

***WHITE BEAR CENTER FOR THE ARTS
(A MINNESOTA NOT-FOR-PROFIT
ORGANIZATION)***

FINANCIAL STATEMENTS

DECEMBER 31, 2014

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	5
Statements of cash flows	7
Notes to financial statements	8

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
White Bear Center for the Arts
White Bear Lake, MN

We have audited the accompanying financial statements of White Bear Center for the Arts (a Minnesota nonprofit Organization), which comprise the statements of financial position as of December 31, 2014 and 2013 and the related statements of activities, functional expenses 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 White Bear Center for the Arts as of December 31, 2014 and 2013, 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.

Boyum + Barescheer PLLP

Minneapolis, Minnesota
July 29, 2015

WHITE BEAR CENTER FOR THE ARTS
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,	2014	2013
ASSETS		
Cash and cash equivalents	\$ 208,526	\$ 260,202
Investments - common stock	12,635	49,841
Pledges receivable, net	193,225	273,050
Accounts receivable, trade	8,730	6,500
Prepaid expenses	2,063	1,607
Property and equipment, net	2,644,593	2,640,726
<i>Total assets</i>	\$ 3,069,772	\$ 3,231,926
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 11,342	\$ 78,926
Accrued salaries and payroll tax liabilities	22,404	17,946
Deferred revenue	16,532	12,929
Line of credit	141,839	181,839
<i>Total liabilities</i>	192,117	291,640
NET ASSETS		
Permanently restricted	45,000	45,000
Temporarily restricted	193,225	273,050
Unrestricted	2,639,430	2,622,236
<i>Total net assets</i>	2,877,655	2,940,286
<i>Total liabilities and net assets</i>	\$ 3,069,772	\$ 3,231,926

The Notes to Financial Statements are an integral part of these statements.

WHITE BEAR CENTER FOR THE ARTS

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31,	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Capital campaign	\$ -	\$ 14,760	\$ -	\$ 14,760
Membership revenue	32,476	-	-	32,476
Contributions	101,684	-	-	101,684
Grants	30,899	-	-	30,899
Other income	22	-	-	22
Realized losses and fees on donated investments	8	-	-	8
Heart 4 Art and Polly Shank events, net of direct benefit to donor expenses of \$9,265 and \$5,695 for 2014 and 2013, respectively	75,492	61,725	-	137,217
Art education	292,243	-	-	292,243
Community programs	37,184	-	-	37,184
<i>Total support and revenue</i>	570,008	76,485	-	646,493
NET ASSETS RELEASED FROM RESTRICTION	156,310	(156,310)	-	-
EXPENSES				
Program services	581,613	-	-	581,613
Management and general	69,951	-	-	69,951
Fundraising	57,560	-	-	57,560
<i>Total expenses</i>	709,124	-	-	709,124
<i>Increase (decrease) in net assets</i>	17,194	(79,825)	-	(62,631)
Net assets, beginning of year	2,622,236	273,050	45,000	2,940,286
<i>Net assets, end of year</i>	\$ 2,639,430	\$ 193,225	\$ 45,000	\$ 2,877,655

The Notes to Financial Statements are an integral part of these statements.

2013			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ -	\$ 891,024	\$ -	\$ 891,024
25,426	-	-	25,426
138,051	-	45,000	183,051
48,112	-	-	48,112
8,865	-	-	8,865
(1,050)	-	-	(1,050)
44,042	-	-	44,042
203,056	-	-	203,056
5,695	-	-	5,695
472,197	891,024	45,000	1,408,221
1,744,654	(1,744,654)	-	-
530,731	-	-	530,731
52,679	-	-	52,679
131,848	-	-	131,848
715,258	-	-	715,258
1,501,593	(853,630)	45,000	692,963
1,120,643	1,126,680	-	2,247,323
\$ 2,622,236	\$ 273,050	\$ 45,000	\$ 2,940,286

WHITE BEAR CENTER FOR THE ARTS
STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31,	2014			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 213,668	\$ 24,842	\$ 27,663	\$ 266,173
Payroll taxes	16,505	1,919	2,137	20,561
Professional fees	5,566	19,485	2,784	27,835
Office work- consultant	254	254	-	508
Graphics/special event	11,445	-	1,272	12,717
Insurance	9,506	827	-	10,333
Strategic planning	881	-	-	881
Staff/board development	1,998	1,998	-	3,996
Year-end giving campaign	-	-	1,284	1,284
General office expense	11,707	5,853	1,951	19,511
Advertising and marketing	3,497	-	-	3,497
Clay	5,446	-	-	5,446
Instructor fees	106,802	-	-	106,802
Studio expenses	10,286	-	-	10,286
Customized class expense	7,221	-	-	7,221
Credit card usage fees	4,589	-	1,147	5,736
Art education catalog	20,104	-	-	20,104
Community programs	16,153	-	-	16,153
Art in Elementary expenses	15,680	-	-	15,680
Depreciation	68,656	5,970	-	74,626
Heart 4 Art and Polly Shank event expenses	-	-	6,076	6,076
Capital campaign printing and distribution	-	-	-	-
Capital campaign events	-	-	988	988
Capital campaign management	-	-	110	110
Utilities and maintenance	20,682	1,798	-	22,480
Other building development expenses	20,209	1,757	-	21,966
In-kind expense	6,578	-	9,800	16,378
Miscellaneous	4,180	5,248	2,348	11,776
<i>Total expenses</i>	\$ 581,613	\$ 69,951	\$ 57,560	\$ 709,124

