equivalents at end of year                           | \$ 3,745,825 | \$ 2,147,569 |
| Composition of cash and cash equivalents at end of year:           |              |              |
| Cash and cash equivalents  | \$ 1,666,368 | \$ 562,149   |
| Restricted cash  | 2,079,457    | 1,585,420    |
|  | \$ 3,745,825 | \$ 2,147,569 |
| <b><u>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY</u></b>         |              |              |
| Accounts payable for Sculpture Garden construction                 | \$ -         | \$ 348,987   |

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

# NEW ORLEANS MUSEUM OF ART

## Notes to Financial Statements

December 31, 2021 and 2020

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

#### **(a) *History and Organization***

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

#### **(b) *Financial Statement Presentation***

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

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

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions in the year when restrictions expire or are satisfied.

#### **(c) *Cash and Cash Equivalents***

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

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2021 and 2020

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

**(d) *Promises to Give***

Contributions are recognized when the donor makes a promise to give to the Museum that is, in substance, unconditional. The Museum provides for an allowance for uncollectible unconditional promises receivable when necessary based on prior years' experience and management's analysis of specific promises made. There is no allowance considered necessary for the years ended December 31, 2021 and 2020. Promises to give that are expected to be collected in future years are considered long-term and are recorded at the net realizable value of estimated future cash flows. No discount was recorded by management for the years ended December 31, 2021 and 2020 as the amounts were considered to be immaterial.

**(e) *Inventory***

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

**(f) *Investments***

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

**(g) *Buildings, Improvements and Equipment***

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

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, 2021 and 2020.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2021 and 2020

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

**(h) Art Collections**

In conformity with the practice followed by many museums, art purchased and donated is not capitalized. During 2021 and 2020, the cost of collection items purchased and reported by the Museum as a decrease in net assets without donor restriction was \$1,161,514 and \$1,479,301, 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 collections, 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 collections; 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 collections; cultivate and advise private art collectors and encourage donations; seek out and recommend objects for acquisition or deaccession by the Museum; train volunteer docents to give guided tours of the Museum; devise and implement educational programs such as lectures, symposiums, films, concerts, family festivals on specific themes, studio art classes, and other outreach methods; family and teacher workshops for designated public schools.

**(i) Vacation and Sick Pay**

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

**(j) Revenue Recognition**

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The Museum implemented ASU 2014-09 as of January 1, 2019.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2021 and 2020

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

**(j) Revenue Recognition (continued)**

Under Topic 606, revenue is recognized in accordance with the transfer of services to customers at an amount that reflects the consideration that the Museum expects to be entitled to for those services.

The Museum recognizes revenue from ticket sales at the time of admission. Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Museum recognizes the exchange portion of membership dues over the membership period, and the contribution portion immediately. The Museum records fundraising events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

**(k) Contributions, Donated Services and In-Kind Contributions**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional contributions and promises to give are not recognized until the conditions on which they depend have been substantially met.

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

**(l) Income Taxes**

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

**(m) Use of Estimates**

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

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2021 and 2020

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

**(n) *Financial Instruments and Credit Risk***

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

**(o) *Reclassification***

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented.

**(p) *Recent Accounting Pronouncements – Not Yet Adopted***

*Leases*

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years' results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, companies can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of retained earnings (net assets). This standard will be effective for the Museum for the year ending December 31, 2022.

*Contributed Nonfinancial Assets*

On September 1, 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting non-profit gifts-in-kind. The ASU requires the new standard to be applied retrospectively, with amendments taking effect for the Museum's fiscal year ending December 31, 2022.

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

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**(2) Liquidity and Availability**

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

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

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

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

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| Financial assets at year end:  |                     |                     |
| Cash and cash equivalents  | \$ 3,745,825        | \$ 2,147,569        |
| Promises to give   | 1,744,364           | 4,181,259           |
| Accounts receivable  | 1,307,472           | 381,250             |
| Investments  | 70,349,009          | 60,575,339          |
| Total financial assets at year end   | <u>\$77,146,670</u> | <u>\$67,285,417</u> |
| Financial assets available to meet general expenditures over the next 12 months:         |                     |                     |
| Cash and cash equivalents  | \$ 1,666,368        | \$ 562,149          |
| Accounts receivable  | 908,496             | 247,587             |
| Donor restricted endowment appropriations<br>over the next 12 months (note 14)           | 1,394,245           | 1,601,555           |
| Board restricted quasi-endowment appropriations<br>over the next 12 months (note 14)     | 905,755             | 798,445             |
| Total financial assets available to meet general<br>expenditures over the next 12 months | <u>\$ 4,874,864</u> | <u>\$ 3,209,736</u> |

