

McGladrey & Pullen

Certified Public Accountants

Weatherspoon Art Museum Association

Financial Report
06.30.2010

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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, 2010 and 2009, 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, 2010 and 2009, 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 12, 2010

Weatherspoon Art Museum Association

**Statements of Financial Position
June 30, 2010 and 2009**

	2010	2009
Assets		
Cash	\$ 243,189	\$ 285,143
Pledges receivable, net	19,701	28,768
Gift shop inventory	10,284	10,057
Museum guide	57,675	-
Other assets	1,821	730
Total assets	\$ 332,670	\$ 324,698
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 2,594	\$ 335
Net assets:		
Unrestricted	262,559	214,469
Temporarily restricted	67,517	109,894
Total net assets	330,076	324,363
Total liabilities and net assets	\$ 332,670	\$ 324,698

See Notes to Financial Statements.

Weatherspoon Art Museum Association

Statements of Activities

Years Ended June 30, 2010 and 2009

	2010	2009
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 117,245	\$ 28,957
Gift shop sales	7,243	9,870
Investment income	3,450	1,706
Other additions	8,789	21,001
Net assets released from restrictions	79,488	120,164
Total unrestricted revenues and gains	216,215	181,698
Expenses and losses:		
Program expenses:		
Grants to The University of North Carolina at Greensboro Weatherspoon Arts Foundation	62,100	92,269
Shipping	618	4,482
Travel	3,615	2,458
Printing	11,508	5,828
Gift shop cost of sales	4,399	4,634
Gift Shop Renovation	-	5,452
Honorariums	2,200	500
Entertainment and exhibitions	34,206	31,706
Advertising	8,495	7,106
Supplies	895	3,792
Management and general expenses:		
Administrative expenses	40,040	39,125
Realized losses on sales of contributed investments	49	113
Transfer to UNCG Excellence Foundation	-	65,000
Total unrestricted expenses and losses	168,125	262,465
Increase (decrease) in unrestricted net assets	48,090	(80,767)
Changes in temporarily restricted net assets:		
Revenues and gains:		
Contributions	37,111	39,730
Total temporarily restricted revenues and gains	37,111	39,730
Net assets released from restrictions	79,488	120,164
Increase (decrease) in temporarily restricted net assets	(42,377)	(80,434)
Change in net assets	5,713	(161,201)
Net assets, beginning of year	324,363	485,564
Net assets, end of year	\$ 330,076	\$ 324,363

See Notes to Financial Statements.

Weatherspoon Art Museum Association

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities		
Change in net assets	\$ 5,713	\$ (161,201)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions of investments	(1,255)	(1,693)
Realized losses on sales of contributed investments	49	113
Decrease in pledges receivable	9,067	71,075
Increase in gift shop inventory	(227)	(1,156)
Increase in museum guide	(57,675)	-
(Increase) decrease in other assets	(1,091)	21,481
Increase (decrease) in accrued liabilities	2,259	(22,162)
Net cash used in operating activities	(43,160)	(93,543)
Cash Flows Provided By Investing Activities		
Proceeds from sales of contributed investments	1,206	1,580
Net decrease in cash	(41,954)	(91,963)
Cash:		
Beginning	285,143	377,106
Ending	<u>\$ 243,189</u>	<u>\$ 285,143</u>

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 \$1,079 and \$1,650 allowance for doubtful accounts reported in the statement of financial position as of June 30, 2010 and 2009, 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 4.0% in 2010 and 7.50% in 2009. 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)

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.

Museum guide: The Association accounts for promotional materials as prepaid supplies at the lower of cost, 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 12, 2010, 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	\$ 15,582
Pledges receivable in one to five years	6,000
Total pledges receivable	21,582
Less the amount representing interest	(802)
Less the amount representing allowance for uncollectible pledges	(1,079)
Present value of pledges receivable	\$ 19,701

Note 3. Museum Guide

The Association incurred costs of \$57,675 during the year ending June 30, 2010, to develop 3,000 copies of a museum guide. Publication of the guide was not complete at year-end and the Association expects the total costs at completion of the publication to be approximately \$70,000.

Weatherspoon Art Museum Association

Notes to Financial Statements

Note 4. Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets consist of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Contributions and other unexpended revenues and gains available for:		
Art purchases and operational support	<u>\$ 67,517</u>	<u>\$ 109,894</u>

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, 2010 and 2009, the Association made grants of \$62,100 and \$92,269, 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 \$12,558 and \$11,988 for the years ending June 30, 2010 and 2009, respectively.

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 the Museum.

During the year ended June 30, 2010, the Association Board Members approved the support of exhibitions. As a result, \$25,000 was transferred to the University during the year ended June 30, 2010.

Note 6. Income Taxes

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

The Financial Accounting Standards Board ("FASB") issued new guidance on *Accounting for Uncertainty in Income Taxes*. The Association adopted this new guidance for the year ending June 30, 2010. 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 2007.