

The Leepa-Rattner Museum of Art, Inc.
A Component Unit of St. Petersburg College

Financial Statements
and Supplementary Information

March 31, 2016 and 2015

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Independent Auditor's Report

Board of Directors
The Leepa-Rattner Museum of Art, Inc.
Tarpon Springs, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of The Leepa-Rattner Museum of Art, Inc. (a component unit of St. Petersburg College), as of and for the years ended March 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise The Leepa-Rattner Museum of Art, Inc.'s basic financial statements as listed in the table of contents.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 the business-type activities of The Leepa-Rattner Museum of Art, Inc. as of March 31, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages six through nine be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

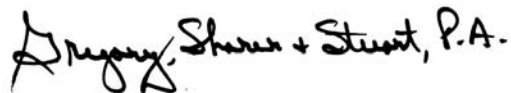
Other Unaudited Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise The Leepa-Rattner Museum of Art, Inc.'s basic financial statements. The Unaudited Schedule of Collections for 2016 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is marked "unaudited" and has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2016 on our consideration of The Leepa-Rattner Museum of Art, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Leepa-Rattner Museum of Art, Inc.'s internal control over financial reporting and compliance.

Gregory, Sharer & Stuart, P.A.



St. Petersburg, Florida
July 11, 2016

Management's Discussion and Analysis

The Leepa-Rattner Museum of Art, Inc.
A Component Unit of St. Petersburg College
Management's Discussion and Analysis
March 31, 2016 and 2015

The management of The Leepa-Rattner Museum of Art, Inc. (Museum) presents the following Management's Discussion and Analysis (MD&A) narrative overview and analysis of the financial activities of the Museum for the year ended March 31, 2016, with comparative information for the years ended March 31, 2015 and 2014. The purpose of this discussion is to enable the reader to identify and understand the significant issues and changes in the financial condition of the Museum. The information presented here should be read in conjunction with the accompanying audited financial statements and footnotes, which begin on page 11. The financial statements, footnotes, and this MD&A were prepared by management and are the responsibility of management.

The Museum is a component unit of St. Petersburg College (College).

Financial Highlights

Overview

Management has elected not to capitalize the Museum's art collection. Management believes that discontinuing the capitalization of the collection is preferable to continuing to capitalize the collection. The presentation of the collection as not capitalized is the most widely practiced method of presentation for organizations similar to the Museum.

The value of the Museum's collections has been excluded from the Statement of Net Position, and artwork gifts are excluded from revenue in the Statement of Revenues, Expenses, and Change in Net Position.

The Museum's financial position as a whole improved during the year ended March 31, 2016, with an increase in net position of \$39,814, or 9%. The Museum's revenues and other support exceeded expenses, increasing the net position to \$503,464.

Presentation

The Museum presents its financial report in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments* (GASB 34), which focuses the reader of the financial reports on an organization's overall financial condition and change in net position and cash flows taken as a whole

The Leepa-Rattner Museum of Art, Inc.
A Component Unit of St. Petersburg College
Management's Discussion and Analysis
March 31, 2016 and 2015

Condensed Schedule of Net Position

	March 31, 2016	Change		March 31, 2015	Change		March 31, 2014
Assets							
Current assets	\$ 217,019	\$ (22,961)	(10%)	\$ 239,980	\$(286,404)	(54%)	\$ 526,384
Noncurrent assets	299,305	27,967	10%	271,338	249,055	1,118%	22,283
Total assets	<u>\$ 516,324</u>	<u>\$ 5,006</u>	1%	<u>\$ 511,318</u>	<u>\$ (37,349)</u>	(7%)	<u>\$ 548,667</u>
Liabilities							
Current liabilities	\$ 12,860	\$ (34,808)	(73%)	\$ 47,668	\$ (22,874)	(32%)	\$ 70,542
Net position							
Restricted – expendable	109,446	49,635	83%	59,811	(7,826)	(12%)	67,637
Unrestricted	394,018	(9,821)	(2%)	403,839	(6,649)	(2%)	410,488
Total net position	<u>503,464</u>	<u>39,814</u>	9%	<u>463,650</u>	<u>(14,475)</u>	(3%)	<u>478,125</u>
Total liabilities and net position	<u>\$ 516,324</u>	<u>\$ 5,006</u>	1%	<u>\$ 511,318</u>	<u>\$ (37,349)</u>	(7%)	<u>\$ 548,667</u>

The Statement of Net Position includes all assets and liabilities of the Museum. Net position serves as a useful indicator of an organization's financial health over time. Particular aspects of the Museum's financial operations influenced the increase in net position for the year ended March 31, 2016.