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December 31, 2021 and 2020

**(3) Investments**

The market values of investments are as follows at December 31:

|                                     | <u>2021</u>          | <u>2020</u>          |
|-------------------------------------|----------------------|----------------------|
| Cash equivalents                    | \$ 64,524            | \$ 429,603           |
| Mutual funds                        | 60,263,035           | 46,480,590           |
| Corporate stocks                    | 350,209              | 301,407              |
| Real property                       | 436,260              | 436,260              |
| Alternative investments/hedge funds | 8,900,202            | 12,644,654           |
| Other                               | 334,779              | 282,825              |
|                                     | <u>\$ 70,349,009</u> | <u>\$ 60,575,339</u> |

|                        | <u>2021</u>          | <u>2020</u>          |
|------------------------|----------------------|----------------------|
| Short-term investments | \$ -                 | \$ -                 |
| Long-term investments  | 70,349,009           | 60,575,339           |
|                        | <u>\$ 70,349,009</u> | <u>\$ 60,575,339</u> |

Investments are held for the following purposes:

|   | <u>2021</u>          | <u>2020</u>          |
|---|----------------------|----------------------|
| Without donor restrictions, substantially<br>board designated | <u>\$ 20,529,047</u> | <u>\$ 16,082,961</u> |
| With donor restrictions:                                      |                      |                      |
| Operating:  |                      |                      |
| Capital   | 2,202,297            | 1,817,607            |
| Curatorship, functioning as endowments                        | 7,558,505            | 6,601,985            |
| Directorship, functioning as endowments                       | 2,027,942            | 1,854,296            |
| Education programs  | 1,441,114            | 1,231,614            |
| Gallery maintenance   | 1,317,850            | 1,139,827            |
| Exhibitions and programming                                   | 17,797,304           | 16,749,316           |
| Scholar programs  | 437,001              | 396,786              |
|   | <u>32,782,013</u>    | <u>29,791,431</u>    |
| Art accessions  | 17,037,949           | 14,700,947           |
|   | <u>\$ 70,349,009</u> | <u>\$ 60,575,339</u> |



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**(4) Buildings, Improvements, and Equipment**

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

| <b>2021</b>              |                      |                                     |                      |                                   |
|--------------------------|----------------------|-------------------------------------|----------------------|-----------------------------------|
|                          | <b>Cost</b>          | <b>Accumulated<br/>Depreciation</b> | <b>Net</b>           | <b>Estimated<br/>useful lives</b> |
| Building improvements    | \$ 25,295,361        | \$ (12,616,219)                     | \$ 12,679,142        | 39-40 years                       |
| Equipment                | 1,145,529            | (1,011,724)                         | 133,805              | 5-7 years                         |
| Vehicles                 | 94,246               | (86,163)                            | 8,083                | 5 years                           |
| Land improvements        | 450,076              | (225,038)                           | 225,038              | 40 years                          |
| Sculpture garden         | 20,386,391           | (2,796,366)                         | 17,590,025           | 40 years                          |
| Construction in progress | 92,939               | -                                   | 92,939               | N/A                               |
|                          | <u>\$ 47,464,542</u> | <u>\$ (16,735,510)</u>              | <u>\$ 30,729,032</u> |                                   |
| <b>2020</b>              |                      |                                     |                      |                                   |
|                          | <b>Cost</b>          | <b>Accumulated<br/>Depreciation</b> | <b>Net</b>           | <b>Estimated<br/>useful lives</b> |
| Building improvements    | \$ 18,339,112        | \$ (11,973,513)                     | \$ 6,365,599         | 39-40 years                       |
| Equipment                | 1,145,529            | (944,855)                           | 200,674              | 5-7 years                         |
| Vehicles                 | 94,246               | (76,463)                            | 17,783               | 5 years                           |
| Land improvements        | 450,076              | (213,786)                           | 236,290              | 40 years                          |
| Sculpture garden         | 20,386,391           | (2,266,284)                         | 18,120,107           | 40 years                          |
| Construction in progress | 6,987,942            | -                                   | 6,987,942            | N/A                               |
|                          | <u>\$ 47,403,296</u> | <u>\$ (15,474,901)</u>              | <u>\$ 31,928,395</u> |                                   |

Construction in progress for the year ended December 31, 2020 represents construction costs related to the renovation of The Lapis Center for the Arts and Green Space project. In January 2021, The Lapis Center for the Arts construction was completed and assets totaling \$6,956,249 were transferred to building improvements. On April 27, 2021 the Museum dedicated the The Lapis Center for the Arts, formerly the museum auditorium. The remaining construction in progress for the year ended December 31, 2021 represents the Green Space project, construction of a new front desk, and initial costs for upgrades to IT servers.

