
YOUNG AT ART OF BROWARD, INC.

Financial Statements

May 31, 2013

Robbins and Landino, P.A.
Certified Public Accountants

CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 – 15
Independent Auditor's Report – Broward Cultural Council Grant	16
Broward Cultural Council Grant Statement of Cash Disbursements Compared to Budgeted Expenditures and Statement of Revenues and Expenditures:	
Cultural Tourism Program Grant	17

Robbins and Landino, P.A.
Certified Public Accountants

Accounting and Auditing
Taxation and Consulting

222 Southeast Tenth Street
Fort Lauderdale, Florida 33316

Telephone: (954) 467-3100
Facsimile: (954) 467-2080

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Young at Art of Broward, Inc.
Davie, Florida

We have audited the accompanying financial statements of Young at Art of Broward, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities 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 the 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 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 risk 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 Young at Art of Broward, Inc. as of June 30, 2013, 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.

ROBBINS and LANDINO, P.A.
Certified Public Accountants

Robbins and Landino, P.A.

Fort Lauderdale, Florida
September 25, 2013

YOUNG AT ART OF BROWARD, INC.

Statement of Financial Position
May 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Assets				
Cash and Cash Equivalents	\$ 305,720	\$ 14,658	\$ 2,776	\$ 323,154
Pledges, Grants and Other Receivables	231,059	956,718		1,187,777
Prepaid Expenses	36,542			36,542
Inventory	21,128			21,128
Beneficial Interest in Assets Held by the Community Foundation			136,707	136,707
Property and Equipment, Net of Depreciation	16,292,538			16,292,538
Advances	<u>485,000</u>			<u>485,000</u>
Total Assets	<u>\$ 17,371,987</u>	<u>\$ 971,376</u>	<u>\$ 139,483</u>	<u>\$ 18,482,846</u>
Liabilities				
Accounts Payable and Accrued Expenses	\$ 591,366	\$	\$	\$ 591,366
Deferred Revenue	208,494			208,494
Notes Payable	<u>10,132,305</u>			<u>10,132,305</u>
Total Liabilities	<u>10,932,165</u>			<u>10,932,165</u>
Net Assets				
Unrestricted	6,439,822			6,439,822
Temporarily Restricted		971,376		971,376
Permanently Restricted			<u>139,483</u>	<u>139,483</u>
Total Net Assets	<u>6,439,822</u>	<u>971,376</u>	<u>139,483</u>	<u>7,550,681</u>
Total Liabilities and Net Assets	<u>\$ 17,371,987</u>	<u>\$ 971,376</u>	<u>\$ 139,483</u>	<u>\$ 18,482,846</u>

The accompanying notes are an integral part of these financial statements.

YOUNG AT ART OF BROWARD, INC.

Statement of Activities

For the Year Ended May 31, 2013

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total
	Operating	Plant			
Public Support and Revenues					
Public Support					
Contributions and Grants	\$ 361,080	\$	\$ 361,080	\$ 592,197	\$ 953,277
Fundraising Events	393,918		393,918		393,918
Less: Fundraising Events Expenses	(112,922)		(112,922)		(112,922)
Net Assets Released from Restrictions	447,572		447,572	(447,572)	
Contributed Materials and Services	143,640		143,640		143,640
Total Public Support	<u>1,233,288</u>		<u>1,233,288</u>	<u>144,625</u>	<u>1,377,913</u>
Revenues					
Admissions	541,373		541,373		541,373
Birthday Parties	190,460		190,460		190,460
Camps	324,765		324,765		324,765
Classes, Outreach and Workshops	266,365		266,365		266,365
Field Trips	187,237		187,237		187,237
Change in Value of Beneficial Interest	12,749		12,749		12,749
Memberships	406,392		406,392		406,392
Gift Shop	69,820		69,820		69,820
Rental Income	37,357		37,357		37,357
Other	17,146		17,146		17,146
Total Revenues	<u>2,053,664</u>		<u>2,053,664</u>		<u>2,053,664</u>
Total Public Support and Revenues	<u>3,286,952</u>		<u>3,286,952</u>	<u>144,625</u>	<u>3,431,577</u>
Expenses					
Program Services	1,759,792	863,134	2,622,926		2,622,926
Marketing	472,532	9,537	482,069		482,069
General and Administrative	248,480	50,548	299,028		299,028
Gift Shop	90,715	15,260	105,975		105,975
Fundraising	382,364	15,260	397,624		397,624
Contributed Materials and Services	143,640		143,640		143,640
Total Expenses	<u>3,097,523</u>	<u>953,739</u>	<u>4,051,262</u>		<u>4,051,262</u>
Change in Net Assets	<u>\$ 189,429</u>	<u>\$ (953,739)</u>	<u>(764,310)</u>	<u>144,625</u>	<u>(619,685)</u>
Net Assets, Beginning of Year			<u>7,204,132</u>	<u>826,751</u>	<u>139,483</u>
Net Assets - End of Year			<u>\$ 6,439,822</u>	<u>\$ 971,376</u>	<u>\$ 139,483</u>
			<u>\$ 7,550,681</u>		