The Condensed Schedule of Net Position shows the assets, liabilities, and net position as of March 31, 2016, 2015, and 2014. Current assets of the Museum consist primarily of cash and cash equivalents, inventory, and receivables. Current assets decreased by \$22,961 or 10% during 2016, and decreased by \$286,404 or 54% during 2015. A major component of the 2016 decrease was the use of cash for general operating expenses. A major component of the 2015 decrease was the use of cash to purchase a certificate of deposit, a noncurrent asset.

Noncurrent assets in 2016 consist of investments in a certificate of deposit, grand piano, and pledges receivable. Noncurrent assets increased by \$27,967 during 2016 primarily due to new pledges receivable. Noncurrent assets increased by \$249,055 during 2015 due to the purchase of a certificate of deposit.

Current liabilities decreased by \$34,808 or 73% during 2016. The major components of the 2016 decrease was a reduction in deferred revenue and a decrease in accounts payable. Current liabilities decreased by \$22,874 or 32% during 2015. This was primarily due to a reduction in deferred revenue.

The Leepa-Rattner Museum of Art, Inc.
A Component Unit of St. Petersburg College
Management's Discussion and Analysis
March 31, 2016 and 2015

Condensed Schedule of Revenues, Expenses, and Change in Net Position

	Year Ended March 31, 2016	Change		Year Ended March 31, 2015	Change		Year Ended March 31, 2014
Operating revenues and expenses							
Operating revenues	\$ 800,980	\$ (34,545)	(4%)	\$ 835,525	\$ 107,119	15%	\$ 728,406
Operating expenses	901,633	(23,552)	(3%)	925,185	131,557	17%	793,628
Operating loss	(100,653)	(10,993)	12%	(89,660)	(24,438)	37%	(65,222)
Nonoperating revenues	140,467	65,282	87%	75,185	38,335	104%	36,850
Change in net position	39,814	54,289	(375%)	(14,475)	13,897	(49%)	(28,372)
Net position, beginning of year	463,650	(14,475)	(3%)	478,125	(28,372)	(6%)	506,497
Net position, end of year	<u>\$ 503,464</u>	<u>\$ 39,814</u>	9%	<u>\$ 463,650</u>	<u>\$ (14,475)</u>	(3%)	<u>\$ 478,125</u>

The Statement of Revenues, Expenses, and Change in Net Position reports revenues earned and expenses incurred during the year as either operating or nonoperating. Revenues and expenses that are connected directly to the Museum's primary functions are reported as operating revenues and expenses, respectively, and grants, contributions, and investment results are reported as nonoperating revenues.

The Condensed Schedule of Revenues, Expenses, and Change in Net Position reflects operating and nonoperating revenue, for the years ended March 31, 2016, 2015, and 2014. The operating loss was \$100,653 in 2016 compared to \$89,660 in 2015 and \$65,222 in 2014.

The Museum considers operating revenues to be those revenues that are connected directly to the Museum's primary functions. Such revenues include promoting education excellence, admission fees, various types of memberships, museum store revenue, special event fundraising revenues, and in-kind contributions. During the years ended March 31, 2016 and 2015, operating revenues included recognition of \$715,101 and \$757,680, respectively, of in-kind contributions. Operating revenue decreased by \$34,545 or 4% during the year ended March 31, 2016 and increased by \$107,119 or 15% in the year ended March 31, 2015. Major components of the 2016 decrease are attributable to decreases in museum store sales and in-kind contributions, offset by increases in special event and program revenue.