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**(5) Promises to Give**

Promises to give are dedicated by the donors for the Museum's Endowments, capital projects, or other operating purposes and represent a promise by the donors to pay after the year end. Promises to give were \$1,744,364 and \$4,181,259 at December 31, 2021 and 2020, respectively, and due in the following installments at December 31:

|                    | <u>2021</u>         | <u>2020</u>         |
|--------------------|---------------------|---------------------|
| 2021               | \$ -                | \$ 2,798,672        |
| 2022               | 1,201,030           | 877,587             |
| 2023               | 418,334             | 405,000             |
| 2024               | 125,000             | 100,000             |
|                    | <u>\$ 1,744,364</u> | <u>\$ 4,181,259</u> |
| Current portion    | <u>1,201,030</u>    | <u>2,798,672</u>    |
| Noncurrent portion | <u>\$ 543,334</u>   | <u>\$ 1,382,587</u> |

**(6) Lines of Credit**

On April 22, 2020, the Museum modified and combined its lending arrangements dated February 2, 2018 and October 10, 2018 so that the revised loan capacity is \$9,634,585. The loan due date was extended to April 21, 2025. Amounts drawn under this arrangement were used to complete construction and to carry pledges until such pledges are collected. The loan is expected to be repaid with pledge payments outstanding from the Sculpture Garden Expansion project and the Auditorium project and with proceeds from additional fundraising. The loan bears interest at one-month LIBOR plus 206 basis points. At December 31, 2020, the loan totaling \$6,214,585 is secured by \$4.1 million in pledge values and \$2.1 million in investment values. At December 31, 2021, the amount outstanding under this arrangement was \$3,681,585. Of this, \$1.4 million is secured by pledge values and \$2.3 million is secured by investment values. For the year ended December 31, 2021 and 2020, interest expense totaled \$110,523 and \$139,511.

On April 22, 2020, the Museum entered into a working capital credit line arrangement with a regional bank that allows for draws of up to \$4,000,000 and accrues interest at LIBOR plus 206 basis points. The arrangement is secured by investment with values of \$5.7 million and matured on April 20, 2021. No draws were made during 2020 or 2021. The working capital line of credit was not renewed in 2021.

**(7) Net Assets Released**

Assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years shown below were:

|                                      | <u>2021</u>         | <u>2020</u>          |
|--------------------------------------|---------------------|----------------------|
| Purpose accomplished:                |                     |                      |
| Exhibitions, programming and capital | \$ 1,703,238        | \$ 8,554,949         |
| Art accessions                       | 1,185,222           | 1,505,291            |
|                                      | <u>\$ 2,888,460</u> | <u>\$ 10,060,240</u> |

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Notes to Financial Statements

December 31, 2021 and 2020

**(8) Net Assets with Donor Restrictions**

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

|                                      | <u>2021</u>         | <u>2020</u>         |
|--------------------------------------|---------------------|---------------------|
| Art accessions                       | \$ 17,343,492       | \$ 15,017,422       |
| Curatorship                          | 7,558,505           | 6,601,985           |
| Exhibitions, programming and capital | 18,564,388          | 15,849,584          |
| Directorship                         | 2,027,942           | 1,774,111           |
| Gallery maintenance                  | 1,322,875           | 1,026,308           |
| Education                            | 1,466,114           | 1,731,610           |
| Scholar program                      | 437,001             | 396,792             |
|                                      | <u>\$48,720,317</u> | <u>\$42,397,812</u> |

The net deficit in the capital account will be partially filled as the construction advances from the Café operator are amortized to operations over a 7-year period, which began in 2021 (see note 10). The cash from these advances was \$1,206,420. The annual amortization in 2021 totaled \$172,346, bringing the remaining balance to \$1,034,074.

**(9) Pension Plan**

The Museum sponsors a defined contribution 401(k) Profit Sharing Plan for the benefit of its employees. Employees, who are at least age 21 and have completed one year of service (1,000 hours) are eligible to participate in the Plan. Participants may begin making deferrals the first day of the month following the date on which they meet the eligibility requirements. The Museum makes annual contributions to the Plan in the form of a 3% Safe Harbor non-elective contribution, a matching contribution (up to 3%) and a discretionary non-elective contribution (profit sharing, up to 2%). To receive the matching and discretionary non-elective contribution, participants must have worked 1,000 hours in the Plan Year and be employed on the last day of the Plan Year. Matching contributions vest after 2 years of service. Employees covered under the City of New Orleans Service Retirement Plan are not eligible. The Museum accrued and later paid annual contributions of 6% to 8% of eligible participating employees' wages for the 2021 and 2020 Plan Years. These amounted to \$174,455 and \$161,084 in Safe Harbor and profit-sharing contributions and \$72,517 and \$67,381 in employer matching for the years ended December 31, 2021 and 2020, respectively.