Robbins and Landrum, P.A.
Chartered Public Accountants

The accompanying notes are an integral part of these financial statements.

YOUNG AT ART OF BROWARD, INC.

Statement of Cash Flows
For the Year Ended May 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Cash Flows from Operating Activities				
Change in Net Assets	\$ (764,310)	\$ 144,625	\$	\$ (619,685)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:				
Depreciation	543,335			543,335
Loss on Disposal of Equipment	212			212
Increase in Value of Beneficial Interest Held by Foundation			(12,749)	(12,749)
Changes in Assets and Liabilities:				
Increase in Pledges, Grants and Other Receivables	(45,179)	(129,967)		(175,146)
Increase in Prepaid Expenses	(5,375)			(5,375)
Decrease in Inventory	2,443			2,443
Distributions from Beneficial Interest Held by Foundation			6,642	6,642
Increase in Accounts Payable and Accrued Expenses	261,986			261,986
Increase in Deferred Revenue	119,027			119,027
Net Cash Flows from Operating Activities	<u>112,139</u>	<u>14,658</u>	<u>(6,107)</u>	<u>120,690</u>
Cash Flows from Investing Activities				
Acquisitions of Property and Equipment	(127,975)			(127,975)
Sales Proceeds from Disposal of Equipment	2,000			2,000
Net Cash Flows from Investing Activities	<u>(125,975)</u>			<u>(125,975)</u>
Cash Flows from Financing Activities				
Proceeds from Notes Payable	35,540			35,540
Payments on Notes Payable	(35,000)			(35,000)
Net Cash Flows from Financing Activities	<u>540</u>			<u>540</u>
Net Change in Cash	(13,296)	14,658	(6,107)	(4,745)
Cash and Cash Equivalents, Beginning of Year	<u>319,016</u>		<u>8,883</u>	<u>327,899</u>
Cash and Cash Equivalents, End of Year	<u>\$ 305,720</u>	<u>\$ 14,658</u>	<u>\$ 2,776</u>	<u>\$ 323,154</u>
Supplementary Disclosure of Cash Flow Information:				
Cash Paid During the Year for Interest				<u>\$ 1,508</u>

The accompanying notes are an integral part of these financial statements.

YOUNG AT ART OF BROWARD, INC.

Notes to Financial Statements

May 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Young At Art of Broward, Inc. (the "Museum") is a Florida non-profit corporation organized to provide inspiring, interactive experiences in which art is central to shaping young minds and enriching our community.

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

Date of Management's Review: In preparing the financial statements, the Museum has evaluated events and transactions for the potential recognition or disclosure through September 25, 2013, the date that the financial statements were issued.

Cash and Cash Equivalents: Cash and cash equivalents include cash in banks and money market accounts with original maturity dates of less than three months.

Museum Store Inventory: Museum store inventory is stated at the lower of cost or market on a first-in first-out method basis.

Membership Dues: Membership dues are recognized as income in the applicable membership period.