Operating expenses were \$901,633 during the year ended March 31, 2016, a decrease of \$23,552 or 3% compared to the year ended March 31, 2015, primarily attributable to position vacancies. Operating expenses increased by \$131,557 or 17% during the year ended March 31, 2015. The primary components of the Museum's operating expenses are: fundraising - marketing and advertising and exhibition opening expenses; curatorial expenses - freight and exhibition rental fees; program expenses - education outreach, classes and workshops; and special events - contractual services, entertainment, and catering.

Nonoperating revenues include grant revenue, contributions, and interest income. Nonoperating revenues for the year ended March 31, 2016 reflect an increase of \$65,282 or 87% compared to the year ended March 31, 2015. This consists primarily of an increase in contributions. The Museum's nonoperating revenue increased \$38,335 or 104% during the year ended March 31, 2015, primarily related to an increase in contributions.

Factors Affecting Future Periods

Factors that can significantly impact future periods always include the state of financial markets and the state of the overall economy. These factors can impact charitable giving. The Board of Directors continues to monitor the status of the economy and its direct impact on overall giving.

Using the Information in the Financial Report

The Museum's financial statements are immediately following this discussion and analysis.

This annual report consists of a series of financial statements prepared in accordance with pronouncements issued by the Governmental Accounting Standard Board. These statements focus the reader of the financial reports on the Museum's overall financial condition, and change in net position and cash flows, taken as a whole.

One of the most important questions asked about the Museum's finances is whether the Museum is better or worse off as a result of the year's activities. The keys to understanding this question are the Statement of Net Position, Statement of Revenues, Expenses, and Change in Net Position and the Statement of Cash Flows. These statements present financial information in a form similar to that used by private sector companies. The Museum's net position (the difference between assets and liabilities) is one indicator of the Museum's financial health when considered in combination with other nonfinancial information.

The Statement of Net Position reports assets, liabilities, and net position as of March 31, 2016 and 2015. The balances are a reflection of activities that have occurred during the respective fiscal years and come from transactions between assets and liabilities or from transactions in the Statement of Revenues, Expenses, and Change in Net Position. The balances are presented as either current (expected to be realized within 12 months) or noncurrent in nature.

The Statement of Revenues, Expenses, and Change in Net Position presents the results of operations for the years ended March 31, 2016 and 2015. Activities are reported as operating or nonoperating. Both the Statement of Net Position and the Statement of Revenues, Expenses, and Change in Net Position are prepared using the accrual basis of accounting.

The remaining required statement is the Statement of Cash Flows showing the sources and use of funds; in essence, accounting for the change in cash and cash equivalents balances for the reporting period.

The notes to the financial statements provide additional information and more detail that is essential to a full understanding of the data presented in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Basic Financial Statements

The Leepa-Rattner Museum of Art, Inc.
A Component Unit of St. Petersburg College
Statements of Net Position

	March 31,	
	<u>2016</u>	<u>2015</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 186,320	\$ 228,318
Museum store inventory	7,888	9,757
Accounts receivable	1,811	905
Pledges receivable	21,000	1,000
Total current assets	<u>217,019</u>	<u>239,980</u>
Noncurrent assets		
Investment in certificate of deposit	254,710	250,707
Other assets	17,500	17,500
Pledges receivable, net of current portion	27,095	3,131
Total noncurrent assets	<u>299,305</u>	<u>271,338</u>
Total assets	<u>\$ 516,324</u>	<u>\$ 511,318</u>
Liabilities and net position		
Current liabilities		
Accounts payable	\$ 2,259	\$ 4,140
Other current liabilities	41	125
Deferred revenue	10,560	43,403
Total current liabilities	<u>12,860</u>	<u>47,668</u>
Net position		
Restricted		
Restricted by donors - expendable	109,446	59,811
Unrestricted	394,018	403,839
Total net position	<u>503,464</u>	<u>463,650</u>
Total liabilities and net position	<u>\$ 516,324</u>	<u>\$ 511,318</u>

The Leepa-Rattner Museum of Art, Inc.
A Component Unit of St. Petersburg College
Statements of Revenues, Expenses, and Change in Net Position