The Notes to Financial Statements are an integral part of these statements.

2013			
Program	Management and General	Fundraising	Total
\$ 195,659	\$ 20,778	\$ 25,215	\$ 241,652
15,697	1,667	2,023	19,387
15,437	12,350	3,087	30,874
-	-	-	-
3,833	-	78	3,911
8,620	750	-	9,370
1,750	-	-	1,750
1,636	409	-	2,045
-	-	1,039	1,039
10,321	897	-	11,218
2,006	-	-	2,006
2,594	-	-	2,594
78,895	-	-	78,895
2,887	-	-	2,887
6,537	-	-	6,537
3,674	-	408	4,082
19,599	-	-	19,599
1,013	-	-	1,013
13,516	-	-	13,516
46,520	4,045	-	50,565
-	-	5,109	5,109
-	-	10,911	10,911
-	-	26,578	26,578
-	-	57,400	57,400
22,630	1,968	-	24,598
42,846	3,726	-	46,572
24,201	6,050	-	30,251
10,860	39	-	10,899
\$ 530,731	\$ 52,679	\$ 131,848	\$ 715,258

WHITE BEAR CENTER FOR THE ARTS

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31,	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (62,631)	\$ 692,963
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Donation of stock	(12,355)	(50,891)
Realized (gains) losses and fees from donated stock	8	1,050
Depreciation	74,626	50,565
Change in allowance for uncollectible pledges	(11,500)	10,000
Changes in assets and liabilities:		
Pledges receivable	91,325	146,835
Accounts receivable, trade	(2,230)	(2,000)
Prepaid expenses	(456)	(133)
Accounts payable	(67,584)	64,345
Deferred revenue	3,603	2,406
Accrued salaries and payroll tax liabilities	4,458	7,049
	17,264	922,189
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(78,493)	(1,674,098)
Proceeds from the sale of donated stock	49,553	2,184
	(28,940)	(1,671,914)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net advances (payments) on line of credit	(40,000)	181,839
	(40,000)	181,839
<i>Net decrease in cash</i>	(51,676)	(567,886)
Cash and cash equivalents, beginning of year	260,202	828,088
	\$ 208,526	\$ 260,202
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest	\$ 5,248	\$ 7,203

The Notes to Financial Statements are an integral part of these statements.

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

White Bear Center for the Arts serves the community through education and enrichment opportunities through art education. The Organization provides classes for individuals throughout the summer and school year. The Organization also facilitates art classes in elementary schools. The mission of the Organization is to provide a gateway to diverse art experiences. Contributions and other revenues come primarily from individuals, foundations, and organizations in the Minnesota Twin Cities area. Contributions from one donor amounted to approximately 35% of revenue for the year ended December 31, 2014 and 2013. There were no such concentrations for the year ended December 31, 2014.

Basis of accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its ASC 958. Under ASC 958, *Financial Statements of Not-for-Profit Organizations*, White Bear Center for the Arts is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, based upon the existence or absence of donor restrictions.

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Organization considers short-term, highly liquid investments and investments purchased with a maturity of three months or less to be cash equivalents.

The Organization maintains its accounts in one commercial bank. At times, the amounts on deposit in the bank might exceed the insurance limit of the Federal Deposit Insurance Corporation.

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

Investments:

Donated investments received by the Organization are recorded at fair value on the date they are received as a donation. The Organization's policy with handling stock donations is to sell them as soon as possible. Investment income is recorded as unrestricted revenue unless a donor has stipulated how the income is to be used.

Fair value measurements:

ASC 820 ("Fair Value Measurements") establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobserved inputs (level 3 measurement). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Conference has the ability to access.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Support and revenue recognition:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

The Organization recognizes art education revenue when the related class occurs and, accordingly, defers revenue for prepaid class fees at year-end.

Accounts and grant receivables are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expect to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable.

Receivables consist primarily of amounts due from pledges. The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of the outstanding receivables.