In December 2020, the Museum established a 457(f) plan to fulfill the Director's deferred compensation arrangement. Per the agreement, the first contribution of \$55,000 was made in January 2021. Future amounts of \$65,000 and \$70,000 are due in January 2022 and January 2023, respectively. The plan account is payable in a lump sum on December 31, 2025.

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 \$11,208 and \$22,300 for the years ended December 31, 2021 and 2020, respectively.

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**(10) Deferred revenue:**

Deferred revenue at December 31 consisted of the following:

|   | <u>2021</u>       | <u>2020</u>         |
|---|-------------------|---------------------|
| Museum memberships  | \$ 237,660        | \$ 216,645          |
| Deposits for private events                                   | 154,700           | 155,025             |
| Advance ticket sales & sponsorships<br>for fundraising events | 88,825            | -                   |
| Construction advances made by the<br>café/catering operator   | <u>1,034,074</u>  | <u>1,233,663</u>    |
| Total   | \$ 1,515,259      | \$ 1,605,333        |
| Current portion   | <u>646,781</u>    | <u>547,907</u>      |
| Noncurrent portion  | <u>\$ 868,478</u> | <u>\$ 1,057,426</u> |

The café operator's construction advances were received/receivable under a contract to modernize the museum's café wherein the operator received exclusive rights to operate the café and provide certain services relative to private events for 7 years. The advances will be amortized to operations over the 7-year period.

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**(11) Expenses**

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

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

|  | 2021                               |                            |                               |                      |
|--|------------------------------------|----------------------------|-------------------------------|----------------------|
|  | <u>Program Services</u>            | <u>Support Services</u>    |                               |                      |
|  | Art and<br>Education<br>Activities | Managements<br>and General | Fundraising<br>and Membership | <u>Total</u>         |
| Salaries, wages, and benefits  | \$ 1,809,649                       | \$ 2,633,730               | \$ 847,166                    | \$ 5,290,545         |
| Occupancy  | 130,872                            | 71,384                     | -                             | 202,256              |
| Telephone  | 581                                | 7,391                      | 21                            | 7,993                |
| Shipping & postage   | 30,174                             | 20,323                     | 10,887                        | 61,384               |
| Insurance  | 16,435                             | 56,608                     | -                             | 73,043               |
| Repairs and maintenance  | 55,979                             | 169,654                    | -                             | 225,633              |
| Rentals  | 20,063                             | 20,501                     | 64,080                        | 104,644              |
| Dues & publications  | 29,692                             | 44,496                     | 81,261                        | 155,449              |
| Design & printing  | 20,389                             | 10,914                     | 41,879                        | 73,182               |
| Advertising  | 17,579                             | 10,799                     | 125,249                       | 153,627              |
| Fundraising  | -                                  | -                          | 126,550                       | 126,550              |
| Professional services  | 539,893                            | 350,372                    | 263,531                       | 1,153,796            |
| Travel & entertainment   | 37,948                             | 13,540                     | 75,334                        | 126,822              |
| Supplies and materials   | 86,787                             | 84,505                     | 15,480                        | 186,772              |
| Other expenses   | 72,215                             | 49,479                     | 383                           | 122,077              |
| Equipment  | 61,631                             | 95,216                     | 7,615                         | 164,462              |
| Cost of goods sold   | -                                  | 147,084                    | 1,650                         | 148,734              |
| Depreciation   | 1,090,679                          | 136,145                    | 33,784                        | 1,260,608            |
| Art accessions   | 1,161,514                          | -                          | -                             | 1,161,514            |
|  | <u>\$ 5,182,080</u>                | <u>\$ 3,922,141</u>        | <u>\$ 1,694,870</u>           | <u>\$ 10,799,091</u> |
| Fundraising expense net with<br>revenues on the Statement<br>of Activities | -                                  | -                          | 340,274                       | 340,274              |
|  | <u>\$ 5,182,080</u>                | <u>\$ 3,922,141</u>        | <u>\$ 1,354,596</u>           | <u>\$ 10,458,817</u> |

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Notes to Financial Statements