	Year Ended March 31,	
	<u>2016</u>	<u>2015</u>
Operating revenues		
Admission fees	\$ 13,808	\$ 13,357
Membership	29,768	27,601
Special event revenue	25,524	18,695
Program revenue	4,763	2,624
Museum store sales, net of cost of goods sold of \$13,459 and \$19,891 for the years ended March 31, 2016 and 2015, respectively	11,597	15,033
Other operating revenue	419	535
In-kind operating contributions	715,101	757,680
Total operating revenues	<u>800,980</u>	<u>835,525</u>
Operating expenses		
Personnel	592,599	613,529
Facilities and utilities	50,225	49,145
Contractual services	21,861	22,041
Other services and expenses	205,725	210,975
Materials and supplies	31,223	29,495
Total operating expenses	<u>901,633</u>	<u>925,185</u>
Operating loss	(100,653)	(89,660)
Nonoperating revenues		
Contributions	136,381	73,276
Interest income	4,086	1,909
Total nonoperating revenues	<u>140,467</u>	<u>75,185</u>
Change in net position	39,814	(14,475)
Net position at beginning of year	<u>463,650</u>	<u>478,125</u>
Net position at end of year	<u>\$ 503,464</u>	<u>\$ 463,650</u>

The Leepa-Rattner Museum of Art, Inc.
A Component Unit of St. Petersburg College
Statements of Cash Flows

	Year Ended March 31,	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Cash received from members and patrons	\$ 60,826	\$ 86,806
Cash received from program funding sources	4,763	2,624
Cash paid to suppliers of goods and services	(114,825)	(129,935)
Cash paid to St. Petersburg College for personnel	(85,262)	(51,456)
Net cash used by operating activities	<u>(134,498)</u>	<u>(91,961)</u>
Cash flows from noncapital financing activities		
Cash received from contributions	92,417	74,928
Cash flows from investing activities		
Cash received from investment earnings	4,086	1,909
Investment in certificate of deposit	(4,003)	(250,707)
Net cash provided (used) by investing activities	<u>83</u>	<u>(248,798)</u>
Net change in cash and cash equivalents	(41,998)	(265,831)
Cash and cash equivalents at beginning of year	<u>228,318</u>	<u>494,149</u>
Cash and cash equivalents at end of year	<u><u>\$ 186,320</u></u>	<u><u>\$ 228,318</u></u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (100,653)	\$ (89,660)
Adjustments to reconcile operating loss to net cash used by operating activities		
Changes in operating assets and liabilities		
Museum store inventory	1,869	2,254
Accounts receivable	(906)	18,319
Accounts payable	(1,881)	3,632
Other current liabilities	(84)	119
Deferred revenue	(32,843)	(26,625)
Net cash used by operating activities	<u><u>\$ (134,498)</u></u>	<u><u>\$ (91,961)</u></u>

Note A - Organization

The Leepa-Rattner Museum of Art, Inc. (Museum) is a Florida nonprofit corporation. The Museum was incorporated July 16, 2001 and is governed by a board of directors. The Museum was formed to benefit St. Petersburg College (College) for purposes including promoting educational excellence by collecting, preserving, and displaying works of art that reflect or support the aesthetic concerns of Abraham Rattner, Esther Gentle, Allen Leepa, and other artists. The Museum also provides a facility for teaching, exhibiting, and promoting all aspects of the art spectra for the benefit of the College and the general public. The Museum commits to excellence in visual arts education, fosters aesthetic, critical, and ethical thinking as a bridge to the future, and nurtures interest in 20th and 21st century art history. The mission of the Leepa-Rattner Museum of Art, Inc. is to collect, conserve, exhibit, and protect the works of art entrusted to its care and stewardship. Through its exhibitions, programs, and expanding collection of 20th and 21st century art, the museum strives to engage and inspire a diverse community by providing opportunities for education, enlightenment, interpretation, and research to students, scholars, and visitors.

The operating expenses include all fiscal transactions related to collecting, preserving, and displaying works of art, instruction, administration, academic support, student services, and physical facility operations.

The Museum is a direct support organization of the College and its financial statements are presented in the College's financial statements as a component unit.

Note B - Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in preparation of the accompanying statements are presented below:

Basis of Accounting

The financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. As a general rule, the effects of inter-fund activities have been eliminated from the Museum's financial statements.

The Museum reports as an entity engaged in one business-type activity.

