



A Component Unit of St. Petersburg College

**Financial Statements
and Supplementary Information**

March 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

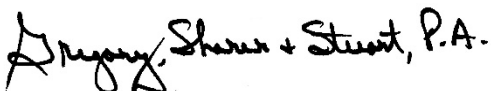
Other Unaudited Information

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 2018 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 June 22, 2018 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
June 22, 2018

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, 2018 and 2017**

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, 2018, with comparative information for the years ended March 31, 2017 and 2016. 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. 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 Statements of Net Position, and artwork gifts are excluded from revenue in the Statements of Revenues, Expenses, and Change in Net Position.

The Museum's financial position as a whole improved during the year ended March 31, 2018, with an increase in net position of \$124,131, or 24%. The Museum's revenues and other support exceeded expenses, increasing the net position to \$647,728.

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, 2018 and 2017

Condensed Schedule of Net Position

	March 31, 2018	Change		March 31, 2017	Change		March 31, 2016
Assets							
Current assets	\$ 329,805	\$ 64,389	24%	\$ 265,416	\$ 48,397	22%	\$ 217,019
Noncurrent assets	376,746	99,361	36%	277,385	(21,920)	(7%)	299,305
Total assets	<u>\$ 706,551</u>	<u>\$ 163,750</u>	30%	<u>\$ 542,801</u>	<u>\$ 26,477</u>	5%	<u>\$ 516,324</u>
Liabilities							
Current liabilities	\$ 58,823	\$ 39,619	206%	\$ 19,204	\$ 6,344	49%	\$ 12,860
Net position							
Restricted – expendable	98,235	15,933	19%	82,302	(27,144)	(25%)	109,446
Unrestricted	549,493	108,198	25%	441,295	47,277	12%	394,018
Total net position	<u>647,728</u>	<u>124,131</u>	24%	<u>523,597</u>	<u>20,133</u>	4%	<u>503,464</u>
Total liabilities and net position	<u>\$ 706,551</u>	<u>\$ 163,750</u>	30%	<u>\$ 542,801</u>	<u>\$ 26,477</u>	5%	<u>\$ 516,324</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, 2018.

The Condensed Schedule of Net Position shows the assets, liabilities, and net position as of March 31, 2018, 2017, and 2016. Current assets of the Museum consist primarily of cash and cash equivalents, inventory, and receivables. Current assets increased by \$64,389 or 24% during 2018, and increased by \$48,397 or 22% during 2017. A major component of both the 2018 and 2017 increases was an increase in cash and cash equivalents.

Noncurrent assets in 2018 consist of investments in certificates of deposit, grand piano, and pledges receivable. Noncurrent assets increased by \$99,361 or 36% during 2018 primarily due to the purchase of an additional certificate of deposit. Noncurrent assets decreased by \$21,920 or 7% during 2017 primarily due to collection of existing pledges receivable and no new pledges receivable.

Current liabilities increased by \$39,619 or 206% during 2018. The major component of the 2018 increase was an increase in accounts payable offset by a decrease in deferred revenue. Current liabilities increased by \$6,344 or 49% during 2017. This was primarily due to a growth in deferred revenue.

The Leepa-Rattner Museum of Art, Inc.
A Component Unit of St. Petersburg College
Management's Discussion and Analysis
March 31, 2018 and 2017

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

	Year Ended March 31, 2018	Change		Year Ended March 31, 2017	Change		Year Ended March 31, 2016
Operating revenues and expenses							
Operating revenues	\$ 665,511	\$ 52,235	9%	\$ 613,276	\$ (187,704)	(23%)	\$ 800,980
Operating expenses	764,056	111,997	17%	652,059	(249,574)	(28%)	901,633
Operating loss	(98,545)	(59,762)	154%	(38,783)	61,870	(61%)	(100,653)
Non-operating revenues	222,676	163,760	278%	58,916	(81,551)	(58%)	140,467
Change in net position	124,131	103,998	517%	20,133	(19,681)	(49%)	39,814
Net position, beginning of year	523,597	20,133	4%	503,464	39,814	9%	463,650
Net position, end of year	\$ 647,728	\$ 124,131	24%	\$ 523,597	\$ 20,133	4%	\$ 503,464

The Statement of Revenues, Expenses, and Change in Net Position reports revenues earned and expenses incurred during the year as either operating or non-operating. 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 non-operating revenues.

