

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

Financial Report  
March 31, 2020 and 2019

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RSM US LLP

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Leepa-Rattner Museum of Art, Inc. (the Museum), a component unit of St. Petersburg College, as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Museum'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 audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of March 31, 2020, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Report on Comparative Information*

The financial statements of the Museum as of and for the year ended March 31, 2019, were audited by other auditors, whose report, dated July 1, 2019, expressed an unmodified opinion on those statements. The comparative information presented herein as of and for the year ended March 31, 2019 is derived from those financial statements.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 audit 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 Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Museum's basic financial statements. The Schedule of Collections is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Collections has not been subjected to the auditing procedures applied in the audit 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 30, 2020, on our consideration of the Museum'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 Museum's internal control over financial reporting and compliance.

*RSM US LLP*

St. Petersburg, Florida  
July 9, 2020

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

**Management's Discussion and Analysis (Unaudited)  
March 31, 2020 and 2019**

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, 2020, with comparative information for the years ended March 31, 2019 and 2018. 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. The financial statements, footnotes, and this MD&A were prepared by management and are the responsibility of management.

**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. As such, the value of the Museum's collections has been excluded from the Statement of Net Position.

The Museum's financial position as a whole declined during the year ended March 31, 2020, with a decrease in net position of \$78,707, or 13%. The Museum's expenses exceeded revenue and other support, decreasing the net position to \$531,516.

**Presentation**

The Museum presents its financial report in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis – for Public Colleges and Universities* (GASB 35), 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.

**Condensed Schedule of Net Position**

	March 31, 2020	Change		March 31, 2019	Change		March 31, 2018
<b>Assets</b>							
Current assets	\$ 563,105	(105,268)	-16%	\$ 668,373	338,568	103%	\$ 329,805
Noncurrent assets	17,500	(1,000)	-5%	18,500	(358,246)	-95%	376,746
Total assets	<u>\$ 580,605</u>	<u>(106,268)</u>	-15%	<u>\$ 686,873</u>	<u>(19,678)</u>	-3%	<u>\$ 706,551</u>
<b>Liabilities</b>							
Current liabilities	\$ 49,089	(27,561)	-36%	\$ 76,650	17,827	30%	\$ 58,823
<b>Net position</b>							
Restricted – expendable	92,873	(1,797)	-2%	94,670	(3,565)	-4%	98,235
Unrestricted	438,643	(76,910)	-15%	515,553	(33,940)	-6%	549,493
Total net position	<u>531,516</u>	<u>(78,707)</u>	-13%	<u>610,223</u>	<u>(37,505)</u>	-6%	<u>647,728</u>
Total liabilities and net position	<u>\$ 580,605</u>	<u>(106,268)</u>	-15%	<u>\$ 686,873</u>	<u>(19,678)</u>	-3%	<u>\$ 706,551</u>

The Statement of Net Position includes all assets and liabilities of the Museum, excluding the art collection. 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 decrease in net position for the year ended March 31, 2020.

**The Leepa-Rattner Museum of Art, Inc.  
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**Management's Discussion and Analysis (Unaudited)  
March 31, 2020 and 2019**

The Condensed Schedule of Net Position shows the assets, liabilities, and net position as of March 31, 2020, 2019, and 2018. Current assets of the Museum consist primarily of cash and cash equivalents, investment in certificates of deposit, inventory, and receivables. Current assets decreased by \$105,268, or 16%, during 2020 and increased by \$338,568, or 103%, during 2019. A major component of the 2020 decrease was due to the maturity of investments in certificates of deposit, offset by increase in cash and cash equivalents. A major component of the 2019 increase was an increase in investment in certificates of deposit.

Noncurrent assets in 2020 consist of other assets. Noncurrent assets decreased by \$1,000 or 5% during 2020 due to the remaining outstanding pledges receivable becoming current. Noncurrent assets decreased by \$358,246 or 95% during 2019 primarily due to investments in certificates of deposits becoming current.

Current liabilities decreased by \$27,561 or 36% during 2020. The major components of the 2020 decrease was a decline in unearned revenue and a decrease in accounts payable. Current liabilities increased by \$17,827 or 30% during 2019. The major components of the 2019 increase was growth in unearned revenue offset by a decrease in accounts payable.