Classification of Current and Noncurrent Assets and Liabilities

The Museum considers assets to be current if, as part of its normal business operations, they are held as or can be converted to cash and be available for operating needs or payments of current liabilities within 12 months of the Statement of Net Position date. Similarly, liabilities are considered to be current if they can be expected, as part of the normal Museum business operations, to be due and paid within 12 months of the Statement of Net Position date. All other assets and liabilities are considered to be noncurrent.

Cash and Cash Equivalents

The Museum's cash and cash equivalents consist of cash on hand, cash in demand deposit accounts, and money market accounts. For reporting cash flows, the Museum considers all highly-liquid investments with original maturities of three months or less to be cash equivalents.

Inventory

The Museum Store inventory is stated at cost. The majority of the inventory is made up of various mission-related and gift items purchased from outside third parties.

Receivables

Management considers all receivables to be collectible. Accordingly, no allowance for uncollectible accounts has been provided at March 31, 2016 and 2015.

Investment in Certificate of Deposit

The investment in certificate of deposit consists of a certificate of deposit with a commercial bank with original maturity of more than 12 months.

Collections

Works of art, historical treasures, or similar assets that are: (a) held for public exhibition, education, or research in furtherance of public service rather than financial gain; (b) protected, kept unencumbered, cared for, and preserved; and (c) subject to organizational policy that requires the proceeds of items that are sold to be used to acquire other items for collections, are not capitalized.

Capital Assets and Other Assets

Tangible property of \$5,000 or more to be used for operating purposes of the Museum is considered a capital asset. The Museum does not currently own any capital assets that are depreciable. The College provides facilities, equipment, and various supplies and materials as disclosed in Notes F and G. As such, the Museum's grand piano which was donated has been recognized at its estimated fair value based upon appraisals or similar valuations and is not depreciated. Included in noncurrent assets as of March 31, 2016 and 2015 is the grand piano listed as other assets of \$17,500.

Net Position

The Museum's net position is classified into the following categories:

Restricted by donors-expendable: Assets subject to externally imposed conditions that can be fulfilled by the actions of the Museum or by the passage of time.

Unrestricted: All other categories.

Classification of Revenues and Expenses

The Museum considers operating revenues and expenses in the Statement of Revenues, Expenses, and Change in Net Position to be those revenues and expenses that result from activities that are connected directly to the Museum's primary functions. Such transactions include promoting educational excellence, admission fees, memberships, Museum Store revenue, special event fundraising revenues, and in-kind contributions. Certain other transactions are reported as nonoperating revenues. These nonoperating revenues include grant funding, contributions, and interest income.

Contributions and Pledges

Contributions that are restricted by the donor are reported as an increase in unrestricted net position if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in net position restricted by donor - expendable. When the restriction expires, net position restricted by donor - expendable is reclassified to unrestricted net position.

Unconditional promises to give the Museum cash or other assets in the future are recorded as contribution revenue (net position restricted by donor) and pledges receivable. If management expects the cash from the pledges receivable to be received more than one year in the future, the promises to give revenue and the receivable are discounted for the time value of money.

Donated Items

The value of donated materials, services, small equipment, and inventory has been recorded in the financial statements as contributions based upon the fair market value of the goods received at the time of the donation. The value of collection items donated to the Museum is not recorded in the financial statements.

Employees of the College operate the Museum. In the years ended March 31, 2016 and 2015, the Museum reimbursed the College for the salary of the part-time Museum Store manager position and additional hours required of the staff accountant and the collections manager position. The College also provides use of facilities for the Museum, as well as other miscellaneous supplies and services. These items are all recognized as in-kind operating contributions and operating expenses.

Income Taxes

The Museum is an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal or state income taxes. However, the Museum is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purpose for which the Museum is granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events Evaluation

For the year ended March 31, 2016, management evaluated subsequent events for potential recognition and disclosure through July 11, 2016, which is the date the financial statements were available to be issued. Management determined there were no subsequent events that require disclosure.

