

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art**

Audited Financial Statements

June 30, 2018

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Salt Lake City, UT

Report on the Financial Statements

We have audited the accompanying financial statements of the Salt Lake Art Center dba Utah Museum of Contemporary Art (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

Board of Directors
Salt Lake Art Center,
dba Utah Museum of Contemporary Art

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Salt Lake Art Center dba Utah Museum of Contemporary Art as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Salt Lake Art Center dba Utah Museum of Contemporary Art will continue as a going concern. As discussed in Note 3 to the financial statements, the Organization has not been able to consistently produce positive results from operations in prior years, has a significant net deficiency in unrestricted net assets, and used restricted funds to pay down its line of credit balance. These conditions raise substantial doubt about the Organization's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.



FJ & Associates, PLLC
Kaysville, Utah
April 26, 2019

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Statement of Financial Position
June 30, 2018**

Assets

Current assets:

Cash and cash equivalents	\$	46,229
Grants receivable and promises to give		118,590
Other receivables		3,142
Inventory		3,745
Total current assets		171,706
Property and equipment, net		11,688
Investments		283,540
Permanent art collection		70,000
		70,000

Total assets \$ 536,934

Liabilities and net assets

Current liabilities:

Accounts payable	\$	36,697
Accrued liabilities		38,824
Total current liabilities		75,521
Line of credit		235,984
Total liabilities		311,505

Net assets

Unrestricted		179,072
Permanent art collection		70,000
Total unrestricted net assets		249,072
Temporarily restricted		202,344
Permanently restricted		(225,987)
Total net assets		225,429

Total liabilities and net assets \$ 536,934

See accompanying notes to financial statements

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Statement of Activities
Year Ended June 30, 2018**

Unrestricted public support and revenue	
Public support	\$ 462,620
In-kind contributions	144,265
Revenue	
Gift shop sales	11,892
Investment income, net of fees	574
Total public support and revenue	<u>619,351</u>
Art sales	19,845
Less commissions paid on art sales	<u>(4,108)</u>
Net revenue from art sales	<u>15,737</u>
Special events	105,585
Less costs of direct benefits to donors	<u>(43,718)</u>
Net revenue from special events	<u>61,867</u>
Other revenue	868
Net assets released from restrictions	<u>31,022</u>
Total unrestricted public support and revenue	<u>728,845</u>
Program and supporting services expenses	
Program services	
Exhibits	384,639
Public education	199,993
Total program services expenses	<u>584,632</u>
Supporting services expenses	
Management and general	178,583
Fundraising	128,087
Total supporting services expenses	<u>306,670</u>
Total program and supporting services expenses	<u>891,302</u>
Non-operating activity	
Loss on impairment of permanent collection	(18,434)
Conversion of permanently restricted assets to unrestricted (note 8)	235,984
Total non-operating activity	<u>217,550</u>
Changes in unrestricted net assets	<u>55,093</u>

See accompanying notes to financial statements

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Statement of Activities (continued)
Year Ended June 30, 2018**

Temporarily restricted net assets	
Public support	3,823
Investment income, net of fees	10
Net assets released from restrictions	<u>(31,022)</u>
Change in temporarily restricted net assets	(27,189)
Permanently restricted net assets	
Conversion of permanently restricted assets to unrestricted	<u>(235,984)</u>
Change in net assets	(208,080)
Net assets, beginning of year	<u>433,509</u>
Net assets, end of year	<u><u>\$ 225,429</u></u>

See accompanying notes to financial statements

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Statement of Functional Expenses
Year Ended June 30, 2018**