Donated facilities, investments and supplies are reflected as contributions in the accompanying statements at their estimated fair values at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

There were no contributed services meeting the requirements for recognition in the financial statements for the years ended December 31, 2014 and 2013. No amounts are recorded in the financial statements for the value of ordinary donated services, which totaled approximately 2,750 and 3,400 volunteer hours in the years ended December 31, 2014 and 2013, respectively.

Property, equipment and depreciation methods:

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Purchased property and equipment are recorded at acquisition cost. Improvements and betterments are capitalized, while repairs and maintenance expenditures are expensed in the statement of activities. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The following estimated lives are used in computing depreciation: equipment and furniture: 5 to 7 years, building and improvements: 39 years, land improvements: 15 years.

Advertising:

Advertising costs are expensed as incurred. Advertising costs totaled \$3,497 and \$2,006 for the years ended December 31, 2014 and 2013, respectively.

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

Income taxes:

White Bear Center for the Arts is exempt from federal and Minnesota taxation pursuant to the provisions of Section 501(c) (3) of the Internal Revenue Code and Section 290.05 of the Minnesota Statutes and is only subject to federal and state income taxes on net unrelated business income. Since the Organization had no unrelated business taxable income in 2014 and 2013, the accompanying financial statements do not include any provision for federal or state income taxes.

The Organization's filings with the Internal Revenue Service are subject to audit. The information returns for the past three and one-half years are open to examination. Management has evaluated its tax positions and has concluded that they do not result in anything that would require either recording or disclosure in the financial statements based on the criteria set forth in Accounting Standards Codification (ASC) section 740.

Functional allocation of expenses:

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2. INVESTMENTS

At December 31, 2014 and 2013, the fair values of the investments are determined as follows:

	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
2014				
Common stocks	\$ 12,635	\$ -	\$ -	\$ 12,635
	\$ 12,635	\$ -	\$ -	\$ 12,635
2013				
Common stocks	\$ 49,841	\$ -	\$ -	\$ 49,841
	\$ 49,841	\$ -	\$ -	\$ 49,841

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 3. PROMISES TO GIVE

Unconditional promises to give include pledges and grants receivable and consist of the following:

DECEMBER 31,	2014	2013
Amounts due in less than one year:		
Operating	\$ 20,325	\$ 15,900
Capital campaign	99,533	143,300
Total amounts due in less than one year	119,858	159,200
Amounts due in one to five years:		
Operating	49,200	24,350
Capital campaign	27,667	104,500
Total amounts due in one to five years	76,867	128,850
Total unconditional promises to give	196,725	288,050
Less allowance for uncollectible promises to give	(3,500)	(15,000)
<i>Net unconditional promises to give</i>	\$ 193,225	\$ 273,050

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

DECEMBER 31,	2014	2013
Land	\$ 575,921	\$ 575,921
Land improvements	210,986	177,826
Building and improvements	1,924,221	1,913,688
Equipment and furniture	94,605	59,805
Total property and equipment, at cost	2,805,733	2,727,240
Less accumulated depreciation	(161,140)	(86,514)
<i>Net property and equipment</i>	\$ 2,644,593	\$ 2,640,726

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LINE OF CREDIT

The Organization has a loan agreement during the year with their bank, through which they have a \$650,000 line of credit available. Interest accrues monthly at the prime rate (3.25% at December 31, 2014). As of December 31, 2014 and 2013 \$141,839 and \$181,839, respectively, was outstanding on the line of credit. The debt is secured by the building, equipment and inventory of the Organization. The line of credit facility is set to expire on December 31, 2017.

NOTE 6. RESTRICTION ON NET ASSETS

The Organization has been in the process of a capital campaign for the purpose of the purchase and build out of a new facility in White Bear Lake, Minnesota. The building was purchased during December 2010 and work took place in 2011 and 2012. The construction was completed in 2013 and the Organization began operating at the new facility. Temporarily restricted net assets as of December 31, 2014 and 2013 were \$193,225 and \$273,050, respectively, and were time-restricted and partially purpose-restricted for the renovation of the new arts center and related capital campaign expenses.

During 2013, the Organization received a contribution from an individual with the intention to start an endowment fund. The balance of permanently restricted net assets as of December 31, 2014 and 2013 was \$45,000. While the principal will be held indefinitely, the income from the fund will be used to support the general operations of the Organization.

NOTE 7. NON-CASH CONTRIBUTIONS

Included in contributions in the statements of activities are non-cash contributions as follows:

YEARS ENDED DECEMBER 31,	2014	2013
Event expenses	\$ 4,155	\$ 3,846
Equipment and supplies for new facility	-	8,200
Rent for old facility	-	7,800
Video production	8,000	8,000
Art supplies	4,223	2,404
<i>Total</i>	\$ 16,378	\$ 30,250

NOTE 8. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 29, 2015, the date the financial statements were available to be issued.