

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

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015 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, 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.

Auditor's Updated Opinion on 2015 Financial Statements

In our report dated July 27, 2016, we expressed an opinion that the 2015 financial statements did not fairly present the financial position, changes in net assets and cash flows in accordance with the accounting principles generally accepted in the United States of America because the Organization had elected not to include additional disclosures for its endowment fund or make adjustments to the financial statement amounts, if applicable, as required by the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and Accounting Standards Codification (ASC) Section 958 ("Not-for-Profit Entities"). As described in Note 9, the Organization has implemented an endowment policy and added the disclosures to the footnotes to conform with accounting principles generally accepted in the United States of America. Accordingly, our present opinion on the 2015 financial statements, as presented herein, is different from that expressed in our previous report.

Boyum + Barescheer PLLP

Boyum and Barescheer, PLLP
Minneapolis, Minnesota
July 26, 2017

WHITE BEAR CENTER FOR THE ARTS
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,	2016	2015
ASSETS		
Cash and cash equivalents	\$ 177,010	\$ 151,951
Prepaid expenses	6,141	7,095
Accounts receivable, trade	8,730	8,730
Pledges receivable, net	152,917	94,475
Investments - endowment fund	437,086	69,622
Property and equipment, net	2,518,630	2,603,929
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<i>Total assets</i>	\$ 3,300,514	\$ 2,935,802
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 13,829	\$ 6,663
Accrued salaries and payroll tax liabilities	11,315	19,348
Deferred revenue	57,667	24,245
Line of credit	-	23,839
<i>Total liabilities</i>	82,811	74,095
NET ASSETS		
Permanently restricted	542,850	70,000
Temporarily restricted	54,631	94,475
Unrestricted	2,620,222	2,697,232
<i>Total net assets</i>	3,217,703	2,861,707
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<i>Total liabilities and net assets</i>	\$ 3,300,514	\$ 2,935,802

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,	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Membership revenue	\$ 41,329	\$ -	\$ -	\$ 41,329
Contributions	219,347	-	472,850	692,197
Grants	80,889	-	-	80,889
Other income	4,999	-	-	4,999
Heart 4 Art and Polly Shank events, net of direct benefit to donor expenses of \$24,960 for 2016	70,534	8,330	-	78,864
Art education	372,451	-	-	372,451
Community programs and art sales, net	17,422	-	-	17,422
<i>Total support and revenue</i>	806,971	8,330	472,850	1,288,151
NET ASSETS RELEASED FROM RESTRICTION	48,174	(48,174)	-	-
EXPENSES				
Program services	705,915	-	-	705,915
Management and general	133,437	-	-	133,437
Fundraising	92,803	-	-	92,803
<i>Total expenses</i>	932,155	-	-	932,155
<i>Increase (decrease) in net assets</i>	(77,010)	(39,844)	472,850	355,996
Net assets, beginning of year	2,697,232	94,475	70,000	2,861,707
<i>Net assets, end of year</i>	\$ 2,620,222	\$ 54,631	\$ 542,850	\$ 3,217,703

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,

2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Membership revenue	\$ 38,837	\$ -	\$ -	\$ 38,837
Contributions	258,617	-	25,000	283,617
Grants	51,560	-	-	51,560
Other income	305	-	-	305
Heart 4 Art and Polly Shank events, net of direct benefit to donor expenses of \$18,813 for 2015	60,705	32,250	-	92,955
Art education	317,434	-	-	317,434
Community programs and art sales, net	15,258	-	-	15,258
<i>Total support and revenue</i>	742,716	32,250	25,000	799,966
NET ASSETS RELEASED FROM RESTRICTION	131,000	(131,000)	-	-
EXPENSES				
Program services	619,821	-	-	619,821
Management and general	119,413	-	-	119,413
Fundraising	76,680	-	-	76,680
<i>Total expenses</i>	815,914	-	-	815,914
<i>Increase (decrease) in net assets</i>	57,802	(98,750)	25,000	(15,948)
Net assets, beginning of year	2,639,430	193,225	45,000	2,877,655
<i>Net assets, end of year</i>	\$ 2,697,232	\$ 94,475	\$ 70,000	\$ 2,861,707