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

	Year Ended March 31, 2020	Change		Year Ended March 31, 2019	Change		Year Ended March 31, 2018
Operating revenues and expenses							
Operating revenues	\$ 596,211	(47,676)	-7%	\$ 643,887	(21,624)	-3%	\$ 665,511
Operating expenses	731,304	(18,358)	-2%	749,662	(14,394)	-2%	764,056
Operating loss	(135,093)	(29,318)	28%	(105,775)	(7,230)	7%	(98,545)
Non-operating revenues	56,386	(11,884)	-17%	68,270	(154,406)	-69%	222,676
Change in net position	(78,707)	(41,202)	110%	(37,505)	(161,636)	-130%	124,131
Net position, beginning of year	610,223	(37,505)	-6%	647,728	124,131	24%	523,597
Net position, end of year	<u>\$ 531,516</u>	<u>(78,707)</u>	-13%	<u>\$ 610,223</u>	<u>(37,505)</u>	-6%	<u>\$ 647,728</u>

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. 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 activities, for the years ended March 31, 2020, 2019, and 2018. The operating loss was \$135,093 in 2020 compared to \$105,775 in 2019 and \$98,545 in 2018.

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, 2020 and 2019, operating revenues included recognition of \$526,014 and \$572,552 respectively, of in-kind contributions. Operating revenue decreased by \$47,676 or 7% during the year ended March 31, 2020 and decreased \$21,624 or 3% during the year ended March 31, 2019. Major components of the 2020 decrease are attributable to a decrease in admissions fees, program, museum store revenue, and in-kind gifts offset by increases in membership and special event revenue.

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A Component Unit of St. Petersburg College**

**Management's Discussion and Analysis (Unaudited)  
March 31, 2020 and 2019**

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Operating expenses were \$731,304 during the year ended March 31, 2020, a decrease of \$18,358 or 2% compared to the year ended March 31, 2019, primarily attributable to a decrease in personnel expenses due to position vacancies. Operating expenses decreased by \$14,394 or 2% during the year ended March 31, 2019. 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 and expenses include grant revenue, contributions, in-kind contributions and expenses, and interest income. Non-operating revenues and expenses for the year ended March 31, 2020 reflect a decrease of \$11,884 or 17% compared to the year ended March 31, 2019. This consists primarily of a decrease in contributions and interest income. The Museum's non-operating revenue decreased \$154,406 or 69% during the year ended March 31, 2019, primarily related to a decrease in grant revenue, contributions 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 GASB. 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, 2020 and 2019. 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 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, 2020 and 2019. Activities are reported as operating or non-operating. 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.

Questions concerning this report or requests for additional information should be addressed to the office of the Director, 600 E. Klosterman Road, Tarpon Springs, FL 34689.

The Leepa-Rattner Museum of Art, Inc.  
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Statements of Net Position  
March 31, 2020 and 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 529,334	\$ 292,611
Investment in certificates of deposit	25,191	364,971
Museum store inventory	6,904	8,537
Accounts receivable	676	1,428
Pledges receivable	1,000	826
<b>Total current assets</b>	<b>563,105</b>	<b>668,373</b>
Noncurrent assets:		
Other assets	17,500	17,500
Pledges receivable, net	-	1,000
<b>Total noncurrent assets</b>	<b>17,500</b>	<b>18,500</b>
<b>Total assets</b>	<b>\$ 580,605</b>	<b>\$ 686,873</b>
<b>Liabilities and Net Position</b>		
Current liabilities:		
Accounts payable	\$ 31,520	\$ 35,896
Other current liabilities	53	128
Unearned revenue	17,516	40,626
<b>Total current liabilities</b>	<b>49,089</b>	<b>76,650</b>
Net position:		
Restricted:		
Restricted by donors – expendable	92,873	94,670
Unrestricted	438,643	515,553
<b>Total net position</b>	<b>531,516</b>	<b>610,223</b>
<b>Total liabilities and net position</b>	<b>\$ 580,605</b>	<b>\$ 686,873</b>

See notes to financial statements.