	Program Services Expenses			Supporting Services Expenses			Total Expenses
	Exhibits	Public Education	Total Program Services Expenses	Management and General	Fundraising	Total Supporting Services Expenses	
Bank charges	\$ 1,942	\$ 1,230	\$ 3,172	\$ 853	\$ 715	\$ 1,568	\$ 4,740
Bookstore expenses	-	6,482	6,482	-	-	-	6,482
Depreciation	2,736	1,818	4,554	544	1,057	1,601	6,155
Dues and subscriptions	37	-	37	40	1,916	1,956	1,993
Equipment rental and maintenance	4,261	2,831	7,092	898	1,646	2,544	9,636
Exhibition expense	60,965	1,996	62,961	71	8	79	63,040
Facility expense	56,717	38,318	95,035	37,571	21,755	59,326	154,361
Gala expense	-	-	-	261	49,925	50,186	50,186
Insurance	3,057	3,628	6,685	608	1,181	1,789	8,474
Interest	4,411	2,931	7,342	877	1,704	2,581	9,923
Loss on disposal	-	-	-	-	18,434	18,434	18,434
Other	5,051	1,285	6,336	12,152	309	12,461	18,797
Outside services - contractors	19,261	6,777	26,038	60,972	500	61,472	87,510
Payroll and related costs	178,515	119,479	297,994	40,696	66,237	106,933	404,927
Printing and postage	929	76	1,005	276	322	598	1,603
Promotions and marketing	29,489	5,466	34,955	1,616	3,019	4,635	39,590
Supplies	1,623	3,830	5,453	2,557	320	2,877	8,330
Telephone	163	-	163	6,145	-	6,145	6,308
Travel	15,482	3,846	19,328	12,446	6,865	19,311	38,639
Total expenses	384,639	199,993	584,632	178,583	175,913	354,496	939,128
Less commissions paid on art sales	-	-	-	-	(4,108)	(4,108)	(4,108)
Less cost of direct benefits to donors	-	-	-	-	(43,718)	(43,718)	(43,718)
Total expenses included in the expense section on the statement of activities	\$ 384,639	\$ 199,993	\$ 584,632	\$ 178,583	\$ 128,087	\$ 306,670	\$ 891,302

See accompanying notes to the financial statements

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Statement of Cash Flows
Year Ended June 30, 2018**

Cash flows from operating activities:

Increase (decrease) in net assets	\$	(208,080)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation		6,154
Realized and unrealized gains and losses on investments		(2,275)
Loss on impairment of permanent collection assets		18,434
Decrease (increase) in:		
Other receivables		(1,414)
Grants receivable and promises to give		65,933
Inventory		245
Increase (decrease) in:		
Accounts payable		11,859
Accrued liabilities		4,417
Net cash provided by (used in) operating activities		(104,727)

Cash flows from investing activities:

Proceeds from sale of permanent collection assets		697
Net cash provided by (used in) investing activities		697

Cash flows from financing activities:

Principal payments on line of credit		(2,736)
Net cash provided by (used in) financing activities		(2,736)

Net increase (decrease) in cash and equivalents		(106,766)
Cash and equivalents at beginning of year		152,995
Cash and equivalents at end of year	\$	46,229

Supplemental information

Cash paid for interest	\$	9,924
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See accompanying notes to financial statements

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Notes to Financial Statements
Year Ended June 30, 2018**

1. Organization and Summary of Significant Accounting Policies

Organization

The Salt Lake Art Center dba Utah Museum of Contemporary Art (UMOCA) is a non-profit corporation organized to promote artistic values in the Salt Lake City area. UMOCA currently operates the following programs:

- Exhibits are provided to educate and expose the community to contemporary art.
- Public Education program offers tours and workshops for children to learn how to create and appreciate art as well as lecture series and symposia for adults.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, Not-for-Profit entities, Presentation of Financial Statements. Under the standards, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted based upon the following criteria:

UNRESTRICTED-

Net assets available for use in general operations. Permanent Art Collection unrestricted net assets consist of artwork held by UMOCA to be used in general operations.

TEMPORARILY RESTRICTED-

Net assets subject to donor restrictions that may or will be met by expenditures or actions of UMOCA and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by UMOCA's Board of Directors.

UMOCA reports contributions restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the statement of activities as net assets released from restrictions.

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Notes to Financial Statements
Year Ended June 30, 2018**

1. Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

PERMANENTLY RESTRICTED-

Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of UMOCA. The restrictions stipulate that resources be maintained permanently but permit UMOCA to expend the income generated in accordance with the provisions of the agreements.

Property and Equipment

Property and equipment additions are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of property and equipment asset impairment during the year ended June 30, 2018.