Property and Equipment: Property and equipment are recorded at cost and donated assets are recorded at fair market value on the date of the gift. Depreciation is computed on a straight-line basis over estimated useful lives. When assets are retired or otherwise disposed of, the cost or donated value and related accumulated depreciation are removed from the statement of financial position and any resulting gain or loss is reflected in the statement of activities. Maintenance and repairs are charged to expense as incurred.

Fair Value of Financial Instruments: Management believes the Museum's carrying value of financial instruments, which are comprised of cash equivalents, prepaid expenses, accounts payable and accrued expenses, and deferred revenue approximate fair value due to their short-term nature.

Income Taxes: As a non-profit corporation, qualified under Section 501(c)(3) of the Internal Revenue Code, the Museum is exempt from corporate income taxation on income related to its exempt function. Therefore, no provision for income taxes has been made in the accompanying financial statements.

Penalties and interest assessed by income taxing authorities are included in operating expenses. There are no penalties and interest included in these financial statements.

YOUNG AT ART OF BROWARD, INC.

Notes to Financial Statements

May 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The federal income tax returns of the Museum for the years ended May 31, 2011, 2012 and 2013 are subject to examination by the federal authorities, generally for three years after they are filed.

Contributed Materials and Services: Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Contributed materials are also recorded at their fair values in the period received.

Financial Statement Presentation: Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted Operating – Includes amounts which have no external restrictions and which are available for support of current operations.

Unrestricted Plant – Includes amounts acquired for property and equipment and related debt, including depreciation and interest expense.

Temporarily Restricted - Includes amounts, which have donor-restrictions that can be fulfilled by actions of the Museum pursuant to those restrictions or restrictions that expire by the passage of time.

Permanently Restricted – Includes amounts which have donor-restrictions that stipulate that resources be maintained permanently.

Contributions: Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Time-restricted and purpose-restricted contributions are required to be reported as temporarily restricted support unless the donor expressly stipulates otherwise. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Functional Allocation of Expenses: The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising: The Museum follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$117,876 for the year ended May 31, 2013.

YOUNG AT ART OF BROWARD, INC.

Notes to Financial Statements

May 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. Accordingly, actual results could differ from those estimates.

2. PLEDGES, GRANTS AND OTHER RECEIVABLES

At May 31, 2013, pledges, grants and other receivables consisted of:

Pledges Receivable	\$ 848,943
Grants Receivable	315,782
Other Receivables	<u>86,323</u>
	1,251,048
Less: Present Value Discount	(62,468)
Less: Allowance for Doubtful Accounts	<u>(803)</u>
Pledges, Grants and Other Receivables, Net	<u>\$ 1,187,777</u>

Pledges, grants and other receivables at May 31, 2013 were scheduled to be collected as follows:

Year Ending May 31, 2014	\$ 569,234
2015	224,672
2016	160,714
2017	110,714
2018	85,714
Thereafter	<u>100,000</u>
	<u>\$ 1,251,048</u>

Pledges due in more than one year are reflected at the present value of their estimated future cash flows using a discount rate of 4%.

3. PROPERTY AND EQUIPMENT

At May 31, 2013, property and equipment consisted of:

Leasehold Improvements	\$ 11,256,992
Exhibits	5,295,177
Equipment	206,949
Furniture and Fixtures	<u>210,506</u>
	16,969,624
Accumulated Depreciation	<u>(677,086)</u>
	<u>\$ 16,292,538</u>

4. **ADVANCES AND BUILDING LEASEHOLD**

Young At Art entered into an agreement with Broward County, Florida (the "County") on November 27, 2006 to construct a 55,000 square foot facility consisting of the Museum, County Reading Center and shared space (collectively referred to as the "Center"), which was completed in January 2012. The Center is constructed on land owned by the County. Under terms of the agreement the Museum is responsible for 100% of the construction costs, furnishings and equipment related to the Museum and 50% of the preparation of the site, design services and construction of shared spaces. Total construction costs allocated to the Museum from the County are \$11,196,765.

The County is the sole owner of the Center with Young At Art retaining ownership of all exhibits, fixtures, equipment and furnishings in the Museum. The Museum shall have identical ownership rights as the County with regard to the design drawings.