The Condensed Schedule of Revenues, Expenses, and Change in Net Position reflects operating and non-operating revenue, for the years ended March 31, 2018, 2017, and 2016. The operating loss was \$98,545 in 2018 compared to \$38,783 in 2017 and \$100,653 in 2016.

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, 2018 and 2017, operating revenues included recognition of \$566,804 and \$535,181, respectively, of in-kind contributions. Operating revenue increased by \$52,235 or 9% during the year ended March 31, 2018 and decreased by \$187,704 or 23% during the year ended March 31, 2017. Major components of the 2018 increase are attributable to increases in museum store revenue, program revenue and in-kind revenues offset by a decrease in admissions.

Operating expenses were \$764,056 during the year ended March 31, 2018, an increase of \$111,997 or 17% compared to the year ended March 31, 2017, primarily attributable to position vacancies being filled and an increase in exhibition opening expenses, software licensing, training and support fees and other services and expenses. Operating expenses decreased by \$249,574 or 28% during the year ended March 31, 2017. 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.

Non-operating revenues include grant revenue, contributions, and interest income. Non-operating revenues for the year ended March 31, 2018 reflect an increase of \$163,760 or 278% compared to the year ended March 31, 2017. This consists primarily of an increase in contributions and interest income offset by a decrease in grant revenue. The Museum's non-operating revenue decreased \$81,551 or 58% during the year ended March 31, 2017, primarily related to a decrease in contributions offset by an increase in grant revenue and interest income.

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 Statements of Net Position reports assets, liabilities, and net position as of March 31, 2018 and 2017. 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 Statements 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 Statements of Revenues, Expenses, and Change in Net Position presents the results of operations for the years ended March 31, 2018 and 2017. Activities are reported as operating or non-operating. Both the Statements of Net Position and the Statements of Revenues, Expenses, and Change in Net Position are prepared using the accrual basis of accounting.

The remaining required statement is the Statements 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>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 262,171	\$ 231,974
Museum store inventory	7,955	3,182
Accounts receivable	34,417	4,260
Pledges receivable	25,262	26,000
Total current assets	<u>329,805</u>	<u>265,416</u>
Noncurrent assets		
Investment in certificates of deposit	358,594	259,145
Other assets	17,500	17,500
Pledges receivable, net of discount and current portion	652	740
Total noncurrent assets	<u>376,746</u>	<u>277,385</u>
Total assets	<u>\$ 706,551</u>	<u>\$ 542,801</u>
Liabilities and net position		
Current liabilities		
Accounts payable	\$ 41,412	\$ -
Other current liabilities	82	22
Deferred revenue	17,329	19,182
Total current liabilities	<u>58,823</u>	<u>19,204</u>
Net position		
Restricted		
Restricted by donors - expendable	98,235	82,302
Unrestricted	549,493	441,295
Total net position	<u>647,728</u>	<u>523,597</u>
Total liabilities and net position	<u>\$ 706,551</u>	<u>\$ 542,801</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>2018</u>	<u>2017</u>
Operating revenues		
Admission fees	\$ 16,251	\$ 17,070
Membership	32,415	26,575
Special event revenue	33,470	24,739
Program revenue	6,409	2,528
Museum store sales, net of cost of goods sold of \$8,522 and \$5,373 for the years ended March 31, 2018 and 2017, respectively	10,103	5,993
Other operating revenue	59	1,190
In-kind operating contributions	566,804	535,181
Total operating revenues	<u>665,511</u>	<u>613,276</u>
Operating expenses		
Personnel	599,730	505,577
Facilities and utilities	50,575	49,263
Contractual services	24,782	21,301
Other services and expenses	65,756	51,507
Materials and supplies	23,213	24,411
Total operating expenses	<u>764,056</u>	<u>652,059</u>
Operating loss	(98,545)	(38,783)
Nonoperating revenues		
Grant revenue	10,000	12,000
Contributions	203,969	38,425
Interest income	8,707	8,491
Total nonoperating revenues	<u>222,676</u>	<u>58,916</u>
Change in net position	124,131	20,133
Net position at beginning of year	<u>523,597</u>	<u>503,464</u>
Net position at end of year	<u>\$ 647,728</u>	<u>\$ 523,597</u>