Permanent Art Collection

The permanent art collection reflects estimated fair market value of donated items and historical cost of purchased items in accordance with generally accepted accounting principles (GAAP). UMOCA valued the permanent art collection at estimated fair market value at July 1, 1996, the date this GAAP provision became effective. The permanent art collection consists of art works which have been purchased by or were donated to UMOCA.

UMOCA has liquidated a substantial portion of the permanent collection, and obtained an appraisal of the fair values of the remaining collection as of June 30, 2017. It was determined that a significant portion of the collection's value was impaired at that time. A loss on impairment in the amount of \$18,434 was recorded in the current year and the asset carrying values have been adjusted to reflect current fair values.

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Notes to Financial Statements
Year Ended June 30, 2018**

1. Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 and those differences could be material.

Income Taxes

UMOCA is organized as a Utah nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. UMOCA is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, UMOCA is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. UMOCA has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

UMOCA believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. UMOCA would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Cash and Cash Equivalents

UMOCA defines cash and cash equivalents to be all cash which is neither held for nor restricted by donors for long-term purposes. Cash restricted to capital expenditures, permanent endowment, or other long-term purposes are excluded from this definition.

Grants Receivable and Promises to Give

Grants receivable and unconditional promises to give expected to be collected within one year are recorded at net realizable value. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2018, no allowance has been recorded.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment gain/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Notes to Financial Statements
Year Ended June 30, 2018**

1. Organization and Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

The Organization has reviewed the recently issued FASB Codification Updates (ASU's) for the year ended June 30, 2018, and have determined that none of the recently issued accounting updates will have a material effect on the fair presentation of these financial statements.

Inventory

Inventory is comprised of program-related merchandise held for sale in the gift shop, and is stated at the lower of cost or market determined by the first-in first-out method.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the related services are performed. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to UMOCA's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. UMOCA records donated professional services at the respective fair values of the services received.

Advertising

Advertising costs are expensed as incurred, and was \$21,006 for the year ended June 30, 2018.

Functional Allocation of Expense

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Notes to Financial Statements
Year Ended June 30, 2018**

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

UMOCA has adopted the provisions of Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosures, for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements. ASC Topic 820 provides a fair value framework that gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable input (Level III). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

FASB ASC 820 Fair Value Measurements and Disclosures establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Accordingly, when market observable data is not readily available, the UMOCA's own assumptions are set to reflect those that market participants would be presumed to use in pricing the asset or liability at the measurement date. Financial assets and financial liabilities recorded in the balance sheet at fair value are categorized based on the reliability of inputs to the valuation techniques as follows:

Level I- Financial assets and financial liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets that the Organization can access. Examples include prices derived from NYSE, NASDAQ, Chicago Board of Trade, and Pink Sheets.

Level II- Financial assets and financial liabilities whose values are based on (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in non-active markets, or (c) valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability. Examples include Matrix pricing, market corroborated pricing, and inputs such as yield curves and indices.

Level III- Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect the Organization's estimates of the assumptions that market participants would use in valuing the financial liabilities. Examples include Investment Manager Pricing for Price Placements, Private Equities, Hedge Funds, etc.

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

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Notes to Financial Statements
Year Ended June 30, 2018**

1. Organization and Summary of Significant Accounting Policies (continued)

Concentration of Credit and Market Risk

The Organization maintains its cash and cash equivalent balances at a financial institution located in Salt Lake City, Utah. The deposits may exceed their federally insured limit of \$250,000 established by the FDIC. The Organization has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk on these balances.

The Organization also maintains accounts with a brokerage firm. The accounts contain cash and securities. The balances are insured by the Securities Investors Protection Corporation up to \$500,000 with a \$250,000 limit for cash claims. Due to the level of risk associated with investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

2. Investments and Fair Value

Assets measured at fair value on a recurring basis as of June 30, 2018 are as follows:

	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Money market funds	\$ 252,266	\$ 252,266	\$ -	\$ -
Utah Public Treasurers' Investment Fund	31,274	31,274	-	-
Total investments	<u>\$ 283,540</u>	<u>\$ 283,540</u>	<u>\$ -</u>	<u>\$ -</u>

