

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

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

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

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, 2017 and 2016 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, 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.

Boyum + Barescheer PLLP

Boyum and Barescheer, PLLP
Minneapolis, Minnesota
September 26, 2018

WHITE BEAR CENTER FOR THE ARTS
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,	2017	2016
ASSETS		
Cash and cash equivalents	\$ 151,757	\$ 177,010
Prepaid expenses	6,682	6,141
Accounts receivable, trade	8,730	8,730
Pledges receivable, net	100,343	152,917
Grant receivable	1,300	-
Investments - endowment fund	894,213	437,086
Property and equipment, net	2,459,471	2,518,630
<i>Total assets</i>	\$ 3,622,496	\$ 3,300,514
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 14,834	\$ 13,829
Accrued salaries and payroll tax liabilities	14,817	11,315
Deferred revenue	32,959	57,667
<i>Total liabilities</i>	62,610	82,811
NET ASSETS		
Unrestricted	2,546,286	2,618,559
Temporarily restricted	134,944	56,294
Permanently restricted	878,656	542,850
<i>Total net assets</i>	3,559,886	3,217,703
<i>Total liabilities and net assets</i>	\$ 3,622,496	\$ 3,300,514

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,	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Capital campaign	\$ 25,000	\$ -	\$ -	\$ 25,000
Membership revenue	45,293	-	-	45,293
Contributions	214,339	25,000	335,806	575,145
Grants	99,041	-	-	99,041
Other income	6,206	82,878	-	89,084
Heart 4 Art and Polly Shank events, net of direct benefit to donor expenses of \$21,490 for 2017	83,292	12,750	-	96,042
Art education	405,790	-	-	405,790
Community programs and art sales, net	25,696	-	-	25,696
<i>Total support and revenue</i>	904,657	120,628	335,806	1,361,091
NET ASSETS RELEASED FROM RESTRICTION	41,978	(41,978)	-	-
EXPENSES				
Program services	788,881	-	-	788,881
Management and general	138,664	-	-	138,664
Fundraising	91,363	-	-	91,363
<i>Total expenses</i>	1,018,908	-	-	1,018,908
<i>Increase (decrease) in net assets</i>	(72,273)	78,650	335,806	342,183
Net assets, beginning of year	2,618,559	56,294	542,850	3,217,703
<i>Net assets, end of year</i>	\$ 2,546,286	\$ 134,944	\$ 878,656	\$ 3,559,886

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	8	4,991	-	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>	801,980	13,321	472,850	1,288,151
NET ASSETS RELEASED FROM RESTRICTION	51,502	(51,502)	-	-
EXPENSES				
Program services	707,467	-	-	707,467
Management and general	131,570	-	-	131,570
Fundraising	93,118	-	-	93,118
<i>Total expenses</i>	932,155	-	-	932,155
<i>Increase (decrease) in net assets</i>	(78,673)	(38,181)	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>	\$ 2,618,559	\$ 56,294	\$ 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 FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31,	2017			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 270,318	\$ 82,813	\$ 62,159	\$ 415,290
Payroll taxes	21,056	6,451	4,842	32,349
Professional fees	6,406	22,419	3,203	32,028
Insurance	12,978	1,129	-	14,107
Strategic planning	16	-	-	16
Staff/board development	1,570	1,570	-	3,140
General office expense	25,161	12,580	4,194	41,935
Advertising and marketing	9,043	-	-	9,043
Clay	11,804	-	-	11,804
Instructor fees	155,261	-	-	155,261
Studio expenses	13,205	-	-	13,205
Customized class expense	17,560	-	-	17,560
Credit card usage fees	8,845	-	2,211	11,056
Art education catalog	29,125	-	-	29,125
Community programs	1,500	-	-	1,500
Art in Elementary expenses	16,210	-	-	16,210
Arts learning	44,789	-	-	44,789
Depreciation	77,426	6,733	-	84,159
Heart 4 Art and other event expenses	-	-	10,208	10,208
Utilities and maintenance	20,440	1,777	-	22,217
Other building development expenses	33,257	2,892	-	36,149
In-kind expense	3,416	300	2,320	6,036
Miscellaneous	9,495	-	2,226	11,721
<i>Total expenses</i>	\$ 788,881	\$ 138,664	\$ 91,363	\$ 1,018,908
Percentages	77%	14%	9%	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,	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	22,318	11,159	3,719	37,196
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
Arts learning	6,226	-	-	6,226
Depreciation	78,475	6,824	-	85,299
Heart 4 Art and other event expenses	-	-	14,420	14,420
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	5,807	48	3,505	9,360
<i>Total expenses</i>	\$ 707,467	\$ 131,570	\$ 93,118	\$ 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 CASH FLOWS