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

	Year Ended March 31,	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Cash received from members and patrons	\$ 68,810	\$ 87,113
Cash received from program funding sources	6,409	2,528
Cash paid to suppliers of goods and services	(60,215)	(73,291)
Cash paid to St. Petersburg College for personnel	<u>(108,860)</u>	<u>(46,532)</u>
Net cash used by operating activities	<u>(93,856)</u>	<u>(30,182)</u>
Cash flows from noncapital financing activities		
Cash received from grants	10,000	12,000
Cash received from contributions	<u>204,795</u>	<u>59,780</u>
Net cash provided by noncapital financing activities	<u>214,795</u>	<u>71,780</u>
Cash flows from investing activities		
Cash received from investment earnings	8,707	8,491
Investment in certificates of deposit	<u>(99,449)</u>	<u>(4,435)</u>
Net cash (used) provided by investing activities	<u>(90,742)</u>	<u>4,056</u>
Net change in cash and cash equivalents	30,197	45,654
Cash and cash equivalents at beginning of year	<u>231,974</u>	<u>186,320</u>
Cash and cash equivalents at end of year	<u>\$ 262,171</u>	<u>\$ 231,974</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (98,545)	\$ (38,783)
Adjustments to reconcile operating loss to net cash used by operating activities		
Changes in operating assets and liabilities		
Museum store inventory	(4,773)	4,706
Accounts receivable	(30,157)	(2,449)
Accounts payable	41,412	(2,259)
Other current liabilities	60	(19)
Deferred revenue	<u>(1,853)</u>	<u>8,622</u>
Net cash used by operating activities	<u>\$ (93,856)</u>	<u>\$ (30,182)</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, 2018 and 2017.

Investment in Certificates of Deposit

The investment in certificates of deposit consists of two certificates of deposit with commercial banks with original maturities of 12 months or greater.

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. 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, 2018 and 2017 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 sales, special event fundraising revenues, and in-kind contributions. Certain other transactions are reported as non-operating revenues. These non-operating 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. During the years ended March 31, 2018 and 2017, the Museum reimbursed the College for the additional hours required of the staff accountant and the collections manager positions. In 2018, the Museum began reimbursing the College for the salary of its Development Officer. 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, 2018, management evaluated subsequent events for potential recognition and disclosure through June 22, 2018, which is the date the financial statements were available to be issued. Management determined there were no subsequent events that require recognition or disclosure.

Note C – Investment in Certificates of Deposit

At March 31, 2018 and 2017, the Museum has one certificate of deposit totaling \$263,667 and \$259,145, respectively. The certificate carries an original maturity of 60 months with an annual percentage rate of 1.73%.

At March 31, 2018, the Museum has a second certificate of deposit totaling \$94,927. The certificate carries an original maturity of 12 months with an annual percentage rate of 1.50%. The certificate is classified as noncurrent as it is managements intent to renew for future years.

The certificates are insured, up to \$250,000, by the Federal Deposit Insurance Corporation (FDIC). The certificates are not rated by S&P or Moody's.

The following risks apply to the Museum's certificates 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 organizations or individuals within the Tampa Bay area. As of March 31, 2018, management believes the entire balance is collectable. Expected receipts are as follows at March 31, 2018:

Due in less than one year	\$ 26,000
Due in one to five years	<u>1,000</u>
Gross pledge receivable	27,000
Less discount to present value	<u>(1,086)</u>
Net pledge receivable	<u>\$ 25,914</u>

Note E - Collections

Management has elected not to capitalize the Museum's collections. Management believes that this policy is preferable to capitalizing the collections. The presentation of the collections 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 Statements 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.

The Leepa-Rattner Museum of Art, Inc.
A Component Unit of St. Petersburg College
Notes to Financial Statements
March 31, 2018 and 2017

During the years ended March 31, 2018 and 2017, the Museum received contributed works of art with an estimated value of \$140,250 and \$77,500, respectively. There were no deaccessions during the years ended March 31, 2018 and 2017. 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 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. 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 \$50,575 and \$49,263 for the years ended March 31, 2018 and 2017, respectively.

The College also provides the employees to operate the Museum at an estimated cost of approximately \$490,870 and \$459,045 for the years ended March 31, 2018 and 2017, respectively. For the years ended March 31, 2018 and 2017, there was no store manager salary reimbursement to the College due to position vacancy.