December 31, 2021 and 2020

**(11) Expenses (continued)**

|  | 2020                               |                            |                               |                      |
|--|------------------------------------|----------------------------|-------------------------------|----------------------|
|  | <u>Program Services</u>            | <u>Support Services</u>    |                               |                      |
|  | Art and<br>Education<br>Activities | Managements<br>and General | Fundraising<br>and Membership | Total                |
| Salaries, wages, and benefits  | \$ 1,762,815                       | \$ 2,189,888               | \$ 717,013                    | \$ 4,669,716         |
| Occupancy  | 111,089                            | 76,069                     | -                             | 187,158              |
| Telephone  | 356                                | 7,233                      | -                             | 7,589                |
| Shipping & postage   | 230,773                            | 17,725                     | 5,850                         | 254,348              |
| Insurance  | 14,635                             | 52,838                     | -                             | 67,473               |
| Repairs and maintenance  | 52,489                             | 100,678                    | -                             | 153,167              |
| Rentals  | 149,625                            | 12,013                     | 21,071                        | 182,709              |
| Dues & publications  | 14,618                             | 18,762                     | 40,412                        | 73,792               |
| Design & printing  | 48,401                             | 429                        | 36,132                        | 84,962               |
| Advertising  | 14,072                             | 5,988                      | 62,003                        | 82,063               |
| Fundraising  | -                                  | -                          | 137,116                       | 137,116              |
| Professional services  | 403,934                            | 297,157                    | 104,907                       | 805,998              |
| Travel & entertainment   | 33,867                             | 15,002                     | 22,912                        | 71,781               |
| Supplies and materials   | 65,397                             | 124,407                    | 24,980                        | 214,784              |
| Other expenses   | 129,786                            | 221,307                    | 100                           | 351,193              |
| Equipment  | 15,043                             | 126,627                    | 3,826                         | 145,496              |
| Cost of goods sold   | -                                  | 91,236                     | -                             | 91,236               |
| Depreciation   | 949,949                            | 118,579                    | 29,425                        | 1,097,953            |
| Art accessions   | 1,479,301                          | -                          | -                             | 1,479,301            |
|  | <u>\$ 5,476,150</u>                | <u>\$ 3,475,938</u>        | <u>\$ 1,205,747</u>           | <u>\$ 10,157,835</u> |
| Fundraising expense net with<br>revenues on the Statement<br>of Activities | -                                  | -                          | 187,433                       | 187,433              |
|  | <u>\$ 5,476,150</u>                | <u>\$ 3,475,938</u>        | <u>\$ 1,018,314</u>           | <u>\$ 9,970,402</u>  |

**(12) Commitments**

The Museum participated in a number of state and federally-assisted grant programs in fiscal years 2021 and 2020. 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.

# NEW ORLEANS MUSEUM OF ART

## Notes to Financial Statements

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### (13) Fair Value Measurements

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

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

Level 2: Inputs to the valuation methodology include:

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

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

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

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

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

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

*Hedge funds:* Valued using net asset value (NAV) as a practical expedient.

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

*Private equity:* Values are estimated at the fair values of the underlying assets owned by the partnership. Fair values for investments in operating companies are made with Level 3 information. Fair values of investments in investment companies are made at net asset values or NAV. The partnership interest cannot be redeemed but distributions are made as properties are sold. The partnership follows a growth strategy in the oil and gas service sector.

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**(13) Fair Value Measurements (continued)**

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 following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of December 31, 2021.

|   | Level 1              | Level 2           | Level 3             | Total                |
|---|----------------------|-------------------|---------------------|----------------------|
| Cash equivalents                                      | \$ 64,524            | \$ -              | \$ -                | \$ 64,524            |
| Mutual funds  |                      |                   |                     |                      |
| Pooled equity fund                                    | 53,930,361           | -                 | -                   | 53,930,361           |
| Fixed income Fund                                     | 6,332,674            | -                 | -                   | 6,332,674            |
| Corporate stocks                                      | 350,209              | -                 | -                   | 350,209              |
| Private equity  | -                    | -                 | 1,297,258           | 1,297,258            |
| Other   | -                    | 334,779           | -                   | 334,779              |
| Total assets in fair value hierarchy                  | <u>\$ 60,677,768</u> | <u>\$ 334,779</u> | <u>\$ 1,297,258</u> | <u>\$ 62,309,805</u> |
| Investments (hedge funds) measured at net asset value |                      |                   |                     | \$ 7,602,944         |
| Real property   |                      |                   |                     | 436,260              |
| Investments at fair value                             |                      |                   |                     | <u>\$ 70,349,009</u> |

There were unfunded commitments of \$272,000 on the private equity partnership.