The Museum leases the portion of the Center designated as the Young At Art Museum, consisting of approximately 42,000 square feet together with approximately 3,000 square feet of shared space. The lease period commenced May 5, 2012, the day that the Museum began operation. The lease payments consist of the Museum's proportionate share of operating expenses for the Center as defined in the agreement and other expenses as separately identified and is payable quarterly in arrears. The agreement sets forth the obligation of the Museum for major capital repairs, replacement and renewal costs for the Center and site, however, once the Museum has fully repaid its share of the design and construction costs, the Museum will no longer share in any major capital replacement costs and maintenance costs.

The agreement will terminate forty (40) years after the lease period begins.

As of May 31, 2013, the Museum has paid \$485,000 to the County for the initial land acquisition, and is reported as advances in the statement of financial position.

5. **OPERATING LEASES**

The Museum sub-leases a portion of the building to a tenant under a non-cancelable operating lease that expires in April 2015. Terms of the lease require the tenant to pay monthly rent and a proportionate share of operating expenses. The following is a schedule of the minimum base rent under the leases as of May 31, 2013:

Year Ending May 31, 2014	\$ 30,000
2015	<u>27,500</u>
	<u>\$ 57,500</u>

YOUNG AT ART OF BROWARD, INC.

Notes to Financial Statements

May 31, 2013

6. RESTRICTIONS ON ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

Capital Campaign	\$ 637,098
Future Periods	99,377
Programs	<u>234,901</u>
	<u>\$ 971,376</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors as follows:

Capital Campaign	\$ 167,443
Passage of Time	30,000
Programs	<u>250,129</u>
	<u>\$ 447,572</u>

7. NOTES PAYABLE

At May 31, 2013, notes payable consisted of:

Line of credit payable to a bank, maximum borrowing of \$100,000, interest at the Wall Street Journal prime plus 3.5%, but never less than 3.75% (4.5% at May 31, 2013), due in monthly payments of accrued interest only. All principal is due and payable on demand. \$ 35,540

Due to Broward County – pursuant to an agreement with Broward County to build and construct the Center (see Note 4), the Museum is required to reimburse the County for its share of the costs. Terms of the agreement requires the Museum to repay the costs together with interest on a yearly basis over eleven years. Interest charged by the County shall not be greater than the County's lowest internal cost of funds (weighted average interest rate on borrowed monies) which is currently 3.78%. At May 31, 2013, the total design and construction cost due the County is \$10,096,765 (\$11,196,765 less \$1,100,000 in advanced payments). The Museum is negotiating with the County to obtain more favorable terms for the repayment of the amount owed.

	<u>10,096,765</u>
Total Notes Payable	10,132,305
Less: Current Maturities	<u>(714,458)</u>
	<u>\$ 9,417,847</u>

YOUNG AT ART OF BROWARD, INC.
Notes to Financial Statements
May 31, 2013

7. NOTES PAYABLE (continued)

The estimated principal payments under the arrangements existing at May 31, 2013 are as follows:

Fiscal year ended	2014	\$	714,458
	2015		928,986
	2016		956,376
	2017		984,574
	2018		1,013,603
	Thereafter		<u>5,534,308</u>
			<u>\$ 10,132,305</u>

8. CONTRIBUTED MATERIALS AND SERVICES

The value of contributed materials and services included in the financial statements for the year ended May 31, 2013 is as follows:

Public Support:

Events	\$	66,044
Professional Services		25,000
Shipping and Transportation		2,028
Advertising and Marketing		<u>50,568</u>
	\$	<u>143,640</u>

Expenses:

Program Services	\$	2,028
General and Administrative		25,000
Marketing		<u>116,612</u>
	\$	<u>143,640</u>

9. CHALLENGE GRANT

The Museum entered into an agreement in February 2004 with Broward County, Florida (the "County") for a two-for-one challenge grant. Under terms of the agreement, the Museum is to initiate a \$6 million fundraising campaign to be used for the development of the Young At Art Children's Museum. The County has agreed to reimburse the Museum up to \$3 million upon the Museum expending qualified costs as defined in the challenge grant agreement. The agreement terminates in February 2019.