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

**Statements of Revenues, Expenses, and Change in Net Position**  
**Years Ended March 31, 2020 and 2019**

	2020	2019
Operating revenues:		
Admission fees	\$ 15,943	\$ 17,989
Membership	43,960	35,387
Special event revenue	735	-
Program revenue	4,197	8,532
Museum store sales, net of cost of goods sold of \$4,545 and \$8,633 for the years ended March 31, 2020 and 2019, respectively	5,310	9,364
Other operating revenue	52	63
In-kind operating contributions	526,014	572,552
<b>Total operating revenues</b>	<b>596,211</b>	<b>643,887</b>
Operating expenses:		
Personnel	563,229	617,589
Facilities and utilities	49,140	49,455
Contractual services	26,739	20,700
Other services and expenses	75,607	44,369
Materials and supplies	16,589	17,549
<b>Total operating expenses</b>	<b>731,304</b>	<b>749,662</b>
<b>Operating loss</b>	<b>(135,093)</b>	<b>(105,775)</b>
Nonoperating revenues (expenses):		
Contributions	50,551	60,873
In-kind gifts of artwork	84,925	-
Acquisition of artwork	(84,925)	-
Interest income	5,835	7,397
<b>Total nonoperating revenues</b>	<b>56,386</b>	<b>68,270</b>
<b>Change in net position</b>	<b>(78,707)</b>	<b>(37,505)</b>
Net position at beginning of year	610,223	647,728
Net position at end of year	<b>\$ 531,516</b>	<b>\$ 610,223</b>

See notes to financial statements.

**The Leepa-Rattner Museum of Art, Inc.  
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**Statements of Cash Flows  
Years Ended March 31, 2020 and 2019**

	2020	2019
Cash flows from operating activities:		
Cash received from members and patrons	\$ 48,187	\$ 127,722
Cash received from program funding sources	4,197	8,532
Cash paid to suppliers of goods and services	(100,808)	(80,413)
Cash paid to St. Petersburg College for personnel	(111,845)	(111,382)
<b>Net cash used by operating activities</b>	<b>(160,269)</b>	<b>(55,541)</b>
Cash flows from noncapital financing activities:		
Cash received from contributions	51,377	84,961
<b>Net cash provided by noncapital financing activities</b>	<b>51,377</b>	<b>84,961</b>
Cash flows from investing activities:		
Cash received from investment earnings	5,835	7,397
Sale of certificates of deposit	364,780	-
Investment in certificates of deposit	(25,000)	(6,377)
<b>Net cash provided by investing activities</b>	<b>345,615</b>	<b>1,020</b>
<b>Net change in cash and cash equivalents</b>	<b>236,723</b>	<b>30,440</b>
Cash and cash equivalents at beginning of year	292,611	262,171
Cash and cash equivalents at end of year	<b>\$ 529,334</b>	<b>\$ 292,611</b>
Reconciliation of operating loss to net cash used by by operating activities:		
Operating loss	\$ (135,093)	\$ (105,775)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in assets and liabilities:		
Museum store inventory	1,633	(582)
Accounts receivable	752	32,989
Accounts payable	(4,376)	(5,516)
Other current liabilities	(75)	46
Unearned Revenue	(23,110)	23,297
<b>Net cash used by operating activities</b>	<b>\$ (160,269)</b>	<b>\$ (55,541)</b>

See notes to financial statements.

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

**Notes to Financial Statements**

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**Note 1. Organization**

**Nature of operations:** 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 (Board). 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.

**Reporting entity:** The Museum is a component unit of the College and is also a direct-support organization, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, are financially accountable to the College. The component units are managed independently, outside the College's budgeting process, and their powers generally are vested in a governing board pursuant to various State statutes. The component units receive, hold, invest, and administer property and make expenditures to or for the benefit of the College.

As a direct-support organization, the Museum follows the College's accounting policies which conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board.

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

**Note 2. 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 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.

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

**Notes to Financial Statements**

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**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 which, at times, may exceed federally insured limits. The Museum has not experienced any losses in such accounts. The Museum believes it is not exposed to any significant credit risk on cash. 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 the lower of cost, based on the first-in, first out (FIFO) method, or net realizable value. 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, 2020 and 2019.