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

WHITE BEAR CENTER FOR THE ARTS
STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31,	2016			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 241,310	\$ 79,339	\$ 61,318	\$ 381,967
Payroll taxes	18,790	6,178	4,775	29,743
Professional fees	5,073	17,754	2,536	25,363
Insurance	16,229	1,411	-	17,640
Strategic planning	3,594	-	-	3,594
Staff/board development	4,122	4,122	-	8,243
General office expense	26,053	13,027	4,342	43,422
Advertising and marketing	7,353	-	-	7,353
Clay	11,584	-	-	11,584
Instructor fees	151,572	-	-	151,572
Studio expenses	10,343	-	-	10,343
Customized class expense	12,796	-	-	12,796
Credit card usage fees	7,378	-	1,845	9,223
Art education catalog	24,159	-	-	24,159
Community programs	1,524	-	-	1,524
Art in Elementary expenses	17,436	-	-	17,436
Depreciation	78,475	6,824	-	85,299
Heart 4 Art and Polly Shank event expenses	-	-	13,482	13,482
Utilities and maintenance	22,587	1,964	-	24,551
Other building development expenses	31,862	2,771	-	34,633
In-kind expense	6,930	-	1,000	7,930
Miscellaneous	6,745	48	3,505	10,298
<i>Total expenses</i>	\$ 705,915	\$ 133,437	\$ 92,803	\$ 932,155
Percentages	76%	14%	10%	100%

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

WHITE BEAR CENTER FOR THE ARTS
STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31,	2015			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 211,872	\$ 66,655	\$ 45,326	\$ 323,853
Payroll taxes	17,220	5,417	3,684	26,321
Professional fees	6,071	21,249	3,036	30,355
Insurance	9,631	838	-	10,469
Strategic planning	2,569	-	-	2,569
Staff/board development	2,104	2,104		4,208
General office expense	24,943	12,471	4,157	41,571
Advertising and marketing	3,887	-	-	3,887
Clay	9,065	-	-	9,065
Instructor fees	120,174	-	-	120,174
Studio expenses	12,070	-	-	12,070
Customized class expense	14,905	-	-	14,905
Credit card usage fees	5,977	-	1,494	7,471
Art education catalog	22,066	-	-	22,066
Community programs	1,299	-	-	1,299
Art in Elementary expenses	14,421	-	-	14,421
Depreciation	76,384	6,642	-	83,026
Heart 4 Art and Polly Shank event expenses	-	-	15,754	15,754
Utilities and maintenance	19,287	1,677	-	20,964
Other building development expenses	23,516	2,045	-	25,561
In-kind expense	13,696	-	1,600	15,296
Miscellaneous	8,664	316	1,629	10,609
<i>Total expenses</i>	\$ 619,821	\$ 119,413	\$ 76,680	\$ 815,914
Percentages	76%	15%	9%	100%

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

WHITE BEAR CENTER FOR THE ARTS

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31,	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 355,996	\$ (15,948)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Donation of stock	(239,090)	-
Realized (gains) losses on investments and donated stock	(4,083)	801
Depreciation	85,299	83,026
Donation of property and equipment	-	(5,000)
Changes in assets and liabilities:		
Pledges receivable	(58,442)	98,750
Prepaid expenses	954	(5,032)
Accounts payable	7,166	(4,679)
Deferred revenue	33,422	7,713
Accrued salaries and payroll tax liabilities	(8,033)	(3,056)
	173,189	156,575
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(37,362)
Purchase of investments	(265,995)	(70,000)
Proceeds from the sale of donated stock	141,704	12,212
	(124,291)	(95,150)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net advances (payments) on line of credit	(23,839)	(118,000)
	(23,839)	(118,000)
	25,059	(56,575)
Cash and cash equivalents, beginning of year	151,951	208,526
	\$ 177,010	\$ 151,951

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash payments for interest	\$ 54	\$ 2,832
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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.

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.

Recently issued accounting pronouncements:

In May 2014, FASB issued ASU No. 2014-09, Revenue Recognition (Topic 606), which provides guidance for accounting for revenue from contracts with customers. The new guidance outlines a single comprehensive model for companies to use in accounting for revenue from contracts with customers. The ASU is effective for annual and interim periods beginning after December 15, 2018 with early adoption permitted. It can be adopted using either a retrospective approach or a modified retrospective approach. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements and anticipates the new guidance will have minimal impact on its financial statements.

