

# McGladrey & Pullen

Certified Public Accountants

## **Weatherspoon Art Museum Association**

Financial Report  
06.30.2009

## Contents

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Independent Auditor's Report	1
<hr/>	
Financial Statements	
Statements of financial position	2
Statements of activities	3
Statements of cash flows	4
Notes to financial statements	5 – 7

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# McGladrey & Pullen

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, 2009 and 2008, 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, 2009 and 2008, 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 11, 2009

## Weatherspoon Art Museum Association

### Statements of Financial Position June 30, 2009 and 2008

	2009	2008
<b>Assets</b>		
Cash	\$ 285,143	\$ 377,106
Pledges receivable, net	28,768	99,843
Gift shop inventory	10,057	8,901
Other assets	730	22,211
<b>Total assets</b>	<b>\$ 324,698</b>	<b>\$ 508,061</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 335	\$ 22,497
Net assets:		
Unrestricted	214,469	295,236
Temporarily restricted	109,894	190,328
<b>Total net assets</b>	<b>324,363</b>	<b>485,564</b>
<b>Total liabilities and net assets</b>	<b>\$ 324,698</b>	<b>\$ 508,061</b>

See Notes to Financial Statements.

## Weatherspoon Art Museum Association

### Statements of Activities

Years Ended June 30, 2009 and 2008

	2009	2008
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 28,957	\$ 147,716
Gift shop sales	9,870	9,789
Investment income	1,706	5,228
Other additions	21,001	21,798
Net assets released from restrictions	120,164	43,678
<b>Total unrestricted revenues and gains</b>	<b>181,698</b>	<b>228,210</b>
Expenses and losses:		
Program expenses:		
Grants to The University of North Carolina at Greensboro Weatherspoon Arts Foundation	92,269	42,165
Shipping	4,482	2,038
Travel	2,458	1,129
Printing	5,828	19,940
Gift shop cost of sales	4,634	4,496
Gift shop renovation	5,452	-
Honorariums	500	-
Entertainment	31,706	22,213
Advertising	7,106	6,973
Supplies	3,792	1,394
Management and general expenses:		
Administrative expenses	39,125	26,948
Realized losses on sales of contributed investments	113	139
Other deductions	-	8,000
Transfer to UNCG	-	69,661
Transfer to UNCG Excellence Foundation	65,000	2,377
<b>Total unrestricted expenses and losses</b>	<b>262,465</b>	<b>207,473</b>
<b>Increase (decrease) in unrestricted net assets</b>	<b>(80,767)</b>	<b>20,737</b>
Changes in temporarily restricted net assets:		
Revenues and gains:		
Contributions	39,730	71,500
<b>Total temporarily restricted revenues and gains</b>	<b>39,730</b>	<b>71,500</b>
Net assets released from restrictions	120,164	43,678
<b>Increase (decrease) in temporarily restricted net assets</b>	<b>(80,434)</b>	<b>27,822</b>
<b>Change in net assets</b>	<b>(161,201)</b>	<b>48,559</b>
Net assets, beginning of year	485,564	437,005
Net assets, end of year	\$ 324,363	\$ 485,564

See Notes to Financial Statements.

## Weatherspoon Art Museum Association

### Statements of Cash Flows

Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities		
Change in net assets	\$ (161,201)	\$ 48,559
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions of investments	(1,693)	(2,464)
Realized losses on sales of contributed investments	113	139
Increase (decrease) in pledges receivable	71,075	(1,524)
(Increase) decrease in gift shop inventory	(1,156)	716
(Increase) decrease in other assets	21,481	(21,696)
Increase (decrease) in accrued liabilities	(22,162)	20,882
<b>Net cash provided by (used in) operating activities</b>	<b>(93,543)</b>	<b>44,612</b>
Cash Flows Provided By Investing Activities		
Proceeds from sales of contributed investments	1,580	2,325
<b>Net increase (decrease) in cash</b>	<b>(91,963)</b>	<b>46,937</b>
Cash:		
Beginning	377,106	330,169
Ending	<b>\$ 285,143</b>	<b>\$ 377,106</b>

See Notes to Financial Statements.

## **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:

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 a \$1,650 and \$-0- allowance for doubtful accounts reported in the statement of financial position as of June 30, 2009 and 2008, respectively. 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 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. The discounts on those amounts are computed using a discount rate of 7.50% in 2009 and 3.34% in 2008. 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)

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.

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.

Subsequent events: The Association has evaluated its subsequent events (events occurring after June 30, 2009) through August 11, 2009, which represents the date the financial statements were 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 year	\$	17,403
Pledges receivable in one to five years		14,990
<b>Total pledges receivable</b>		<b>32,393</b>
Less the amount representing interest		(1,975)
Less the amount representing allowance for uncollectible pledges		(1,650)
<b>Present value of pledges receivable</b>	<b>\$</b>	<b>28,768</b>

#### Note 3. Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets consist of the following at June 30, 2009 and 2008:

	2009	2008
Contributions and other unexpended revenues and gains available for:		
Art purchases and operational support	<b>\$ 109,894</b>	<b>\$ 190,328</b>

## **Weatherspoon Art Museum Association**

### **Notes to Financial Statements**

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#### **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, 2009 and 2008, the Association made grants of \$92,269 and \$42,165, 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 \$11,988 and \$10,570 for the years ending June 30, 2009 and 2008, 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 year ended June 30, 2008, 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 was transferred to the University during the year ended June 30, 2008.

UNCG completed a five year fund raising campaign in June of 2009. During the fiscal year ended June 30, 2009, management determined that the Museum, the University and the Association would all be better served if a portion of the monies raised during the campaign were used to create endowments in support of the museum. As a result \$65,000 was transferred to the UNCG Excellence Foundation because this Foundation is in the practice of administering similar endowments for the University and Museum.

#### **Note 5. Income Taxes**

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