From the inception of the agreement through the fiscal year ended May 31, 2013, the Museum invoiced and received \$3,000,000 from the challenge grant.

YOUNG AT ART OF BROWARD, INC.

Notes to Financial Statements

May 31, 2013

10. GOVERNMENT GRANTS

The following grants are included in unrestricted public support and net assets released from restrictions:

<u>State of Florida</u>	<u>Grant Number</u>	<u>Total Contract</u>	<u>Collections Through 5/31/13</u>
Department of State	13.6.170.104	\$ 40,523	\$ 40,523
<u>Broward County</u>			
Cultural Affairs Division	CINP08-2013	\$ 114,000	\$ 57,000
Cultural Affairs Division	CTP09-2013	\$ 55,800	\$
Cultural Affairs Division	CINV28-2012	\$ 80,000	\$ 80,000
Cultural Affairs Division	CTP09-2012	\$ 65,000	\$ 65,000

The Museum has complied with the provisions of the grants. No funds, including interest would be due back to the grantors under the terms of the agreements.

11. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

In prior years, the Museum transferred money to the Community Foundation of Broward (the "Foundation") to establish an endowment fund for the benefit of the Museum. Distributions to the Museum are based on the Foundation's stated "income return percentage" for the period, multiplied by the weighted average market value of the funds. The aggregate amount recognized in the statement of financial position at May 31, 2013 is \$136,707 and is recorded as "Beneficial Interest in Assets Held by Community Foundation."

12. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Museum to concentrations of credit risk consist principally of cash equivalents and unsecured receivables. The Museum grants credit to customers. The Museum's ability to collect these receivables is dependent upon economic conditions and the financial condition of its customers. The Museum has not experienced significant losses related to receivables from individual customers or groups of customers. Management believes no additional credit risk beyond amounts provided for collection losses is inherent in the Museum's pledges, grants and other receivables.

At May 31, 2013, the Museum had \$98,298 in cash in excess of federally insured limits.

YOUNG AT ART OF BROWARD, INC.

Notes to Financial Statements

May 31, 2013

13. FAIR VALUE MEASUREMENTS

Accounting Standards Codification 820 ("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 unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Museum 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 or 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's 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.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Beneficial Interest in Community Foundation: The prorated value of the beneficial interest in the community foundation's investments is determined by the investment fund manager of the organization holding the assets. The composition of the assets held by the community foundation are invested pursuant to its governing instruments and valued accordingly.

YOUNG AT ART OF BROWARD, INC.
Notes to Financial Statements
May 31, 2013

13. FAIR VALUE MEASUREMENTS (continued)

Pledges Receivable: Valued at the estimated present value of expected future cash inflows using a 4% discount rate.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Museum believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of May 31, 2013:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pledges Receivable	\$ 786,475	\$	\$	\$ 786,475
Beneficial Interest in Community Foundation	136,707			136,707
Total Assets at Fair Value	<u>\$ 923,182</u>	<u>\$</u>	<u>\$</u>	<u>\$ 923,182</u>

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Museum's Level 3 assets and liabilities for the year ended May 31, 2013:

	<u>Level 3 Assets</u>		
	<u>Pledges Receivable</u>	<u>Beneficial Interest in Community Foundation</u>	<u>Total</u>
Balance, beginning of year	\$ 779,751	\$ 130,600	\$ 910,351
Pledges	235,000		235,000
Receipts	(247,443)		(247,443)
Change in present value discount	19,167		19,167
Unrealized gain relating to instruments still held at the reporting date		12,749	12,749
Distributions		(6,642)	(6,642)
Balance, end of year	<u>\$ 786,475</u>	<u>\$ 136,707</u>	<u>\$ 923,182</u>

The change in unrestricted net assets on the statement of activities includes a change in present value discount of \$19,167 and the unrealized gain of \$10,377.

YOUNG AT ART OF BROWARD, INC.

