

WEATHERSPOON ART MUSEUM ASSOCIATION

FINANCIAL REPORT

YEARS ENDED JUNE 30, 2017 AND 2016

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, 2017 and 2016, 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 audits 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, 2017 and 2016, 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
September 19, 2017

WEATHERSPOON ART MUSEUM ASSOCIATION
Statements of Financial Position
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash	\$ 269,096	\$ 172,092
Pledges receivable, net	20,434	1,508
Other assets	3,350	8,778
Total assets	<u>\$ 292,880</u>	<u>\$ 182,378</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 1,876</u>	<u>\$ 3,001</u>
Net assets:		
Unrestricted	103,802	86,162
Temporarily restricted	187,202	93,215
Total net assets	<u>291,004</u>	<u>179,377</u>
Total liabilities and net assets	<u>\$ 292,880</u>	<u>\$ 182,378</u>

WEATHERSPOON ART MUSEUM ASSOCIATION
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 102,397	\$ 88,716
Gift/pop-up shop sales	-	1,191
Investment income	829	631
Fundraising income	8,398	5,511
Net assets released from restrictions	<u>159,686</u>	<u>147,010</u>
Total unrestricted revenues and gains	<u>271,310</u>	<u>243,059</u>
Expenses and losses:		
Program expenses:		
Grants to The University of North Carolina at Greensboro		
Weatherspoon Arts Foundation	61,750	55,700
Grants to The University of North Carolina at Greensboro	35,239	6,000
Shipping	9,256	16,729
Travel	1,694	1,686
Printing	6,194	8,742
Gift/pop-up shop cost of sales	-	439
Honorariums	1,000	3,150
Entertainment and exhibitions	37,164	84,341
Supplies	4,383	9,681
Management and general expenses:		
Administrative expenses	96,535	65,965
Realized losses on sales of contributed investments	455	1,525
Total unrestricted expenses and losses	<u>253,670</u>	<u>253,958</u>
Increase (decrease) in unrestricted net assets	<u>17,640</u>	<u>(10,899)</u>
Changes in temporarily restricted net assets:		
Revenues and gains:		
Contributions	253,673	219,336
Miscellaneous income	-	501
Total temporarily restricted revenues and gains	<u>253,673</u>	<u>219,837</u>
Net assets released from restrictions	<u>(159,686)</u>	<u>(147,010)</u>
Increase in temporarily restricted net assets	<u>93,987</u>	<u>72,827</u>
Change in net assets	111,627	61,928
Net assets, beginning of year	<u>179,377</u>	<u>117,449</u>
Net assets, end of year	<u>\$ 291,004</u>	<u>\$ 179,377</u>

WEATHERSPOON ART MUSEUM ASSOCIATION
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 111,627	\$ 61,928
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions of investments	(19,141)	(100,225)
Realized losses on sales of contributed investments	455	1,525
(Increase) decrease in pledges receivable	(18,926)	431
(Increase) decrease in other assets	5,428	(7,195)
Increase (decrease) in accounts payable and accrued liabilities	(1,125)	1,058
Net cash provided by (used in) operating activities	<u>78,318</u>	<u>(42,478)</u>
Cash flows from investing activities:		
Proceeds from sales of contributed investments	<u>18,686</u>	98,700
Net cash provided by investing activities	<u>18,686</u>	<u>98,700</u>
Net increase in cash	97,004	56,222
Cash, Beginning	<u>172,092</u>	<u>115,870</u>
Cash, Ending	<u>\$ 269,096</u>	<u>\$ 172,092</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 statements of financial position as of June 30, 2017 and 2016. 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 September 19, 2017, 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 year	\$ 14,113
Pledges receivable in one to five years	<u>7,217</u>
Total pledges receivable	21,330
Less amount representing interest	<u>896</u>
Present value of pledges receivable	<u><u>\$ 20,434</u></u>

NOTE 3 - RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Temporarily restricted net assets consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Contributions and other unexpended revenues and gains available for:		
Art purchases and operational support	<u><u>\$ 187,202</u></u>	<u><u>\$ 93,215</u></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, 2017 and 2016, the Association made grants of \$61,750 and \$55,700, 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 compensated the University for administrative expenses related to accounting fees of \$11,204 and \$10,455 for the years ended June 30, 2017 and 2016, respectively.

During the year ended June 30, 2017, the Association Executive Committee approved the support of general salary. As a result, \$35,239 was transferred to the University during the year ended June 30, 2017.

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.

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.

NOTE 6 - ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958). This update is effective for fiscal periods beginning after December 15, 2017. Under the new standard, there will be two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) instead of the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted). The new standard requires all not-for-profit entities to provide expenses and an analysis of expenses by both nature and function, and disclosure of the methods used to allocate those expenses among the various functions. ASU 2016-14 requires qualitative disclosure about how liquidity is managed including dates to meet the cash needs for the upcoming year. Investment returns will be presented net of all related external and direct internal expenses and the existing disclosure of the netted amounts is no longer required. The standard continues to allow not-for-profit entities to present the net amount of operating cash flows using either the direct or indirect method of reporting, while no longer requiring the indirect reconciliation if the direct method is used.