YEARS ENDED DECEMBER 31,	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 342,183	\$ 355,996
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Donation of stock	(215,311)	(239,090)
Realized and unrealized (gains) losses on investments	(81,960)	(4,083)
Depreciation	84,159	85,299
Contributions restricted for long-term investment	(402,495)	(369,423)
Changes in assets and liabilities:		
Pledges receivable	52,574	(58,442)
Grants receivable	(1,300)	-
Prepaid expenses	(541)	954
Accounts payable	1,005	7,166
Deferred revenue	(24,708)	33,422
Accrued salaries and payroll tax liabilities	3,502	(8,033)
	(242,892)	(196,234)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposit on land	(25,000)	-
Purchase of investments	(477,670)	(265,995)
Proceeds from the sale of donated stock	317,814	141,704
	(184,856)	(124,291)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments on line of credit	-	(23,839)
Contributions restricted for long-term investment	402,495	369,423
	402,495	345,584
	(25,253)	25,059
Cash and cash equivalents, beginning of year	177,010	151,951
	\$ 151,757	\$ 177,010
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest	\$ -	\$ 54

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 of White Bear Lake 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 from Contracts with Customers (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.

Cash and cash equivalents included in the Investment – endowment fund, on the statement of financial position are not available for use in operations and are not considered cash for the purpose of presenting cash flows.

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:

Marketable securities are recorded at fair value. 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.

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

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.

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, 2017 and 2016. No amounts are recorded in the financial statements for the value of ordinary donated services, which totaled approximately 1,900 and 2,000 volunteer hours in the years ended December 31, 2017 and 2016, 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.

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

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.

Deferred income:

The Organization records deferred income related to future events and unearned contract revenue. Sponsorship revenues received for events are recognized when the event occurs. Contract revenues from government grants that are considered exchange transactions are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred.

Advertising:

Advertising costs are expensed as incurred. Advertising costs totaled \$9,043 and \$7,353 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, 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.

Reclassifications:

Certain reclassifications have been made to the 2016 financial statements to conform with the 2017 financial statement presentation. Such reclassifications have no effect on net assets as previously reported.

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 2. INVESTMENTS

At December 31, 2017 and 2016, the fair values of the investments are determined as follows:

Assets at Fair Value as of December 31, 2017

	Level 1	Level 2	Level 3	Total
Pooled funds	\$ -	\$ -	\$ 881,708	\$ 881,708
	\$ -	\$ -	\$ 881,708	881,708
Money market				12,505
Total investments				\$ 894,213

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Common stocks: Valued at the daily closing price as reported on the active market on which the individual securities are traded.

Pooled funds: Valued at the NAV of units of an insurance pooled separate account. The NAV, as provided by the trustee is a readily determinable fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities which is evaluated once a year through the St. Paul and Minnesota Community Foundations. Participant transactions (purchased and sales) may occur daily. Were the Organization to initiate a full redemption of the pooled separate account, the investment adviser reserves the right to temporarily delay withdrawal from the trust in order to ensure securities liquidations will be carried out in an orderly business manner.

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 2. (CONTINUED)

The following schedule summarizes investment return for the years ended December 31, 2017 and 2016:

YEARS ENDED DECEMBER 31,	2017	2016
Interest and dividends	\$ 10,246	\$ 1,015
Realized/ unrealized gains and (losses)	78,931	4,033
Investment fees	(6,288)	(893)
<i>Total</i>	\$ 82,889	\$ 4,155

For the years ended December 31, 2017 and 2016, all investment returns were classified as temporarily restricted in the statement of activities.

Level 3 Assets:

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

	Pooled Funds
Balance as of December 31, 2016	\$ 70,827
Contributions	475,170
Transfer of investments	266,035
Interest and dividends	10,246
Realized/ unrealized gains and (losses)	78,920
Fees	(6,288)
Distributions	(13,202)
<i>Balance, December 31, 2017</i>	\$ 881,708

	Pooled Funds
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>	\$ 70,827

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,	2017	2016
Amounts due in less than one year:		
Operating	\$ 49,995	\$ 22,070
Capital campaign	2,000	2,050
Endowment	36,738	103,427
Total amounts due in less than one year	88,733	127,547
Amounts due in one to five years:		
Operating	15,110	28,870
Total amounts due in one to five years	15,110	28,870
<i>Total unconditional promises to give</i>	103,843	156,417
Less allowance for uncollectible promises to give	(3,500)	(3,500)
<i>Net unconditional promises to give</i>	\$ 100,343	\$ 152,917

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. The remaining commitments of \$596,259 and \$791,478 at December 31, 2017 and 2016, respectively have not been recognized as an asset or contribution revenue as it is a conditional promise to give.