Note C – Investment in Certificate of Deposit

At March 31, 2016 and 2015, the Museum has one certificate of deposit totaling \$254,710 and \$250,707, respectively. The certificate is insured, up to \$250,000, by the Federal Deposit Insurance Corporation (FDIC). The certificate carries an original maturity of 60 months with an annual percentage rate of 1.73%. The certificate is not rated by S&P or Moody's.

The following risks apply to the Museum's certificate of deposit:

Interest rate risk: The risk that changes in interest rates will adversely affect the fair value of the investment.

Credit risk: The risk that an insurer or other counterparty to the investment will not fulfill its obligations.

Concentration of credit risk: The risk of loss associated with lack of diversification. From time to time, the Museum may have cash balances in excess of FDIC insured limits. Management believes the risk of loss is remote.

Note D - Pledges Receivable

Pledges receivable consists of promises from an organization or individuals within the Tampa Bay area. As of March 31, 2016, management believes the entire balance is collectable. Expected receipts are as follows at March 31, 2016:

Due in less than one year	\$ 21,000
Due in one to five years	29,000
Gross pledge receivable	<u>50,000</u>
Less discount to present value	<u>(1,905)</u>
Net pledge receivable	<u>\$ 48,095</u>

Note E - Collections

Management has elected not to capitalize the Museum's collections. Management believes that this policy is preferable to capitalizing the collection. The presentation of the collection as not capitalized is the most widely practiced method of presentation for organizations similar to the Museum. The value of the Museum's collections has been excluded from the Statement of Net Position and artwork gifts are excluded from revenue in the Statements of Revenues, Expenses, and Change in Net Position.

The collections are held in the public trust for exhibition and educational purposes, not for financial gain. Each of the items is catalogued, preserved, and cared for in order to maintain the cultural, aesthetic, and historic value of the collections. Activities verifying the existence and assessing the condition of the collections are periodically performed.

During the years ended March 31, 2016 and 2015, the Museum received contributed works of art with an estimated value of \$43,575 and \$381,360, respectively. There were no deaccessions during the years ended March 31, 2016 and 2015. These amounts are not recorded on the Statements of Revenues, Expenses, and Change in Net Position.

The collections, which have been acquired through contributions and purchases since the Museum's inception are not recognized as assets on the Statements of Net Position. Purchases of collection items are recorded as decreases in net position unrestricted or as net position restricted by donors-expendable in the year the items are acquired if the assets used to purchase the items are restricted by donors.

The Leepa-Rattner Museum of Art, Inc.
A Component Unit of St. Petersburg College
Notes to Financial Statements
March 31, 2016 and 2015

The St. Petersburg College Foundation, Inc. (Foundation) owns the Leepa-Rattner-Gentle art collection and has permanently loaned the collection to the College. The College has in turn permanently loaned the collection to the Museum. The Foundation pays the insurance on the Leepa-Rattner-Gentle art collection. See Note F and the Unaudited Schedule of Collections.

Note F - Related-Party Transactions

The Museum is related to the College by virtue of its primary purpose, which is to engage in activities to foster and promote all aspects of the art spectra for the benefit of the College, its students, and the general public.

The College provides the space for the Museum to operate without charge. Management estimates fair market value of the annual rent, including utilities, to be approximately \$50,000 and \$49,000 for the years ended March 31, 2016 and 2015, respectively. The College also provided the employees to operate the Museum at an estimated cost of approximately \$507,000 and \$562,000 for the years ended March 31, 2016 and 2015, respectively. The Museum reimbursed the College approximately \$19,000 and \$20,000 for the years ended March 31, 2016 and 2015, respectively, for the salary of the museum store manager. In 2010, the Museum took responsibility for additional hours required of the staff accountant and the curatorial manager. In 2015, these two positions were increased to full time and the Museum reimbursed the College approximately \$66,000 and \$25,500 in 2016 and 2015, respectively. The College provided other miscellaneous services and supplies in estimated amounts of \$30,000 and \$28,000 for the years ended March 31, 2016 and 2015, respectively, and small equipment in estimated amounts of \$0 and \$200 for the years ended March 31, 2016 and 2015, respectively.

The Museum is also related to the Foundation as it is also a direct support organization of the College. Within the Foundation is an endowed fund held for the benefit of the Museum valued at \$2.3 million and \$2.9 million at March 31, 2016 and 2015, respectively.