**Investment in certificates of deposit:** The investment in certificate of deposit consists of certificate of deposits with a commercial bank recorded at amortized cost with original maturity 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 6 and 7. The Museum's grand piano, which was donated, has been recognized at its estimated fair value of \$17,500 based upon appraisals or similar valuations and is not depreciated as has been determined to be an inexhaustible asset. As of March 31, 2020 and 2019, the grand piano is included in noncurrent assets listed as other assets.

**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 nonoperating revenues. These nonoperating revenues include grant funding, contributions, in-kind artwork and interest income.

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

**Notes to Financial Statements**

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**Note 2. Summary of Significant Accounting Policies (Continued)**

**Fair value:** Certain assets and revenues are carried at fair value. Fair value is defined by GASB Statement No. 72, *Fair Value Measurement and Application*, as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**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 all eligibility requirements are met, net position restricted by donor – expendable is reclassified to unrestricted net position.

Contributions, including unconditional promises to give, are initially recognized at fair value as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. If management expects the cash from the pledges receivable to be received more than one year in the future, contribution revenue and associated receivable are discounted for the time value of money at a rate commensurate with the risk and term of the gift.

**Donated items:** The value of donated materials, services, small equipment and inventory has been recorded in the financial statements as contributions based upon the acquisition value of the goods received at the time of the donation.

Due to the unique nature of donated items, the Museum relies on donor estimates of the acquisition value of donations to the collection. It is suggested, but not required that donors provide professional appraisals for items of significant value.

Employees of the College operate the Museum. During the years ended March 31, 2020 and 2019, the Museum reimbursed the College for the additional hours required of the staff accountant, the collections manager position, and for the hours of the 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 (see Note 6).

**Expenses:** 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.

**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.

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

**Notes to Financial Statements**

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**Note 3. Investment in Certificates of Deposit**

At March 31, 2020, the Museum has a certificate of deposit totaling \$25,191. The certificate is insured, up to \$250,000, by the Federal Deposit Insurance Corporation (FDIC). The certificate carries an original maturity of 13 months with an annual percentage rate of 2%. The certificate is not rated by S&P or Moody's. This certificate of deposit matures in December 2020.

At March 31, 2019, the Museum had one certificate of deposit totaling \$268,582. The certificate was insured, up to \$250,000, by the FDIC. The certificate carried an original maturity of 60 months with an annual percentage rate of 1.73%. The certificate was not rated by S&P or Moody's. This certificate of deposit was liquidated as of March 31, 2020.

At March 31, 2019, the Museum had one certificate of deposit totaling \$96,389. The certificate was insured, up to \$250,000, by the FDIC. The certificate carried an original maturity of 12 months with an annual percentage rate of 1.98%. The certificate was not rated by S&P or Moody's. This certificate of deposit was liquidated as of March 31, 2020.

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

- **Interest rate risk:** Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The Museum does not believe this to be a significant risk as it relates to their certificates of deposit.
- **Credit risk:** Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Museum does not believe this to be a significant risk as it relates to their certificates of deposit.
- **Custodial credit risk:** This is the risk that in the event of the failure of the counterparty, the Museum will not be able to recover the value of their certificates of deposits that are in the possession of an outside party. The Museum does not believe this to be a significant risk as it relates to their certificates of deposit.

**Note 4. Pledges Receivable**

Pledges receivable consists of promises from organizations or individuals. As of March 31, 2020, management believes the entire balance is collectable. Expected receipts are as follows at March 31:

	2020	2019
Due in less than one year	\$ 1,000	\$ 1,000
Due in two to five years	-	1,000
Gross pledge receivable	1,000	2,000
Less discount to present value	-	(174)
Pledges receivable, net	<u>\$ 1,000</u>	<u>\$ 1,826</u>

**Note 5. 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.

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

**Notes to Financial Statements**

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**Note 5. Collections (Continued)**

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, 2020 and 2019, the Museum received contributed works of art with an estimated value of \$84,925 and \$31,753, respectively. There were no deaccessions during the years ended March 31, 2020 and 2019.

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 6 and the Unaudited Schedule of Collections.

**Note 6. 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 Museum is a direct support organization of the College as defined by Section 1004.70, *Florida Statutes*, and the College also approves the Museum's board members.

