

WEATHERSPOON ART MUSEUM ASSOCIATION

FINANCIAL REPORT

YEARS ENDED JUNE 30, 2014 AND 2013



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# WEATHERSPOON ART MUSEUM ASSOCIATION

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## **Independent Auditor's Report**

To the Board of Trustees  
Weatherspoon Art Museum Association  
Greensboro, North Carolina

We have audited the accompanying financial statements of the Weatherspoon Art Museum Association, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Weatherspoon Art Museum Association as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Prior Period Financial Statements**

The financial statements of Weatherspoon Art Museum Association as of June 30, 2013, were audited by other auditors whose report dated August 9, 2013, expressed an unmodified opinion on those statements.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
November 6, 2014

**WEATHERSPOON ART MUSEUM ASSOCIATION**  
**Statements of Financial Position**  
**June 30, 2014 and 2013**

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	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Cash	\$ 120,179	\$ 161,086
Pledges receivable, net	270	207
Gift shop inventory	7,524	7,415
Other assets	<u>1,032</u>	<u>580</u>
Total assets	<u>\$ 129,005</u>	<u>\$ 169,288</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 616</u>	<u>\$ 24,923</u>
Net assets:		
Unrestricted	84,107	105,282
Temporarily restricted	<u>44,282</u>	<u>39,083</u>
Total net assets	<u>128,389</u>	<u>144,365</u>
Total liabilities and net assets	<u>\$ 129,005</u>	<u>\$ 169,288</u>

**WEATHERSPOON ART MUSEUM ASSOCIATION**  
**Statements of Activities**  
**Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 162,845	\$ 132,603
Gift shop sales	16,871	21,153
Guidebook sales	-	325
Investment income	577	710
Fundraising income	9,250	13,712
Net assets released from restrictions	4,801	24,753
Total unrestricted revenues and gains	<u>194,344</u>	<u>193,256</u>
Expenses and losses:		
Program expenses:		
Grants to The University of North Carolina at Greensboro Weatherspoon Arts Foundation	90,925	101,000
Grants to The University of North Carolina at Greensboro	35,000	-
Shipping	5,800	1,944
Travel	1,265	1,843
Printing	6,434	4,480
Gift shop cost of sales	7,925	8,986
Guidebook cost of sales	-	247
Honorariums	800	1,150
Entertainment and exhibitions	21,466	21,730
Guidebooks given to members	-	624
Supplies	2,162	11,131
Management and general expenses:		
Administrative expenses	43,588	152,519
Realized losses on sales of contributed investments	154	120
Total unrestricted expenses and losses	<u>215,519</u>	<u>305,774</u>
Decrease in unrestricted net assets	<u>(21,175)</u>	<u>(112,518)</u>
Changes in temporarily restricted net assets:		
Revenues and gains:		
Contributions	10,000	13,310
Total temporarily restricted revenues and gains	<u>10,000</u>	<u>13,310</u>
Net assets released from restrictions	4,801	24,753
Increase (decrease) in temporarily restricted net assets	<u>5,199</u>	<u>(11,443)</u>
Change in net assets	<u>(15,976)</u>	<u>(123,961)</u>
Net assets, beginning of year	<u>144,365</u>	<u>268,326</u>
Net assets, end of year	<u>\$ 128,389</u>	<u>\$ 144,365</u>

**WEATHERSPOON ART MUSEUM ASSOCIATION**  
**Statements of Cash Flows**  
**Years Ended June 30, 2014 and 2013**

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	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ (15,976)	\$ (123,961)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions of investments	(3,042)	(3,052)
Realized losses on sales of contributed investments	154	120
(Increase) decrease in pledges receivable	(63)	3,091
(Increase) decrease in gift shop inventory	(109)	2,760
Decrease in museum guide	-	75,991
(Increase) decrease in other assets	(452)	11,615
Increase (decrease) in accounts payable and accrued liabilities	(24,307)	24,416
Net cash used in operating activities	<u>(43,795)</u>	<u>(9,020)</u>
Cash flows from investing activities:		
Proceeds from sales of contributed investments	<u>2,888</u>	<u>2,932</u>
Net cash provided by investing activities	<u>2,888</u>	<u>2,932</u>
Net decrease in cash	(40,907)	(6,088)
Cash, Beginning	<u>161,086</u>	<u>167,174</u>
Cash, Ending	<u>\$ 120,179</u>	<u>\$ 161,086</u>

## **WEATHERSPOON ART MUSEUM ASSOCIATION**

### **Notes to Financial Statements**

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#### **NOTE 1 - NATURE OF ACTIVITIES, CREDIT RISK, AND SIGNIFICANT ACCOUNTING POLICIES**

The Weatherspoon Art Museum Association (the "Association") exists to support, promote and enhance the Weatherspoon Art Museum.