3. Going Concern and Management's Plan

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles which contemplate continuation of UMOCA as a going concern. However, UMOCA has not been able to consistently produce positive results from operations in prior years, has sold the majority of its permanent collection, and used restricted funds to pay down its line of credit balance. Additionally, UMOCA has an outstanding line of credit balance of \$235,984 as of June 30, 2018, without the ability to repay the line of credit unless it uses restricted net assets again. Furthermore, in fiscal year 2016, UMOCA used \$186,961 of restricted funds to reduce its line of credit; thus, UMOCA did not maintain a composition of assets at June 30, 2016 necessary to comply with donor restrictions. These factors raise substantial doubt about UMOCA's ability to continue as a going concern. UMOCA must continue to increase public support and revenues, decrease expenses, and/or sell more pieces of its permanent collection in order to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Notes to Financial Statements
Year Ended June 30, 2018**

3. Going Concern and Management's Plan (continued)

Management believes it can increase public support and revenues through fundraising and new grants. Management plans to decrease expenses by increasing the amount of time each exhibit is displayed, seeking out lower cost exhibits, and selling pieces of its permanent collection as necessary. Management is confident that it will be successful in continuing UMOCA's mission.

4. Property and Equipment

Property and equipment consists of the following at June 30, 2018:

Furniture and fixtures	\$ 10,554
Leasehold improvements	132,453
Equipment	156,162
Vehicles	<u>8,062</u>
	307,231
Less: accumulated depreciation	<u>(295,543)</u>
Total property and equipment	<u><u>\$ 11,688</u></u>

5. Line of Credit

UMOCA has a revolving line of credit (line) with Merrill Lynch, secured by permanently restricted investment assets held at Merrill Lynch. Borrowings under the line bear interest at the 3-Month LIBOR rate plus 2.375% (4.48% at June 30, 2018). Accrued interest is due monthly. The line of credit does not expire as long as the secured deposit collateral is maintained.

6. Rental Commitments

During the year ended June 30, 2018, UMOCA leased its facility from Salt Lake County. The 12-month calendar year lease requires an annual payment of \$1, plus a portion of utility and maintenance costs. Accordingly, an in-kind donation totaling \$126,682 and was recorded during the year ended June 30, 2018, approximating the fair market value of rent and utility and maintenance costs for the facility provided by Salt Lake County.

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Notes to Financial Statements
Year Ended June 30, 2018**

7. Endowments

UMOCA's endowment (the Endowment) consists of approximately five individual funds established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain unrestricted net assets designated for quasi-endowment by the Board of Directors. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

UMOCA's Board of Directors has interpreted the Utah Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2018, there were no such donor stipulations. As a result of this interpretation, UMOCA classifies as permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts) and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by UMOCA in a manner consistent with the standard of prudence prescribed by UPMIFA. UMOCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

UMOCA has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. At June 30, 2018, all Endowment earnings had been appropriated for support of UMOCA's programs.

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Notes to Financial Statements
Year Ended June 30, 2018**

7. Endowments (continued)

Changes in the Endowment for the year ending June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2017	\$ -	\$ 32,548	\$ 248,717	\$ 281,265
Investment fees	-		-	-
Investment returns				
Dividends and interest	-	2,275	-	2,275
Endowment net assets at June 30, 2018	<u>\$ -</u>	<u>\$ 34,823</u>	<u>\$ 248,717</u>	<u>\$ 283,540</u>

8. Restricted Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2018 are as follows:

Exhibits	\$ 102,639
Development	13,955
Other	45,272
Promises to give that are not restricted by donors, but which are not available for expenditure until due	<u>40,478</u>
Total temporarily restricted net assets	<u>\$ 202,344</u>

Permanently Restricted Assets

Permanently restricted net assets as of June 30, 2018 are as follows:

Endowment	<u>\$ 9,997</u>
	9,997
Less: encumbrance by line of credit	<u>(235,984)</u>
Total permanent restricted net assets	<u>\$ (225,987)</u>

During the year ended June 30, 2018, \$474,704 was reclassified from permanently restricted net assets to unrestricted net assets to reflect the balance of those net assets.