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 \$49,088 and \$49,455 for the years ended March 31, 2020 and 2019, respectively.

The College also provides the employees to operate the Museum at an estimated cost of approximately \$451,383 and \$506,207 for the years ended March 31, 2020 and 2019, respectively. For the years ended March 31, 2020 and 2019, 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 \$64,114 and \$62,482 in 2020 and 2019, respectively.

In 2018, the Museum took full financial responsibility for the Development Officer position and reimbursed the College \$47,731 and \$48,900 for the years ending March 31, 2020 and 2019, respectively.

The College provided other miscellaneous services and supplies in estimated amounts of \$22,887 and \$15,537 for the years ended March 31, 2020 and 2019, respectively. As of March 31, 2020 and 2019, accounts payable due to the College totaled \$30,577 and \$35,388, respectively.

The Museum is also related to the Foundation as it is also a direct support organization of the College. The Foundation owns an endowment fund held for the benefit of the Museum and a restricted fund for the Adopt-A-Masterpiece program. The endowment is valued at approximately \$2.1 million and \$2.4 million at March 31, 2020 and 2019, respectively. The Adopt-A-Masterpiece endowment fund is valued at approximately \$181,780 and \$204,500 at March 31, 2020 and 2019, respectively.

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

**Notes to Financial Statements**

**Note 6. Related-Party Transactions (Continued)**

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 \$14,750 and \$15,000 for the years ended March 31, 2020 and 2019, respectively.

For each of the years ended March 31, 2020 and 2019, the Museum reimbursed the College approximately \$15,000 and \$15,600, respectively, for the cost of the insurance on the accessioned collection items, traveling exhibitions, and liability insurance.

**Note 7. In-Kind Contributions and Donated Items**

In-kind contributions are included 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:

	2020	2019
In-kind operating contributions from the College		
Materials and supplies	\$ 22,887	\$ 15,537
Personnel	451,383	506,207
Facilities	49,088	49,455
	<u>523,358</u>	<u>571,199</u>
In-kind operating contributions from others	87,581	1,353
Total in-kind operating contributions	<u>\$ 610,939</u>	<u>\$ 572,552</u>

**Note 8. Net Position Restricted by Donors – Expendable**

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

	2020	2019
Art Haven project	\$ 5,751	\$ 6,526
Adopt a masterpiece program	46,248	46,248
Pledges receivable	826	1,826
Exhibition underwriting	40,048	40,070
	<u>\$ 92,873</u>	<u>\$ 94,670</u>

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

	2020	2019
Beginning of year	\$ 94,670	\$ 98,235
Contributions	39,628	-
Restrictions satisfied/imposed by payments	(41,425)	(3,565)
End of year	<u>\$ 92,873</u>	<u>\$ 94,670</u>

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

**Notes to Financial Statements**

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**Note 9. 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. A 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 years ended March 31:

	2020	2019
<b>Fundraising</b>		
Personnel services	\$ 4,514	\$ 5,062
Special events	6,900	-
Other	717	731
Total fundraising	<u>12,131</u>	<u>5,793</u>
<b>Program services</b>		
Exhibitions	14,232	8,790
Education	6,796	9,477
Facilities and utilities	46,192	46,488
Personnel services	356,593	399,903
Supplies and equipment	14,049	14,680
Other	39,796	13,076
Total program services	<u>477,658</u>	<u>492,414</u>
<b>Administrative</b>		
Insurance	15,000	15,601
Personnel services	202,122	212,624
Other	24,393	23,230
Total administrative	<u>241,515</u>	<u>251,455</u>
	<u>\$ 731,304</u>	<u>\$ 749,662</u>

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

**Notes to Financial Statements**

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**Note 10. Subsequent Events**

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. The spread of COVID-19, a novel strain of coronavirus, appears to be altering the behavior of business and people in a manner that is having negative effects on local, regions and global economies.

The extent to which COVID-19 impacts the operations of the Museum in the future will depend on subsequent developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of COVID-19, the actions taken to contain COVID-19 or treat its impact, and the impact of each of these items on the economies and financial markets in the United States of America. In particular, the continued spread of COVID-19 could adversely impact the Museum’s operations, including among others, the Museum’s admissions, memberships, and ability to fundraise, and may have a material adverse effect on the financial condition of the Museum.