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of December 31, 2020.

|   | Level 1              | Level 2           | Level 3           | Total                |
|---|----------------------|-------------------|-------------------|----------------------|
| Cash equivalents                                      | \$ 429,663           | \$ -              | \$ -              | \$ 429,663           |
| Mutual funds  |                      |                   |                   |                      |
| Pooled equity fund                                    | 38,338,951           | -                 | -                 | 38,338,951           |
| Fixed income Fund                                     | 8,141,640            | -                 | -                 | 8,141,640            |
| Corporate stocks                                      | 301,407              | -                 | -                 | 301,407              |
| Private equity  | -                    | -                 | 847,073           | 847,073              |
| Other   | -                    | 267,485           | -                 | 267,485              |
| Total assets in fair value hierarchy                  | <u>\$ 47,211,661</u> | <u>\$ 267,485</u> | <u>\$ 847,073</u> | <u>\$ 48,326,219</u> |
| Investments (hedge funds) measured at net asset value |                      |                   |                   | \$ 11,812,860        |
| Real property   |                      |                   |                   | 436,260              |
| Investments at fair value                             |                      |                   |                   | <u>\$ 60,575,339</u> |



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Notes to Financial Statements

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**(13) Fair Value Measurements (continued)**

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

As required by U.S. GAAP, 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 and changes in net assets as "investment income, net".

|  | Private<br>Equity fund |
|--|------------------------|
| Balance, January 1, 2020                         | \$ 842,733             |
| Investments income (loss), net                   | 4,340                  |
| Purchases, sales, issuances and settlements, net | -                      |
| Balance December 31, 2020                        | <u>\$ 847,073</u>      |
| Balance, January 1, 2021                         | \$ 847,073             |
| Investments income (loss), net                   | 542,766                |
| Purchases, sales, issuances and settlements, net | (92,581)               |
| Balance December 31, 2021                        | <u>\$ 1,297,258</u>    |

| Instrument     | Fair Value  | Principal<br>Valuation Technique   | Range of Significant<br>Input Values |
|----------------|-------------|------------------------------------|--------------------------------------|
| Private Equity | \$1,297,258 | Side pocket residual<br>investment | Not applicable                       |

**(14) 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.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2021 and 2020

**(14) Endowment Net Assets (continued)**

The release of endowment funds which are intended to cover general operating expenses are budgeted for annually. A 12-quarter rolling average is used as the basis for this calculation. Total endowment funds released to operations in a given year will typically fall between 4%-6% of the 12-quarter average.

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.

The composition of the Museum's endowments by net asset class as of December 31, 2021 was as follows:

|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>         |
|--|---------------------------------------|------------------------------------|----------------------|
| <b>Endowment net assets, by type</b>       |                                       |                                    |                      |
| Board-designated endowment funds           | \$ 20,834,925                         | \$ -                               | \$ 20,834,925        |
| Donor-restricted endowment funds           | -                                     | 44,732,647                         | 44,732,647           |
| Total funds                                | <u>\$ 20,834,925</u>                  | <u>\$ 44,732,647</u>               | <u>\$ 65,567,572</u> |
| <b>Changes in endowment net assets</b>     |                                       |                                    |                      |
| Endowment net assets,<br>beginning of year | <u>\$ 16,848,828</u>                  | <u>\$ 40,114,283</u>               | <u>\$ 56,963,111</u> |
| Investment income (loss), net              | 5,646,043                             | 5,374,916                          | 11,020,959           |
| Legacies and bequests                      | 103,008                               | 2,725                              | 105,733              |
| Contributions                              | -                                     | 171,078                            | 171,078              |
| Subtotal                                   | <u>5,749,051</u>                      | <u>5,548,719</u>                   | <u>11,297,770</u>    |
| Other changes:                             |                                       |                                    |                      |
| Art purchase                               | -                                     | (200,014)                          | (200,014)            |
| Operating                                  | (46,872)                              | (64,970)                           | (111,842)            |
| Appropriations                             | (1,716,082)                           | (665,371)                          | (2,381,453)          |
| Subtotal                                   | <u>(1,762,954)</u>                    | <u>(930,355)</u>                   | <u>(2,693,309)</u>   |
| Endowment net assets, end of year          | <u>\$ 20,834,925</u>                  | <u>\$ 44,732,647</u>               | <u>\$ 65,567,572</u> |

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2021 and 2020

**(14) Endowment Net Assets (continued)**

The composition of the Museum's endowments by net asset class as of December 31, 2020 was:

