

WEATHERSPOON ART MUSEUM ASSOCIATION

FINANCIAL REPORT

YEARS ENDED JUNE 30, 2016 AND 2015

WEATHERSPOON ART MUSEUM ASSOCIATION

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Weatherspoon Art Museum Association, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, and cash flows for the years 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 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 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
August 16, 2016

WEATHERSPOON ART MUSEUM ASSOCIATION
Statements of Financial Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Cash	\$ 172,092	\$ 115,870
Pledges receivable, net	1,508	1,939
Other assets	<u>8,778</u>	<u>1,583</u>
Total assets	<u>\$ 182,378</u>	<u>\$ 119,392</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 3,001</u>	<u>\$ 1,943</u>
Net assets:		
Unrestricted	86,162	97,061
Temporarily restricted	<u>93,215</u>	<u>20,388</u>
Total net assets	<u>179,377</u>	<u>117,449</u>
Total liabilities and net assets	<u>\$ 182,378</u>	<u>\$ 119,392</u>

WEATHERSPOON ART MUSEUM ASSOCIATION
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 88,716	\$ 136,842
Gift/pop-up shop sales	1,191	7,630
Investment income	631	510
Fundraising income	5,511	11,738
Net assets released from restrictions	<u>147,010</u>	<u>103,746</u>
Total unrestricted revenues and gains	<u>243,059</u>	<u>260,466</u>
Expenses and losses:		
Program expenses:		
Grants to The University of North Carolina at Greensboro		
Weatherspoon Arts Foundation	55,700	93,310
Grants to The University of North Carolina at Greensboro	6,000	36,064
Shipping	16,729	23,155
Travel	1,686	539
Printing	8,742	7,237
Gift/pop-up shop cost of sales	439	7,524
Honorariums	3,150	500
Entertainment and exhibitions	84,341	37,732
Supplies	9,681	1,123
Management and general expenses:		
Administrative expenses	65,965	40,072
Realized losses on sales of contributed investments	<u>1,525</u>	<u>256</u>
Total unrestricted expenses and losses	<u>253,958</u>	<u>247,512</u>
Increase (decrease) in unrestricted net assets	<u>(10,899)</u>	<u>12,954</u>
Changes in temporarily restricted net assets:		
Revenues and gains:		
Contributions	219,336	79,852
Miscellaneous income	<u>501</u>	<u>-</u>
Total temporarily restricted revenues and gains	<u>219,837</u>	<u>79,852</u>
Net assets released from restrictions	<u>147,010</u>	<u>103,746</u>
Increase (decrease) in temporarily restricted net assets	<u>72,827</u>	<u>(23,894)</u>
Change in net assets	61,928	(10,940)
Net assets, beginning of year	<u>117,449</u>	<u>128,389</u>
Net assets, end of year	<u>\$ 179,377</u>	<u>\$ 117,449</u>

WEATHERSPOON ART MUSEUM ASSOCIATION
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 61,928	\$ (10,940)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions of investments	(100,225)	(4,035)
Realized losses on sales of contributed investments	1,525	256
(Increase) decrease in pledges receivable	431	(1,669)
Decrease in gift shop inventory	-	7,524
Increase in other assets	(7,195)	(551)
Increase in accounts payable and accrued liabilities	1,058	1,327
Net cash used in operating activities	<u>(42,478)</u>	<u>(8,088)</u>
Cash flows from investing activities:		
Proceeds from sales of contributed investments	<u>98,700</u>	<u>3,779</u>
Net cash provided by investing activities	<u>98,700</u>	<u>3,779</u>
Net increase (decrease) in cash	56,222	(4,309)
Cash, Beginning	<u>115,870</u>	<u>120,179</u>
Cash, Ending	<u>\$ 172,092</u>	<u>\$ 115,870</u>

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:

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

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, 2016 and 2015. 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.

Subsequent Events

The Association has evaluated subsequent events through August 16, 2016, 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	\$	706
Pledges receivable in one to five years		840
Total pledges receivable		<u>1,546</u>
Less amount representing interest		38
Present value of pledges receivable	\$	<u><u>1,508</u></u>

NOTE 3 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Temporarily restricted net assets consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Contributions and other unexpended revenues and gains available for:		
Art purchases and operational support	<u>\$ 93,215</u>	<u>\$ 20,388</u>

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 ended June 30, **2016** and 2015, the Association made grants of **\$55,700** and \$93,310, 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 compensated the University for administrative expenses related to accounting fees of **\$10,455** and \$13,040 for the years ended June 30, **2016** and 2015, respectively.

During the year ended June 30, 2016, the Association Executive Committee approved the support of general salary. As a result, \$6,000 was transferred to the University during the year ended June 30, 2016.

During the year ended June 30, 2015, the Association Executive Committee approved the support of general salary and operating expenses, including exhibitions. As a result, \$36,064 was transferred to the University during the year ended June 30, 2015.

NOTE 5 - 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.