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Notes to Financial Statements
Year Ended June 30, 2018**

8. Restricted Net Assets (continued)

Permanently restricted net assets are contributions for which the contributor has permanently restricted the amounts for a specific use.

John and Marcia Price, the major contributors of the Art Center Endowment Fund, have placed the following restrictions on their contribution:

The principal is to be placed in a perpetual fund and appropriately invested to earn the highest available rate of interest, without undue risk, and the principal will not be invaded except for emergency situations first authorized by Marcia Price, her executor, or other duly authorized representative.

The interest attributable to the donation shall be devoted to exhibitions and assemblage of regional shows, scholarships, grants to local artists, and any other special programs or projects similar to the foregoing, first approved by Marcia Price, her executor, or other authorized representative. In no event shall principal or interest be utilized for rent, utilities, overhead or similar administrative expenses, except for emergency situations described above.

Until the Art Center Endowment Fund reaches a principal sum of \$250,000, the interest on the donation shall be reinvested and not utilized for any of the foregoing purposes, except for emergency situations described above.

Other donors to the Art Center Endowment Fund have placed similar restrictions on their donations. During the year ended June 30, 2000, the Art Center Endowment Fund surpassed the principal sum of \$250,000.

Earnings from the Owen endowment are restricted for use in the ongoing maintenance of the library and furnishing books, periodicals, slides, and appropriate art objects for the library.

Earnings from the Simpson endowment are restricted to purchase banners for and maintain a sign tower in front of UMOCA's facility.

Earnings from the Utah Arts Council endowment and general support endowment are available for unrestricted use by UMOCA.

9. Related Party Transactions

UMOCA received unrestricted contributions from members of the board of trustees totaling \$26,299 during the year ended June 30, 2018. At June 30, 2018, grants receivable and promises to give include \$0 due from members of the board of trustees.

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Notes to Financial Statements
Year Ended June 30, 2018**

10. Donated Services, Materials, and Facilities

UMOCA received donated facilities, professional services and materials as follows during the year ended June 30, 2018:

Facilities	\$ 126,682
Marketing	<u>17,583</u>
Total In-Kind	<u><u>\$ 144,265</u></u>

11. Concentrations

During the year ended June 30, 2018, UMOCA received a grant from one government agency totaling \$2,250 and in-kind donations totaling \$126,682 or approximately 30% of total public support. The grant amount represents UMOCA's allocation of the Zoo, Arts, and Parks (ZAP) sales tax amount collected in Salt Lake County. At June 30, 2018, UMOCA has a Salt Lake County grant receivable from this government agency totaling \$77,427, representing approximately 99% of total grants receivable. These are considered concentrations of public support and grants receivable, respectively.

12. Contingencies

During the year ended June 30, 2016, UMOCA used endowment funds of \$186,961 to pay down its line of credit. As a result, UMOCA did not maintain a composition of assets at June 30, 2018 necessary to comply with donor restrictions. The donor may require repayment of these funds, but the likelihood of this is uncertain.

13. Subsequent Events

UMOCA has evaluated subsequent events and transactions for potential recognition or disclosure through April 26, 2019, which is the date the financial statements were available to be issued. UMOCA did not identify any subsequent events or transactions that should be disclosed.

**Salt Lake Art Center,
dba Utah Museum of Contemporary Art
Audit Findings and Recommendations
Year Ended June 30, 2018**

2018-001 Restricted Assets Held as Collateral of the Line of Credit

Condition

Donor restricted endowment assets are being held as collateral for the line of credit.

Criteria

The Art Center Endowment Fund carries stipulations that the principal shall be "appropriately invested to earn the highest available rate of interest, without undue risk" and "will not be invaded except for emergency situations first authorized."

Cause

A line of credit was authorized by management and the Board in prior years, to assist with funding operations. The donor restricted endowment funds were offered as collateral for the line of credit without obtaining authorization to do so.

Effect

The lender would seize the endowment funds if UMOCA defaults on repayment of the line of credit. This has placed the funds in a situation of undue risk. Furthermore, the security of the funds was invaded without first obtaining authorization from the donors.

Recommendation

We recommend that management take the necessary steps to remove the risk of seizure of the restricted funds, or obtain a release of the donor restrictions.