Notes to Financial Statements

May 31, 2013

14. DONOR-DESIGNATED ENDOWMENTS (UPMIFA STATE)

Accounting Standards Codification 958 ("ASC 958"), "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds", provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC 958 also required additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

The State of Florida enacted the "Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA") effective July 1, 2012, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors has determined that the majority of the Museum's permanently restricted net assets meet the definition of endowment funds under FUPMIFA. Based on the Museum's interpretation of FUPMIFA, the Museum has reviewed all of its endowment funds as of May 31, 2013 and has determined that a reclassification entry was not required.

The Board of Directors of the Museum has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation 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 Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Museum, and (7) the Museum's investment policies.

14. **DONOR-DESIGNATED ENDOWMENTS (UPMIFA STATE) (continued)**

Endowment Investment and Spending Policies: The Museum has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Museum's spending and investment policies work together to achieve this objective. The investment policy seeks to establish an achievable return objective. The Museum 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) that is consistent with the investment policies of the community foundation managing the Museum's endowment funds.

Endowment net asset composition by type of fund as of May 31, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted				
Endowment Funds	\$ (2,776)	\$	\$ 139,483	\$ 136,707
Total Funds	<u>\$ (2,776)</u>	<u>\$</u>	<u>\$ 139,483</u>	<u>\$ 136,707</u>

Changes in endowment net assets for the year ended May 31, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ (8,883)	\$	\$ 139,483	\$ 130,600
Investment Income	12,749			12,749
Appropriation of endowment assets for expenditures	(6,642)			(6,642)
Endowment net assets, end of year	<u>\$ (2,776)</u>	<u>\$</u>	<u>\$ 139,483</u>	<u>\$ 136,707</u>

Robbins and Landino, P.A.
Certified Public Accountants

Accounting and Auditing
Taxation and Consulting

222 Southeast Tenth Street
Fort Lauderdale, Florida 33316

Telephone: (954) 467-3100
Facsimile: (954) 467-2080

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Young at Art of Broward, Inc.

We have audited the financial statements of Young at Art of Broward, Inc., as of and for the year ended May 31, 2013, and our report thereon dated September 25, 2013, which expressed an unmodified opinion on those financial statements, appears on page one. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of cash disbursements compared to budgeted expenditures and the statements of revenues and expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements.

In our opinion, the accompanying statements of cash disbursements compared to budgeted expenditures and the statements of revenues and expenditures present fairly the recorded cash transactions and related matching expenditures of the Broward Cultural Council Grant for the year ended May 31, 2013, in accordance with Article 2 and Article 9 of the grant agreements and the budget classifications established therein relating to the expenditure of the Cultural Tourism Program funded portion of the grants. The expenditure of the matching grant funds has been reported in accordance with the budget classifications established in the grant application project budgets. In our opinion, no funds including interest would be due back to the County under the terms of Article 9 of the grant agreements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

ROBBINS AND LANDINO, P.A.
Certified Public Accountants

Robbins and Landino, P.A.

Fort Lauderdale, Florida
September 25, 2013

YOUNG AT ART OF BROWARD, INC.

Broward Cultural Council
 Cultural Tourism Program Grant
 Statement of Cash Disbursements Compared to Budgeted Expenditures
 Statement of Revenues and Expenditures
 For the Year Ended May 31, 2013

Festival of the Arts
CTP 09-2013

	<u>Tourist Project Support Funds</u>	<u>Expenditures Including Match</u>	<u>Variance</u>
Personnel - Administrative, Artistic and Other; Outside Professional Services - Artistic, Travel, Marketing and Remaining Operating Expenses	\$ 55,800	\$ (112,794)	\$ (56,994)

Revenues

Grant Income \$ 55,800

Expenditures

Outside Professional Services – Artistic	26,281
Personnel – Artistic	27,800
Personnel – Other	15,500
Marketing	25,669
Remaining Operating Expenses	<u>17,544</u>

Total Expenditures 112,794

Excess of Expenditures over Revenues \$ (56,994)

Note: The grant award is \$55,800 and is for the period 10/1/12 through 9/30/13. This program was completed as of 5/31/13.