|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>         |
|--|---------------------------------------|------------------------------------|----------------------|
| <b>Endowment net assets, by type</b>       |                                       |                                    |                      |
| Board-designated endowment funds           | \$ 16,848,828                         | \$ -                               | \$ 16,848,828        |
| Donor-restricted endowment funds           | -                                     | 40,114,283                         | 40,114,283           |
| Total funds                                | <u>\$ 16,848,828</u>                  | <u>\$ 40,114,283</u>               | <u>\$ 56,963,111</u> |
| <b>Changes in endowment net assets</b>     |                                       |                                    |                      |
| Endowment net assets,<br>beginning of year | <u>\$ 15,289,541</u>                  | <u>\$ 38,749,194</u>               | <u>\$ 54,038,735</u> |
| Investment income (loss), net              | 2,312,660                             | 2,142,251                          | 4,454,911            |
| Legacies and bequests                      | -                                     | -                                  | -                    |
| Contributions                              | -                                     | 100,000                            | 100,000              |
| Subtotal                                   | <u>2,312,660</u>                      | <u>2,242,251</u>                   | <u>4,554,911</u>     |
| Other changes:                             |                                       |                                    |                      |
| Art purchase                               | -                                     | (302,661)                          | (302,661)            |
| Operating                                  | (48,333)                              | (64,379)                           | (112,712)            |
| Appropriations                             | (705,040)                             | (510,122)                          | (1,215,162)          |
| Subtotal                                   | <u>(753,373)</u>                      | <u>(877,162)</u>                   | <u>(1,630,535)</u>   |
| Endowment net assets, end of year          | <u>\$ 16,848,828</u>                  | <u>\$ 40,114,283</u>               | <u>\$ 56,963,111</u> |

**(15) Expenses Paid by Related Party**

The City of New Orleans pays certain costs on behalf of the Museum, including fine arts insurance, property insurance, phone and internet services, and electric utilities. These expenses have been estimated at \$675,000 for each of the years ended December 31, 2021 and 2020. These costs are not reflected on the statements of activities and changes in net assets of the Museum.

NEW ORLEANS MUSEUM OF ART

Notes to Financial Statements

December 31, 2021 and 2020

**(16) Paycheck Protection Program Funding**

On April 15, 2020, the Museum was advanced \$933,600 under the CARES Act Paycheck Protection Program (PPP). The Museum has accounted for the PPP Loan in accordance with FASB ASC 958-605 as a conditional contribution as of December 31, 2020. The following year, on March 16, 2021, the Museum received \$912,800 under the second round of the PPP program. The conditions for forgiveness were expected to be met for both years and therefore, the contributions were recorded as federal grant revenue for each of the years ending 2021 and 2020, respectively. Forgiveness was awarded on July 27, 2021 for the first round and March 2, 2022 for the second round.

**(17) Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 30, 2022, and determined that there were no events that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**NEW ORLEANS MUSEUM OF ART**  
**SUPPLEMENTARY INFORMATION**  
DECEMBER 31, 2021

**NEW ORLEANS MUSEUM OF ART**  
**Schedules of Endowment Funds**  
**December 31, 2021 and 2020**

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:

|  | <b>2021</b>         | <b>2020</b>         |
|--|---------------------|---------------------|
|  | <b>Total</b>        | <b>Total</b>        |
|  | <b>Net Assets</b>   | <b>Net Assets</b>   |
| <b>Acquisitions Endowment Funds</b>                                |                     |                     |
| William McDonald and Eva Carol Boles Endowment Fund                | \$ 5,519,554        | \$ 4,682,596        |
| George Frierson Art Purchase Fund                                  | 1,925,820           | 1,654,162           |
| Robert Gordy Art Purchase Fund                                     | 1,453,338           | 1,214,227           |
| Carmen Donaldson Art Purchase Fund                                 | 950,863             | 850,001             |
| Carrie Heiderich Acquisition Fund                                  | 888,742             | 747,842             |
| Elise Mayer Bestoff Endowment Fund                                 | 604,092             | 508,320             |
| Mervin G. Morais Endowment for Decorative Arts                     | 580,488             | 498,431             |
| Tina Freeman Photography Art Purchase Fund                         | 422,412             | 389,701             |
| P.R. and Sunny Norman Art Purchase Fund                            | 408,309             | 355,609             |
| Joel Weinstock Art Purchase Fund                                   | 392,731             | 330,468             |
| Francoise Billion Richardson African Art Acquisition Fund          | 350,986             | 295,341             |
| Benjamin J. Harrod Art Purchase Fund                               | 28,579              | 24,048              |
| Augusta M. Jourdan Art Purchase Fund                               | 24,619              | 20,717              |
|  | <hr/>               | <hr/>               |
| <b>Total Acquisitions Endowment Funds</b>                          | <b>13,550,533</b>   | <b>11,571,463</b>   |
| <b>Exhibition and Program Endowment Funds</b>                      |                     |                     |
| Russell Albright Photography Fund                                  | 1,296,660           | 1,080,184           |
| Favrot Architecture and Design Endowment Fund                      | 665,486             | 534,488             |
| Azby Endowment Fund  | 423,413             | 368,553             |
| Charlotte Mann & Joshua Mann Paillet Endowment Fund                | 347,501             | 303,952             |
| Elise M. Besthoff Charitable Foundation Gallery                    | 337,989             | 295,058             |
| Chapman H. Hyams 1951 Trust Fund                                   | 308,423             | 258,573             |
| George F. Lapeyre Fund   | 296,966             | 259,600             |
| William Fagaly Endowment Fund                                      | 99,013              | -                   |
| Chapman H. Hyams 1952 Trust Fund                                   | 26,971              | 22,644              |
|  | <hr/>               | <hr/>               |
| <b>Total Exhibition and Program Endowment Funds</b>                | <b>3,802,422</b>    | <b>3,123,052</b>    |
| <b>Position Endowment Funds</b>                                    |                     |                     |
| Zemurray Foundation Curatorial Fellow for Spanish Colonial Art     | 3,005,813           | 2,619,145           |
| RosaMary Foundation Curator of Decorative Arts and Design          | 2,097,135           | 1,834,640           |
| Ella West Freeman Foundation Director's Fund                       | 2,027,942           | 1,774,111           |
| Freeman Family Curator of Photography                              | 1,728,295           | 1,511,961           |
| Francoise Billion Richardson Curator of African Art Endowment Fund | 727,262             | 636,239             |
|  | <hr/>               | <hr/>               |
| <b>Total Position Endowment Funds</b>                              | <b>9,586,447</b>    | <b>8,376,096</b>    |
| <b>Education Endowment Funds</b>                                   |                     |                     |
| Taylor Education Endowment Fund                                    | 821,506             | 718,960             |
| Patrick F. Taylor Scholar Fund                                     | 437,002             | 396,787             |
| Janice Parmelee & Bill Hammack Early Education Fund                | 277,113             | 240,816             |
| MD Van Horn Education Fund   | 253,571             | 221,834             |
| David & Sara Kelso Early Education Fund                            | 113,924             | 104,009             |
|  | <hr/>               | <hr/>               |
| <b>Total Education Endowment Funds</b>                             | <b>\$ 1,903,116</b> | <b>\$ 1,682,406</b> |

