

McGladrey & Pullen

Certified Public Accountants

Weatherspoon Art Museum Association

Financial Report
06.30.2008

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Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying statements of financial position of the Weatherspoon Art Museum Association (the "Association") as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Weatherspoon Art Museum Association as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Greensboro, North Carolina
August 14, 2008

Weatherspoon Art Museum Association

**Statements of Financial Position
June 30, 2008 and 2007**

	2008	2007
Assets		
Cash	\$ 377,106	\$ 330,169
Pledges receivable	99,843	98,319
Gift shop inventory	8,901	9,617
Other assets	22,211	515
Total assets	\$ 508,061	\$ 438,620
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 22,497	\$ 1,615
Net assets:		
Unrestricted	295,236	274,499
Temporarily restricted	190,328	162,506
Total net assets	485,564	437,005
Total liabilities and net assets	\$ 508,061	\$ 438,620

See Notes to Financial Statements.

Weatherspoon Art Museum Association

Statements of Activities Years Ended June 30, 2008 and 2007

	2008	2007
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 147,716	\$ 228,231
Gift shop sales	6,266	6,159
Investment income	5,229	2,467
Other additions	21,798	24,152
Net assets released from restrictions	43,678	61,347
Total unrestricted revenues and gains	224,687	322,356
Expenses and losses:		
Program expenses:		
Grants to The University of North Carolina at Greensboro Weatherspoon Arts Foundation	42,165	117,930
Shipping	2,038	1,493
Travel	1,129	11,543
Printing	19,940	13,058
Gift shop cost of sales	973	1,739
Honorariums		4,003
Entertainment	22,213	19,994
Advertising	6,973	15,405
Supplies	1,394	2,826
Management and general expenses:		
Administrative expenses	26,948	31,337
Realized losses on sales of contributed investments	139	456
Other deductions	8,000	-
Transfer to UNCG	69,661	35,942
Transfer to the UNCG Excellence Foundation	2,377	31,747
Total unrestricted expenses and losses	203,950	287,473
Increase in unrestricted net assets	20,737	34,883
Changes in temporarily restricted net assets:		
Revenues and gains:		
Contributions	71,500	107,903
Total temporarily restricted revenues and gains	71,500	107,903
Net assets released from restrictions	43,678	61,347
Increase in temporarily restricted net assets	27,822	46,556
Change in net assets	48,559	81,439
Net assets, beginning of year	437,005	355,566
Net assets, end of year	\$ 485,564	\$ 437,005

See Notes to Financial Statements.

Weatherspoon Art Museum Association

Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities		
Change in net assets	\$ 48,559	\$ 81,439
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions of investments	(2,464)	(14,216)
Realized losses on sales of contributed investments	139	456
Increase in pledges receivable	(1,524)	(45,859)
Decrease in gift shop inventory	716	2,362
Increase in other assets	(21,696)	(295)
Increase in accounts payable and accrued liabilities	20,882	1,216
Net cash provided by operating activities	44,612	25,103
Cash Flows Provided By Investing Activities		
Proceeds from sales of contributed investments	2,325	13,760
Net increase in cash	46,937	38,863
Cash:		
Beginning	330,169	291,306
Ending	\$ 377,106	\$ 330,169

See Notes to Financial Statements.

Weatherspoon Art Museum Association

Notes to Financial Statements

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:

Accrual basis: 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 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 reclassifications 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.

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, 2008 and 2007. Pledges receivable that management determines will be uncollectible are written off upon such determination.

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 net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at their present values. The discounts on those amounts are computed using a discount rate of 3.34% in 2008 and 4.92% in 2007. Conditional promises to give are not included as support until the conditions are substantially met.

Weatherspoon Art Museum Association

Notes to Financial Statements

Note 1. Nature of Activities, Credit Risk and Significant Accounting Policies (Continued)

Credit risk: The Association has collected cash balances on deposit with a commercial bank that are in excess of federally insured limits. 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.

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.

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 year	\$	37,921
Pledges receivable in one to five years		66,268
Total pledges receivable		104,189
Less the amount representing interest		(4,346)
Present value of pledges receivable	\$	99,843

Note 3. Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets consist of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Contributions and other unexpended revenues and gains available for:		
Art purchases and operational support	\$ 190,328	\$ 162,506

Weatherspoon Art Museum Association

Notes to Financial Statements

Note 4. 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, 2008 and 2007, the Association made grants of \$42,165 and \$117,930, respectively, to the Foundation.

Certain administrative costs related to the Association, including fund-raising expenses and gift receipting 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 \$10,570 and \$11,884 for the years ending June 30, 2008 and 2007, respectively.

The University made a gift to the Association for the year ended June 30, 2008 in the amount of \$40,520 to help the Association pay for audit and accounting fees incurred in recent years.

During the years ended June 30, 2008 and 2007, management of the Association determined that the balances held for auxiliary activities and exhibits were more closely associated with services performed by the University. As a result, \$69,661 and \$35,942 were transferred to the University during the years ended June 30, 2008 and 2007, respectively.

In addition, during the fiscal year ended June 30, 2007, the Association was the recipient of funding to create an endowment to benefit museum education. Management determined that the Museum, the University and the Association would all be better served if the endowment were transferred to the UNCG Excellence Foundation because this Foundation is in the practice of administering similar endowments for the University and Museum. As a result \$31,747 was transferred to the UNCG Excellence Foundation.

Note 5. Income Taxes

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