The Foundation has permanently loaned The Leepa-Rattner-Gentle art collection to the College for \$1. The College provided the insurance for the collection until 2010. Starting in 2010, the Foundation was responsible for the insurance on the art collection at a cost of approximately \$15,000 for each of the years ended March 31, 2016 and 2015. The College has, in turn, loaned the collection to the Museum.

For each of the years ended March 31, 2016 and 2015, the Museum reimbursed the College approximately \$11,600 and \$20,000 for the cost of the insurance on the accessioned collection items, traveling exhibitions, and liability insurance.

Note G - In-Kind Contributions and Donated Items

In-kind contributions are included in contributions in the Statements of Revenues, Expenses, and Change in Net Position. The majority of in-kind contributions are from the College. The remainder of in-kind contributions are from individuals or corporations. Management estimates that the fair value of items donated to the Museum are as follows for the years ended March 31:

	<u>2016</u>	<u>2015</u>
In-kind operating contributions from the College		
Small equipment	\$ -	\$ 229
Materials and supplies	30,340	27,936
Personnel	507,337	562,072
Facilities	50,225	49,145
	<u>587,902</u>	639,382
In-kind operating contributions from others	127,199	118,298
Total in-kind operating contributions	<u>\$ 715,101</u>	<u>\$ 757,680</u>

Note H - Oversight by St. Petersburg College

As a direct support organization, the Museum is subject to the policies and procedures of the College. All contributions to the Museum ultimately benefit the College. Accordingly, the Museum, for reporting purposes, is considered a governmental not-for-profit organization subject to reporting under the GASB and is reported as a component unit of the College.

Note I - Net Position Restricted by Donors - Expendable

Net position restricted by donors - expendable was available for the following purposes at March 31:

	<u>2016</u>	<u>2015</u>
Art Haven project	\$ 8,766	\$ 1,553
Art Encounter	488	-
Adopt a masterpiece program	46,248	45,248
Pledge receivable	48,095	4,131
Educational program	5,849	8,879
	<u>\$ 109,446</u>	<u>\$ 59,811</u>

Changes in net position restricted by donors - expendable are as follows for the years ended March 31:

	<u>2016</u>	<u>2015</u>
Net position restricted - expendable at beginning of year	\$ 59,811	\$ 67,637
Release of restrictions:		
Restrictions imposed/satisfied by payments	49,635	(7,826)
Net position restricted - expendable at end of year	<u>\$ 109,446</u>	<u>\$ 59,811</u>

Note J - Functional Distribution of Expenses

The operating expenses on the Statements of Revenues, Expenses, and Change in Net Position are presented in the natural classifications. Below are those same expenses presented in functional classifications. The functional classification is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. The operating expenses of the Museum are allocated to the following functional departments:

Administration - includes the costs of operating the Museum offices, including gathering, processing, and maintaining financial and legal information.

Fundraising - includes the costs associated with the direct solicitation of contributions to the Museum.

Program - includes the costs associated with the operation of the Museum, including exhibitions, preservation of collections, education, etc.

The Leepa-Rattner Museum of Art, Inc.
A Component Unit of St. Petersburg College
Notes to Financial Statements
March 31, 2016 and 2015

The functional classification of expenses is summarized as follows for the year ended March 31:

	<u>2016</u>	<u>2015</u>
Fundraising		
Advertising	\$ 1,080	\$ 1,067
Personnel services	5,073	5,621
Special events	5,781	5,081
Other	13,305	10,703
Total fundraising	<u>25,239</u>	<u>22,472</u>
Program services		
Exhibitions	16,702	27,062
Education	18,366	11,599
Facilities and utilities	47,212	46,197
Personnel services	400,797	444,037
Supplies and equipment	28,611	26,394
Other	143,944	140,232
Total program services	<u>655,632</u>	<u>695,521</u>
Administrative		
Insurance	11,605	20,078
Personnel services	101,467	112,414
Other	107,690	74,700
Total administrative	<u>220,762</u>	<u>207,192</u>
	<u>\$ 901,633</u>	<u>\$ 925,185</u>

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Museum's policy is to apply restricted resources first.

