

Weatherspoon Art Museum Association

Financial Report
June 30, 2011

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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, 2011 and 2010, 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, 2011 and 2010, 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 9, 2011

Weatherspoon Art Museum Association

Statements of Financial Position

June 30, 2011 and 2010

	2011	2010
Assets		
Cash	\$ 201,796	\$ 243,189
Pledges receivable, net	14,801	19,701
Gift shop inventory	9,098	10,284
Museum guide	80,490	57,675
Other assets	904	1,821
Total assets	\$ 307,089	\$ 332,670
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 487	\$ 2,594
Net assets:		
Unrestricted	285,542	262,559
Temporarily restricted	21,060	67,517
Total net assets	306,602	330,076
Total liabilities and net assets	\$ 307,089	\$ 332,670

See Notes to Financial Statements.

Weatherspoon Art Museum Association

Statements of Activities

Years Ended June 30, 2011 and 2010

	2011	2010
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 200,651	\$ 117,245
Gift shop sales	6,681	7,243
Guidebook sales	2,700	-
Investment income	1,798	3,450
Other additions	45,479	8,789
Net assets released from restrictions	63,982	79,488
Total unrestricted revenues and gains	321,291	216,215
Expenses and losses:		
Program expenses:		
Grants to The University of North Carolina at Greensboro Weatherspoon Arts Foundation	88,700	62,100
Shipping	9,515	618
Travel	18,764	3,615
Printing	10,911	11,508
Gift shop cost of sales	4,975	4,399
Guidebook cost of sales	2,055	-
Honorariums	2,010	2,200
Entertainment and exhibitions	34,779	34,206
Guidebooks given to members	14,474	-
Advertising	297	8,495
Supplies	4,188	895
Management and general expenses:		
Administrative expenses	77,550	40,040
Realized losses on sales of contributed investments	420	49
Transfer to UNCG	29,670	-
Total unrestricted expenses and losses	298,308	168,125
Increase in unrestricted net assets	22,983	48,090
Changes in temporarily restricted net assets:		
Revenues and gains:		
Contributions	17,525	37,111
Total temporarily restricted revenues and gains	17,525	37,111
Net assets released from restrictions	63,982	79,488
Decrease in temporarily restricted net assets	(46,457)	(42,377)
Change in net assets	(23,474)	5,713
Net assets, beginning of year	330,076	324,363
Net assets, end of year	\$ 306,602	\$ 330,076

See Notes to Financial Statements.

Weatherspoon Art Museum Association

Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Change in net assets	\$ (23,474)	\$ 5,713
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions of investments	(32,079)	(1,255)
Realized losses on sales of contributed investments	420	49
Decrease in pledges receivable	4,900	9,067
(Increase) decrease in gift shop inventory	1,186	(227)
Increase in museum guide	(22,815)	(57,675)
(Increase) decrease in other assets	917	(1,091)
Increase (decrease) in accounts payable and accrued liabilities	(2,107)	2,259
Net cash used in operating activities	(73,052)	(43,160)
Cash Flows Provided By Investing Activities		
Proceeds from sales of contributed investments	31,659	1,206
Net decrease in cash	(41,393)	(41,954)
Cash:		
Beginning	243,189	285,143
Ending	\$ 201,796	\$ 243,189

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 an \$809 and \$1,079 allowance for doubtful accounts reported in the statement of financial position as of June 30, 2011 and 2010, 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% in 2011 and 2010. 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 9, 2011, 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	\$ 13,184
Pledges receivable in one to five years	3,000
Total pledges receivable	<u>16,184</u>
Less the amount representing interest	(574)
Less the amount representing allowance for uncollectible pledges	(809)
Present value of pledges receivable	<u><u>\$ 14,801</u></u>

Note 3. Museum Guide

The Association began incurring costs during the year ending June 30, 2010, 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 \$80,490 and \$57,675 at June 30, 2011 and 2010, respectively.

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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Contributions and other unexpended revenues and gains available for:		
Art purchases and operational support	<u>\$ 21,060</u>	<u>\$ 67,517</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, 2011 and 2010, the Association made grants of \$88,700 and \$62,100, 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 \$12,669 and \$12,558 for the years ending June 30, 2011 and 2010, 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. Generally the Association is no longer subject to income tax examinations by the U. S. federal tax authorities for years before 2008.