

Weatherspoon Art Museum Association

Financial Report
June 30, 2012

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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, 2012 and 2011, 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, 2012 and 2011, 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 LLP

Greensboro, North Carolina
August 17, 2012

Weatherspoon Art Museum Association

**Statements Of Financial Position
June 30, 2012 And 2011**

Assets	2012	2011
Cash	\$ 167,174	\$ 201,796
Pledges receivable, net	3,298	14,801
Gift shop inventory	10,175	9,098
Museum guide	75,991	80,490
Other assets	12,195	904
Total assets	\$ 268,833	\$ 307,089
Liabilities And Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 507	\$ 487
Net assets		
Unrestricted	217,501	285,542
Temporarily restricted	50,825	21,060
Total net assets	268,326	306,602
Total liabilities and net assets	\$ 268,833	\$ 307,089

See Notes To Financial Statements.

Weatherspoon Art Museum Association

Statements Of Activities

Years Ended June 30, 2012 And 2011

	2012	2011
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 120,030	\$ 200,651
Gift shop sales	22,817	6,681
Guidebook sales	1,300	2,700
Investment income	1,005	1,798
Other additions	9,720	45,479
Net assets released from restrictions	3,871	63,982
Total unrestricted revenues and gains	158,743	321,291
Expenses and losses:		
Program expenses:		
Grants to The University of North Carolina at Greensboro Weatherspoon Arts Foundation	103,550	88,700
Shipping	2,326	9,515
Travel	1,607	18,764
Printing	8,442	10,911
Gift shop cost of sales	11,523	4,975
Guidebook cost of sales	990	2,055
Honorariums	200	2,010
Entertainment and exhibitions	21,127	34,779
Guidebooks given to members	3,509	14,474
Advertising	-	297
Supplies	6,563	4,188
Management and general expenses:		
Administrative expenses	66,886	77,550
Realized losses on sales of contributed investments	146	420
Transfer to UNCG	-	29,670
Total unrestricted expenses and losses	226,869	298,308
Increase (decrease) in unrestricted net assets	(68,126)	22,983
Changes in temporarily restricted net assets:		
Revenues and gains:		
Contributions	33,721	17,525
Total temporarily restricted revenues and gains	33,721	17,525
Net assets released from restrictions	3,871	63,982
Increase (decrease) in temporarily restricted net assets	29,850	(46,457)
Change in net assets	(38,276)	(23,474)
Net assets, beginning of year	306,602	330,076
Net assets, end of year	\$ 268,326	\$ 306,602

See Notes To Financial Statements.

Weatherspoon Art Museum Association

Statements Of Cash Flows

Years Ended June 30, 2012 And 2011

	2012	2011
Cash Flows From Operating Activities		
Change in net assets	\$ (38,276)	\$ (23,474)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions of investments	(5,317)	(32,079)
Realized losses on sales of contributed investments	146	420
Decrease in pledges receivable	11,503	4,900
(Increase) decrease in gift shop inventory	(1,077)	1,186
(Increase) decrease in museum guide	4,499	(22,815)
(Increase) decrease in other assets	(11,291)	917
Increase (decrease) in accounts payable and accrued liabilities	20	(2,107)
Net cash used in operating activities	(39,793)	(73,052)
Cash Flows Provided By Investing Activities		
Proceeds from sales of contributed investments	5,171	31,659
Net decrease in cash	(34,622)	(41,393)
Cash:		
Beginning	201,796	243,189
Ending	\$ 167,174	\$ 201,796

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 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.

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 \$0 and \$809 allowance for doubtful accounts reported in the statement of financial position as of June 30, 2012 and 2011, 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 four percent in 2012 and 2011. Conditional promises to give are not included as support until the conditions are substantially met.

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.

Weatherspoon Art Museum Association

Notes To Financial Statements

Note 1. Nature Of Activities, Credit Risk And Significant Accounting Policies (Continued)

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.

Subsequent events: The Association has evaluated subsequent events through August 17, 2012, 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	\$	3,375
Pledges receivable in one to five years		-
Total pledges receivable		<u>3,375</u>
Less the amount representing interest		(77)
Less the amount representing allowance for uncollectible pledges		-
Present value of pledges receivable	<u>\$</u>	<u>3,298</u>

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, 2011 with total costs of approximately \$97,000 for the publication. The total actual cost still held in inventory was \$75,991 and \$80,490 at June 30, 2012 and 2011, respectively.

Note 4. Restrictions And Limitations On Net Asset Balances

Temporarily restricted net assets consist of the following at June 30, 2012 and 2011:

	2012	2011
Contributions and other unexpended revenues and gains available for:		
Art purchases and operational support	<u>\$ 50,825</u>	<u>\$ 21,060</u>

Weatherspoon Art Museum Association

Notes To Financial Statements

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, 2012 and 2011, the Association made grants of \$103,550 and \$88,700, 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 \$12,770 and \$12,669 for the years ending June 30, 2012 and 2011, respectively.

During the year ended June 30 2011, the Association Board Members approved the transfer of funds to the University to support future exhibitions. As a result, \$29,670 was transferred to the University.

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 2009.