Such economic impacts may have a result prospectively on the Museums’ financial statements and operations. The financial statements do not include any adjustments as a result of this subsequent event.

**The Leepa-Rattner Museum of Art, Inc.  
A Component Unit of St. Petersburg College  
Schedule of Collections (Unaudited)  
March 31, 2020**

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**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 (1,658 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 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.

**The Leepa-Rattner Museum of Art, Inc.  
A Component Unit of St. Petersburg College  
Schedule of Collections (Unaudited)  
March 31, 2020**

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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 (33 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 (326 accessioned objects, including 18 in the education collection by 87 individual donors): These works reflect a variety of artists, periods and media in the 20<sup>th</sup> and 21<sup>st</sup> century art.

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

15. Clela Clark Collection (40 accessioned objects): Clela Clark Collection includes various artwork from (6) contemporary Florida artists.
16. Cecily Mosier Collection (7 accessioned objects): Cecily Mosier Collection includes works from (5), French notable artists and enriches LRMA's French print collection that represents 20<sup>th</sup> and 21<sup>st</sup> centuries.
17. Other Donations (29 accessioned objects, by 11 individual donors): These works reflect a variety of artists, periods and media in the 20<sup>th</sup> and 21<sup>st</sup> century art.

**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**

**Independent Auditor's Report**

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

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 Leepa-Rattner Museum of Art, Inc. (the Museum) as of and for the year ended March 31, 2020 and the related notes to the financial statements, which collectively comprise the Museum's basic financial statements and have issued our report thereon dated June 30, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Museum'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 Museum's internal control. Accordingly, we do not express an opinion on the effectiveness of the Museum'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Museum'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*.

**The Museum's Response to Findings**

The Museum's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Museum's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.

*RSM US LLP*

St. Petersburg, Florida  
June 30, 2020

## The Leepa-Rattner Museum of Art, Inc.

### Schedule of Findings and Responses

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**Criteria:** Paragraph 28 of the Government Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB 34) requires that recipient governments recognize as revenues donations of works of art, historical treasures, and similar assets. When donated collection items are added to noncapitalized collections, governments should recognize program expense equal to the amount of revenues recognized.

**Condition:** During the fiscal year ended March 31, 2020 the Leepa-Rattner Museum of Art, Inc. (Museum) received donations to their collection of approximately \$85 thousand. The Museum did not recognize revenue or program expense for these items.

**Context:** The Museum has historically not recorded donations to its collection in the statement of revenues, expenses and change in net position. This omission has not changed the Museum's net position as the transaction is recorded both as a revenue and an expense.

**Effect:** An audit adjustment to record the contribution revenue and program expense was proposed and accepted by management. This adjustment was necessary in order for revenues and expenses to be fairly presented in accordance with generally accepted accounting principles.

**Cause:** The Museum appears to have applied guidance specific to not for profit organizations in reporting donations of collection items. This guidance differs from generally accepted accounting principles applicable to state and local governments.

**Recommendation:** We recommend that the Museum review its current policies and procedures over accounting and financial reporting including the year-end closing processes. Review procedures should focus on ensuring balances and transactions have been recorded and reported in a manner consistent with generally accepted accounting principles as applicable to state and local governments

**Views of Responsible Officials:** As a direct-support organization, the Museum follows the College's accounting policies which conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB).

According to SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, donated items like works of art, historical artifacts, and rare books are recognized as revenues or gains if collections are capitalized and shall not be recognized as revenues or gains if the collections are not capitalized. The Museum's collection is not capitalized.

The Museum discloses in the annual financial report the description of its accessioned collections, which is not audited.

The Museum's policies and procedures over accounting and financial reporting with regard to in-kind artwork donations were established as part of the Museum's accreditation with the full knowledge and guidance of the Museum's prior auditing firm, now colleagues of RSM. Based upon that advice, the Museum's policies and procedures over accounting and financial reporting for in-kind artwork donations have thus far been without finding.

Museum's management will review and update Collection policies and procedures over accounting and financial reporting with regard to in-kind artwork donations that will include enhancing language to require appraisals for donated artwork items of significant value.