Other Unaudited Information

Core Collection (Leepa-Rattner-Gentle Collection)

The core collection of the Leepa-Rattner Museum of Art, Inc. (Museum) consists of 1,399 objects: paintings, sculptures, works on paper (drawings, watercolors, prints), tapestries and stained glass maquettes, and up to 3,000 inventoried objects (mostly works on paper). This collection is not owned by the Museum, but managed by the Museum through an agreement between the St. Petersburg College, the St. Petersburg College Foundation, Inc. (Foundation), and the Museum.

Secondary Core Collection (Gulf Coast Museum of Art Collection)

The secondary collection of the Museum consists of 275 objects that have been donated to the Museum by the Foundation. Based on the nature of this collection, the Museum has redefined its mission and direction. More than two-thirds of the collection reflects Florida art and southeastern United States fine art crafts amassed between 1995 and 2008.

Donated Art (1,476 Objects) – Listed by Donation Size

1. St. Petersburg College Foundation, Inc. (245 accessioned objects): Prints created mostly from the 1980s through the 1990s at print workshops in the United States and Canada by a variety of known and lesser known artists gifted to the Museum by the Foundation through a brokered deal with the Eckerd College Foundation.
2. Richard Florsheim Art Fund (182 accessioned objects): Paintings and prints by Chicago artist Richard Florsheim (1916-1979) reflecting a 40-year retrospective of the artist's career.
3. Vladimir Yoffe / Pasco Art Center (46 accessioned objects): Sculptures and ephemera by New York sculptor Vladimir Yoffe (1911-1997) transferred to the Museum from the non-collecting Pasco Art Center.
4. Lothar and Mildred Uhl Collection (436 accessioned objects, including 48 objects in the education collection): Currently reflecting a variety of media, as well as a recent gift of 88 prints by Winslow Homer and 225 prints by Leonard Baskin.
5. Caroline Adams Byrd-Denjoy Collection (131 accessioned objects, including 13 objects in the education collection): A collection of modern and contemporary prints produced in France in a variety of printing techniques.
6. Patricia A. and Thomas J. Lehnen Family Art Collection (43 accessioned objects, including 16 in the education collection): An eclectic collection of fine art, contemporary craft and ethnographic art, including works by Dale Chihuly.
7. Dorothy Mitchell Collection (34 accessioned objects): Large-format screen-prints created in the 1990s at Berghoff-Cowden Editions in Tampa by seven nationally known artists.
8. Zipkin Family Collection (17 accessioned objects): While not a large collection, the pieces given have greatly enhanced the existing Leepa-Rattner-Gentle collection with the expectation of more objects being gifted.
9. Barbara Witlin Collection (11 accessioned objects): Donation by the widow of Roy Witlin (1923-1997), large reverse-paintings on Plexiglas works.
10. Edna Andrews and Dr. Dietrich Schroerer Collection (12 accessioned objects): An alumnus of St. Petersburg College and an art collector, Edna Andrews Schroerer and her husband have given European prints.
11. Rita Hayes Scott Collection (13 accessioned objects): Rita Hayes Scott and Robert Russek Scott collection include notable modern and contemporary works falling in several of the museum's collecting areas, including a Kenneth Noland painting, Pablo Picasso ceramic and a Sonia Delaunay tapestry.
12. Other Donations (306 accessioned objects, including 17 in the education collection by 77 individual donors): These works reflect a variety of artists, periods and media in the 20th and 21st century art.

Note: At this time only a fraction of the ephemera have been processed. These were originally accessioned as a "lot" but it was determined for tracking purposes these would be individually processed and accessioned.



**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Directors
The Leepa-Rattner Museum of Art, Inc.
Tarpon Springs, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of The Leepa-Rattner Museum of Art, Inc. as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise The Leepa-Rattner Museum of Art, Inc.'s basic financial statements and have issued our report thereon dated July 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Leepa-Rattner Museum of Art, Inc.'s internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Leepa-Rattner Museum of Art Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Leepa-Rattner Museum of Art, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Leepa-Rattner Museum of Art, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gregory, Sharer & Stuart, P.A.

St. Petersburg, Florida
July 11, 2016