YEARS ENDED DECEMBER 31,	2017	2016
Total amount committed	\$ 1,000,000	\$ 1,000,000
Total amount matched in 2016	(105,095)	(105,095)
Total amount matched in 2017	(261,908)	-
Pledges receivables portion	(36,738)	(103,427)
<i>Total remaining conditional promises to give</i>	\$ 596,259	\$ 791,478

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

DECEMBER 31,	2017	2016
Land	\$ 575,921	\$ 575,921
Deposit on land	25,000	-
Land improvements	210,986	210,986
Building and improvements	1,924,221	1,924,221
Equipment and furniture	136,967	136,967
<i>Total property and equipment, at cost</i>	2,873,095	2,848,095
Less accumulated depreciation	(413,624)	(329,465)
<i>Net property and equipment</i>	\$ 2,459,471	\$ 2,518,630

Depreciation expense for the years ended December 31, 2017 and 2016 was \$84,159 and \$85,299, respectively.

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 (4.50% at December 31, 2017). As of December 31, 2017 and 2016, \$- and \$-, 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 expired in December 31, 2017 and was not renewed.

NOTE 6. NON-CASH CONTRIBUTIONS

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

YEARS ENDED DECEMBER 31,	2017	2016
Event expenses	\$ 2,320	\$ 1,000
Video production	8,000	8,000
Art supplies	1,916	2,635
Furniture	1,400	4,110
Artwork	2,985	11,628
Food & drink	300	-
<i>Total</i>	\$ 16,921	\$ 27,373

WHITE BEAR CENTER FOR THE ARTS

NOTES TO FINANCIAL STATEMENTS

NOTE 7. MAJOR SOURCE & CONCENTRATIONS

For the year ended December 31, 2017, donations totaling 23% of revenues were from one donor and included pledges receivable of \$36,738. For the year ended December 31, 2016, donations totaling 21% of revenues were from one donor and include pledges receivable of \$103,427.

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, 2017 consisted of \$61,605 related to time restricted pledges receivable for general operations, \$2,000 related to time restricted pledges receivable for the capital campaign, and \$71,339 related to the endowment fund for a total of \$134,944. 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, \$47,440 time restricted pledges receivable for general operations, and \$1,663 related to the endowment fund for a total of \$56,294.

The balance of permanently restricted net assets as of December 31, 2017 and 2016 was \$878,656 and \$542,850, respectively, and is for the Organization's endowment fund. The remaining balance of the endowment fund of \$71,339 and \$1,663 as of December 31, 2017 and 2016, respectively, is included in temporarily restricted net assets and remains there until the funds are appropriated. While the principal of the endowment fund will be held indefinitely, the income from the fund will be used to support the general operations of the Organization.

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 temporarily restricted net assets until the funds are appropriated. 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.

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NOTES TO FINANCIAL STATEMENTS

NOTE 9. (CONTINUED)

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, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund	\$ -	\$ 71,339	\$ 878,656	\$ 949,995

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

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NOTES TO FINANCIAL STATEMENTS

NOTE 9. (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ -	\$ 1,663	\$ 542,850	\$ 544,513
Investment return:				
Investment income	-	10,246	-	10,246
Net realized and unrealized gains (losses)	-	78,920	-	78,920
Investment fees	-	(6,288)	-	(6,288)
Total investment return	-	82,878	-	82,878
Contributions	-	-	335,806	335,806
Appropriations of Endowment assets for expenditure	-	(13,202)	-	(13,202)
Endowment net assets, end of the year	\$ -	\$ 71,339	\$ 878,656	\$ 949,995

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

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NOTES TO FINANCIAL STATEMENTS

NOTE 10. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 26, 2018, the date the financial statements were available to be issued.

In July 2018, the organization finalized a purchase of land for approximately \$525,000. This land sits adjacent to the current Arts Center in White Bear Lake. The Organization intends to use the land to expand their parking lot.