In August 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958), which provides guidance for presentation of financial statements of not-for-profit entities. The new guidance requires not-for-profits to include a number of changes in their financial presentation including presenting two classes of net assets, enhanced disclosures on board designations, management of liquid resources for cash flows, and present expenses by their natural and functional classification. The ASU will be effective for financial statements for fiscal years beginning after December 15, 2017, and for interim financial statements for periods after that date with early adoption permitted. The amendments in this update should be applied on a retrospective basis. However, if presenting comparative financial statements, the NFP has the option to omit the following information for any periods presented before the period of adoption: analysis of expenses by both natural classification and functional classification and disclosures about liquidity and availability of resources. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements and anticipates the new guidance will significantly impact its financial statements.

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

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.

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 Organization 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.

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

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.

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, 2016 and 2015. No amounts are recorded in the financial statements for the value of ordinary donated services, which totaled approximately 2,000 and 1,450 volunteer hours in the years ended December 31, 2016 and 2015, 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 of \$2,000 or more 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.

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

Advertising:

Advertising costs are expensed as incurred. Advertising costs totaled \$7,353 and \$3,887 for the years ended December 31, 2016 and 2015, respectively.

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 December 31, 2016 and 2015, the accompanying financial statements do not include any provision for federal or state income taxes.

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.

Reclassifications:

Certain reclassifications have been made to the 2015 financial statements to conform to the presentation in the 2016 financial statements.

Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 26, 2017, the date the financial statements were available to be issued.

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 2. INVESTMENTS

At December 31, 2016 and 2015, the fair values of the investments are determined as follows:

Assets at Fair Value as of December 31, 2016

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 100,264	\$ -	\$ -	\$ 100,264
Pooled funds	-	-	70,827	70,827
	\$ 100,264	\$ -	\$ 70,827	\$ 171,091
Money market				265,995
Total investments				\$ 437,086

Assets at Fair Value as of December 31, 2015

	Level 1	Level 2	Level 3	Total
Pooled funds	\$ -	\$ -	\$ 69,622	\$ 69,622
	\$ -	\$ -	\$ 69,622	\$ 69,622

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Restricted gains and investment income whose restrictions are met in the period the gains or income are recognized are reported as unrestricted revenue and gains.

The following schedule summarizes investment return for the years ended December 31, 2016 and 2015:

YEARS ENDED DECEMBER 31,	2016	2015
Interest and dividends	\$ 1,015	\$ 900
Realized/ unrealized gains and (losses)	4,033	(611)
Investment fees	(893)	(667)
Total	\$ 4,155	\$ (378)

For the years ended December 31, 2016 and 2015, all investment returns were classified as unrestricted in the statement of activities.

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 2. (CONTINUED)

Level 3 Assets:

The following tables provide a summary of changes in fair value of the Organization's Level 3 financial assets.

	<u>Assets Held</u>
Balance as of December 31, 2015	\$ 69,622
Interest and dividends	1,015
Realized/ unrealized gains and (losses)	4,033
Distributions	(3,843)
<i>Balance, December 31, 2016</i>	<u>\$ 70,827</u>

	<u>Assets Held</u>
Balance as of December 31, 2014	\$ 45,000
Interest and dividends	900
Realized/ unrealized gains and (losses)	(611)
Contributions	25,000
Distributions	(667)
<i>Balance, December 31, 2015</i>	<u>\$ 69,622</u>

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,	2016	2015
Amounts due in less than one year:		
Operating	\$ 22,070	\$ 27,900
Capital campaign	2,050	16,575
Endowment	103,427	-
Total amounts due in less than one year	127,547	44,475
Amounts due in one to five years:		
Operating	28,870	51,500
Capital campaign	-	2,000
Total amounts due in one to five years	28,870	53,500
Total unconditional promises to give	156,417	97,975
Less allowance for uncollectible promises to give	(3,500)	(3,500)
<i>Net unconditional promises to give</i>	\$ 152,917	\$ 94,475

The Organization has received a commitment from a major donor in 2016 to match future gifts to the endowment fund up to \$1,000,000. These gifts amounted to \$208,522 through December 31, 2016 of which \$105,095 was matched by the major donor during the year and \$103,427 is recorded as pledges receivable. The remaining \$791,478 commitment has not been recognized as an asset or contribution revenue as it is a conditional promise to give.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

