

# McGladrey & Pullen

Certified Public Accountants

## Weatherspoon Art Museum Association

Financial Report  
06.30.2007

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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, 2007 and 2006, 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, 2007 and 2006, 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  
November 26, 2007

Weatherspoon Art Museum Association

Statements of Financial Position  
June 30, 2007 and 2006

	2007	2006
<b>Assets</b>		
Cash	\$ 330,169	\$ 291,306
Pledges receivable	98,319	52,460
Gift shop inventory	9,617	11,979
Other assets	515	220
<b>Total assets</b>	<u>\$ 438,620</u>	<u>\$ 355,965</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 1,615</u>	<u>\$ 399</u>
Net assets:		
Unrestricted	274,499	239,616
Temporarily restricted	162,506	115,950
<b>Total net assets</b>	<u>437,005</u>	<u>355,566</u>
<b>Total liabilities and net assets</b>	<u>\$ 438,620</u>	<u>\$ 355,965</u>

See Notes to Financial Statements.

Weatherspoon Art Museum Association

Statements of Activities  
Years Ended June 30, 2007 and 2006

	2007	2006
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 228,231	\$ 134,318
Gift shop sales	6,159	11,211
Investment income	2,467	2,565
Other additions	24,152	17,748
Net assets released from restrictions	61,347	-
<b>Total unrestricted revenues and gains</b>	<b>322,356</b>	<b>165,842</b>
Expenses and losses:		
Program expenses:		
Grants to The University of North Carolina at Greensboro Weatherspoon Arts Foundation	117,930	74,145
Shipping	1,493	1,813
Travel	11,543	7,043
Printing	13,058	43,325
Gift shop cost of sales	1,739	4,847
Honorariums	4,003	4,884
Entertainment	19,994	32,484
Advertising	15,405	15,471
Supplies	2,826	8,982
Management and general expenses:		
Administrative expenses	31,337	21,554
Realized losses on sales of contributed investments	456	342
Transfer to UNCG	35,942	-
Transfer to the UNCG Excellence Foundation	31,747	-
<b>Total unrestricted expenses and losses</b>	<b>287,473</b>	<b>214,890</b>
<b>Increase (decrease) in unrestricted net assets</b>	<b>34,883</b>	<b>(49,048)</b>
Changes in temporarily restricted net assets:		
Revenues and gains:		
Contributions	107,903	65,450
<b>Total temporarily restricted revenues and gains</b>	<b>107,903</b>	<b>65,450</b>
Net assets released from restrictions	61,347	-
<b>Increase in temporarily restricted net assets</b>	<b>46,556</b>	<b>65,450</b>
<b>Change in net assets</b>	<b>81,439</b>	<b>16,402</b>
Net assets, beginning of year	355,566	339,164
Net assets, end of year	<b>\$ 437,005</b>	<b>\$ 355,566</b>

See Notes to Financial Statements.

Weatherspoon Art Museum Association

Statements of Cash Flows  
Years Ended June 30, 2007 and 2006

	2007	2006
Cash Flows From Operating Activities		
Change in net assets	\$ 81,439	\$ 16,402
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions of investments	(14,216)	(9,849)
Realized losses on sales of contributed investments	456	342
Increase in pledges receivable	(45,859)	(4,605)
Decrease in gift shop inventory	2,362	18,352
(Increase) decrease in other assets	(295)	776
Increase (decrease) in accrued liabilities	1,216	(889)
<b>Net cash provided by operating activities</b>	<b>25,103</b>	<b>20,529</b>
Cash Flows Provided By Investing Activities		
Proceeds from sales of contributed investments	13,760	9,507
<b>Net increase in cash</b>	<b>38,863</b>	<b>30,036</b>
Cash:		
Beginning	291,306	261,270
Ending	<b>\$ 330,169</b>	<b>\$ 291,306</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 no allowance for doubtful accounts reported in the statement of financial position as of June 30, 2007 and 2006. 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 4.92% in 2007 and 5.07% in 2006. 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 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 or market, as determined by the first-in, first-out method.

#### 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	\$	13,037
Pledges receivable in one to five years		93,539
<b>Total pledges receivable</b>		<u>106,576</u>
Less the amount representing interest		(8,257)
<b>Present value of pledges receivable</b>	<b>\$</b>	<b><u>98,319</u></b>

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

Temporarily restricted net assets consist of the following at June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Contributions and other unexpended revenues and gains available for:		
Art purchases and operational support	<u>\$ 162,506</u>	<u>\$ 115,950</u>

## **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, 2007 and 2006, the Association made grants of \$117,930 and \$74,145, 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 \$11,884 and \$10,776 for the years ending June 30, 2007 and 2006, respectively.

During the year ended June 30, 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, \$35,942 was transferred to the University.

In addition, during the fiscal year ending 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).