(continued)

**NEW ORLEANS MUSEUM OF ART**  
**Schedules of Endowment Funds**  
**December 31, 2021 and 2020**

|  | <b>2021</b>  | <b>2020</b>          |
|--|--|----------------------|
|  | <b>Total</b>                                       | <b>Total</b>         |
|  | <b>Net Assets</b>                                  | <b>Net Assets</b>    |
| <b>Operating Endowment Funds</b>                                   |  |                      |
| General Operating Endowment Fund                                   | \$ 32,648,612                                      | \$ 28,662,515        |
| Besthoff Operating Endowment Fund                                  | 1,822,554  | 1,594,429            |
| Helis Operating Endowment Fund                                     | 1,560,009  | 1,356,629            |
| Collins Diboll Endowment Fund                                      | 693,879  | 596,521              |
|  | <b>36,725,054</b>                                  | <b>32,210,094</b>    |
| <b>Total Operating Endowment Funds</b>                             |  |                      |
|  | <b>\$ 65,567,572</b>                               | <b>\$ 56,963,111</b> |
| <b>Reconciliation with Statements of Financial Position</b>        |  |                      |
| Net assets:  |  |                      |
| Without donor restrictions   |  |                      |
| Net assets without donor restrictions, in operating fund           | \$ 31,884,633                                      | \$ 31,176,721        |
| Board designated, functioning as operating endowments              | 20,834,925   | 16,848,828           |
|  | <b>52,719,558</b>                                  | <b>48,025,549</b>    |
|  | <b>Total net assets without donor restrictions</b> |                      |
| With donor restrictions  | 48,720,317   | 42,397,812           |
|  | <b>101,439,875</b>                                 | <b>90,423,361</b>    |
|  | <b>Total net assets</b>                            |                      |
| Less items not included in endowments:                             |  |                      |
| Net assets without donor restrictions in operating fund            | (31,884,633)                                       | (31,176,721)         |
| Net assets with donor restrictions in funds for specified purposes | (3,987,670)  | (2,283,529)          |
|  | <b>(35,872,303)</b>                                | <b>(33,460,250)</b>  |
|  | <b>Total Endowment Funds</b>                       |                      |
|  | <b>\$ 65,567,572</b>                               | <b>\$ 56,963,111</b> |

See accompanying independent auditors' report.

**NEW ORLEANS MUSEUM OF ART**

**Schedule of Compensation, Benefits,  
and Other Payments to Agency Head  
For the Year Ended December 31, 2021**

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

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

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

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

See accompanying independent auditors' report.



**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Orleans Museum of Art (a nonprofit organizations) (the Museum), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2022.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Museum's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Museum's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Museum's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Postlethwaite & Netterville*

Metairie, Louisiana  
June 30, 2022