DECEMBER 31,	2016	2015
Land	\$ 575,921	\$ 575,921
Land improvements	210,986	210,986
Building and improvements	1,924,221	1,924,221
Equipment and furniture	136,967	136,967
Total property and equipment, at cost	2,848,095	2,848,095
Less accumulated depreciation	(329,465)	(244,166)
<i>Net property and equipment</i>	\$ 2,518,630	\$ 2,603,929

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LINE OF CREDIT

The Organization has a loan agreement with their bank, through which they have a \$650,000 line of credit available. Interest accrues monthly at the prime rate (3.75% at December 31, 2016). As of December 31, 2016 and 2015 \$- and \$23,839, 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 was set to expire on December 31, 2017, however, the Organization paid off the entire balance in February of 2016.

NOTE 6. NON-CASH CONTRIBUTIONS

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

YEARS ENDED DECEMBER 31,	2016	2015
Event expenses	\$ 1,000	\$ 1,600
Video production	8,000	8,000
Art supplies	2,635	2,206
Furniture	4,110	5,000
Artwork	11,628	27,970
<i>Total</i>	\$ 27,373	\$ 44,776

NOTE 7. MAJOR SOURCE & CONCENTRATIONS

For the year ended December 31, 2016, donations totaling 21% of revenues were from one donor and included pledges receivable of \$103,427. For the year ended December 31, 2015, there were no sources or concentrations that made up a majority of revenues.

NOTE 8. 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, 2016 consisted of \$7,191 related to the renovation of the new arts center and related capital campaign expenses and \$47,440 time restricted pledges receivable for general operations, for a total of \$54,631. Temporarily restricted net assets as of December 31, 2015 totaled \$94,475, which was all time restricted pledges receivable partially related to the capital campaign and partially for general operations.

The balance of permanently restricted net assets as of December 31, 2016 and 2015 was \$542,850 and \$70,000, respectively, and is for the Organization's endowment fund. While the principal will be held indefinitely, the income from the fund will be used to support the general operations of the Organization.

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 9. ENDOWMENT

The Organization's endowment consists of one fund established for providing a permanent endowment, the income from which will be used to support the programs, purposes and activities of the Organization in perpetuity. The endowment consists of donor-restricted endowment funds. As required by generally accepted accounting principles in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing board has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the presentation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the endowment fund that is not classified in permanently restricted net assets is classified as board designated net assets as considered encumbered when earned. In accordance with UPMIFA, the Organization considers the operational cash needs of the Organization when making a determination to appropriate or accumulate donor restricted funds.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to operations of the Organization. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce a consistent return. Actual returns in any given year may vary from the benchmark.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization spending policy is to distribute up to 10% of earnings of the then current balance of the endowment. The Organization will re-invest any income in excess of 10% of the then current balance of the endowment in order to preserve the endowment. The Organization has a policy of appropriating for distribution based on general operation needs or for the restricted purpose, as applicable, as approved by the board of directors.

The composition of endowment net assets by fund type as of December 31, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	\$ 1,663	\$ -	\$ 542,850	\$ 544,513

The composition of endowment net assets by fund type as of December 31, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	\$ (378)	\$ -	\$ 70,000	\$ 69,622

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NOTES TO FINANCIAL STATEMENTS

NOTE 9. (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ (378)	\$ -	\$ 70,000	\$ 69,622
Investment return:				
Investment income	1,015	-	-	1,015
Net realized and unrealized gains (losses)	4,869	-	-	4,869
Total investment return	5,884	-	-	5,884
Contributions	-	-	472,850	472,850
Appropriations of Endowment assets for expenditure	(3,843)	-	-	(3,843)
Endowment net assets, end of the year	\$ 1,663	\$ -	\$ 542,850	\$ 544,513

Changes in endowment net assets for the year ended December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ -	\$ -	\$ 45,000	\$ 45,000
Investment return:				
Investment income	900	-	-	900
Net realized and unrealized gains (losses)	(611)	-	-	(611)
Total investment return	289	-	-	289
Contributions	-	-	25,000	25,000
Appropriations of Endowment assets for expenditure	(667)	-	-	(667)
Endowment net assets, end of the year	\$ (378)	\$ -	\$ 70,000	\$ 69,622