In 2010, the Museum took responsibility for additional hours required of the staff accountant and the collections manager. In 2015, these two positions were increased to full-time and the Museum reimbursed the College approximately \$54,980 and \$46,532 in 2018 and 2017, respectively.

In 2017, the Museum took full financial responsibility for the Development Officer position and reimbursed the College \$53,880 for the year ending March 31, 2018.

The College provided other miscellaneous services and supplies in estimated amounts of \$22,575 and \$23,624 for the years ended March 31, 2018 and 2017, 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 and a restricted fund for the Art Conservation. The Endowment is valued at approximately \$2.6 million at March 31, 2018 and 2017. The Art Conservation fund is valued at approximately \$197,000 and \$173,000 at March 31, 2018 and 2017, 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 began to provide the insurance for the collection. The cost of insurance, specifically on the Leepa-Rattner-Gentle art collection, was approximately \$16,000 and \$15,000 for the years ended March 31, 2018 and 2017, respectively.

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Notes to Financial Statements
March 31, 2018 and 2017

For each of the years ended March 31, 2018 and 2017, the Museum reimbursed the College approximately \$17,000 and \$16,000, respectively 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>2018</u>	<u>2017</u>
In-kind operating contributions from the College		
Materials and supplies	\$ 22,575	\$ 23,624
Personnel	490,870	459,045
Facilities	50,575	49,262
	<u>564,020</u>	531,931
In-kind operating contributions from others	2,784	3,250
Total in-kind operating contributions	<u>\$ 566,804</u>	<u>\$ 535,181</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>2018</u>	<u>2017</u>
Art Haven project	\$ 1,016	\$ 4,866
Adopt a masterpiece program	46,248	46,248
Pledges receivable	25,914	26,740
Educational program	5,000	4,448
Exhibition underwriting	15,057	-
Licensing	5,000	-
	<u>\$ 98,235</u>	<u>\$ 82,302</u>

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

	<u>2018</u>	<u>2017</u>
Net position restricted - expendable at beginning of year	\$ 82,302	\$ 109,446
Release of restrictions:		
Restrictions satisfied/imposed by payments	15,933	(27,144)
Net position restricted - expendable at end of year	<u>\$ 98,235</u>	<u>\$ 82,302</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 functional classification of expenses is summarized as follows for the year ended March 31:

	<u>2018</u>	<u>2017</u>
Fundraising		
Personnel services	\$ 4,909	\$ 4,590
Special events	6,611	5,633
Other	3,223	1,323
Total fundraising	<u>14,743</u>	<u>11,546</u>
Program services		
Exhibitions	16,903	7,443
Education	11,677	9,565
Facilities and utilities	47,541	46,307
Personnel services	387,786	362,646
Supplies and equipment	21,329	22,319
Other	22,179	18,812
Total program services	<u>507,415</u>	<u>467,092</u>
Administrative		
Insurance	17,101	15,618
Personnel services	207,035	91,809
Other	17,762	65,994
Total administrative	<u>241,898</u>	<u>173,421</u>
	<u>\$ 764,056</u>	<u>\$ 652,059</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 (1,566 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.

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Unaudited Schedule of Collections
March 31, 2018

10. Edna Andrews and Dr. Dietrich Schroeer Collection (12 accessioned objects): An alumnus of St. Petersburg College and an art collector, Edna Andrews Schroeer 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. Jim and Martha Sweeny Collection (29 accessioned objects): Jim and Martha Sweeny collection include notable contemporary printmakers and African American folk art.
13. The Museum Project (53 accessioned objects): A collection of contemporary photographs by 9 artists to The Museum Project Collection.
14. Other Donations (314 accessioned objects, including 18 in the education collection by 80 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, 2018 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 June 22, 2018.

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.

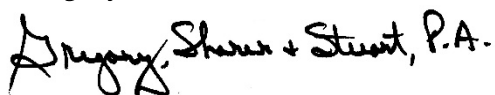
Compliance and Other Matters

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.

A handwritten signature in black ink that reads "Gregory, Sharer & Stuart, P.A." The signature is written in a cursive style with a large initial 'G'.

St. Petersburg, Florida
June 22, 2018