Significant accounting policies relative to the Association are:

##### **Basis of Accounting**

The financial statements of the Association have been prepared on the accrual basis of accounting.

##### **Basis of Presentation**

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and the changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, respectively, unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions and reclassified between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

##### **Credit Risk**

The Association has collected cash balances on deposit with a commercial bank that are within the federally insured limits as well as with the State Treasurer through The University of North Carolina at Greensboro. The Association has not suffered any financial loss on these deposits. Management believes it is not exposed to any significant credit risk on these deposits.

##### **Pledges**

Pledges are recognized when the donor makes an unconditional promise to give to the Association. Unconditional promises to give that are expected to be collected within one year are recorded at fair value on the date of gift. Unconditional promises to give that are expected to be collected in future years are recorded at their present values. Conditional promises to give are not included as support until the conditions are substantially met.

## WEATHERSPOON ART MUSEUM ASSOCIATION

### Notes to Financial Statements

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#### NOTE 1 - NATURE OF ACTIVITIES, CREDIT RISK, AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Pledges Receivable**

The Association records pledges receivable at the total unpaid balance, which approximates fair value, net of allowances for doubtful accounts. The Association determines past due status based on the billing dates, and does not charge interest on overdue accounts. The Association estimates its allowance for doubtful accounts based on a combination of factors, including the Association's historical loss experience and any anticipated effects related to current economic conditions, as well as management's knowledge of the current composition of receivables. There is no allowance for doubtful accounts reported in the statement of financial position as of June 30, 2014 and 2013. Pledges receivable that management determines will be uncollectible are written off upon such determination.

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### **Gift Shop Inventory**

Gift shop inventory is stated at the lower of cost, as determined by the first-in, first-out method, or market.

##### **Museum Guide**

The Association accounts for promotional materials as prepaid supplies at the lower of cost or market, based on actual cost or market until they are no longer owned or expected to be used in the selling effort at which time they will become a cost of advertising. See Note 3.

##### **Subsequent Events**

The Association has evaluated subsequent events through November 6, 2014, the date on which the financial statements were available to be issued.

#### NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable consist of promises from various individuals. The pledges are designated for various purposes, all of which serve to further the Weatherspoon Art Museum.

Pledges receivable in less than one	\$	270
Pledges receivable in one to five years		-
Total pledges receivable		<u>270</u>
Less amount representing interest		-
Less amount representing allowance for uncollectible pledges		-
Present value of pledges receivable	\$	<u><u>270</u></u>

## WEATHERSPOON ART MUSEUM ASSOCIATION

### Notes to Financial Statements

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#### NOTE 3 - MUSEUM GUIDE

The Association incurred costs during prior years to develop 3,000 copies of a museum guide. Publication of the guide was complete at June 30, 2010 with total costs of approximately \$97,000 for the publication. During the year ended June 30, 2013, it was determined that sales of the remaining books is unlikely so \$60,002 was expensed to administrative expenses on the statement of activities.

#### NOTE 4 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Temporarily restricted net assets consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Contributions and other unexpended revenues and gains available for:		
Art purchases and operational support	<u>\$ 44,282</u>	<u>\$ 39,083</u>

#### NOTE 5 - RELATED PARTY TRANSACTIONS

In conjunction with its mission, the Association routinely purchases works of art that it contributes in the form of grants to The University of North Carolina at Greensboro Weatherspoon Arts Foundation (the Foundation). During the fiscal years ending June 30, **2014** and 2013, the Association made grants of **\$90,925** and \$101,000, respectively, to the Foundation.

Certain administrative costs related to the Association, including fund-raising expenses and gift receiving services, have been paid for by the University. It is not possible to determine the amount of such costs because no allocation has been made between the University and the Association. The Association did compensate the University for administrative expenses related to accounting fees of **\$8,590** and \$11,254 for the years ending June 30, **2014** and 2013, respectively.

During the year ending June 30, 2014, the Association Executive Committee approved the support of the space planning project. As a result, \$10,000 was transferred to the University during the year ending June 30, 2014. They also approved the support of exhibitions resulting in \$25,000 being transferred to the University during the year ending June 30, 2014.

#### NOTE 6 - INCOME TAXES

The Association is exempt from federal income tax under the provisions of the Internal Revenue Code Section 501(c)(3).

Management evaluated the Association's tax positions and concluded that the Association had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Association is no longer subject to income tax examinations by the U. S. federal tax authorities for years before 2010.