

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

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**Audited Financial Statements**

**June 30, 2019**

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

**Contents**

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	Page
Independent Auditors' Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-15
Audit Findings and Recommendations	16

## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Salt Lake Art Center, dba Utah Museum of Contemporary Art (the Organization), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "FJ & Associates, PLLC".

FJ & Associates, PLLC  
Kaysville, Utah  
May 14, 2020

**Salt Lake Art Center, dba  
Utah Museum of Contemporary Art  
Statement of Financial Position  
June 30, 2019**

**Assets**

Current assets:

Cash and cash equivalents	\$ 128,824
Grants receivable and promises to give	177,882
Other receivables	780
Inventory	3,523
Total current assets	<u>311,009</u>

Property and equipment, net	7,431
Investments	288,784
Art collection	70,000
	<u>366,215</u>

<b>Total assets</b>	<b><u><u>\$ 677,224</u></u></b>
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**Liabilities and net assets**

Current liabilities:

Accounts payable	\$ 52,282
Accrued liabilities	25,887
Line of credit	239,356
Total current liabilities	<u>317,525</u>

Total liabilities	<u>317,525</u>
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Net assets

Without Donor Restrictions	124,904
With Donor Restrictions	234,795
Total net assets	<u>359,699</u>

<b>Total liabilities and net assets</b>	<b><u><u>\$ 677,224</u></u></b>
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See accompanying notes to financial statements

**Salt Lake Art Center, dba  
Utah Museum of Contemporary Art  
Statement of Activities  
Year Ended June 30, 2019**

<b>Unrestricted public support and revenue</b>	
Public support	\$ 645,778
In-kind contributions	126,682
Revenue	
Gift shop sales	9,289
Investment income, gain/(loss), net of fees	5,056
Total public support and revenue	<u>786,805</u>
Special events	117,831
Less costs of direct benefits to donors	<u>(43,973)</u>
Net revenue from special events	73,858
Other revenue	<u>9,454</u>
<b>Total public support and revenue</b>	<b>870,117</b>
<b>Program and supporting services expenses</b>	
Program services	
Exhibits	284,382
Public education	<u>161,672</u>
Total program services expenses	446,054
Supporting services expenses	
Management and general	202,495
Fundraising	<u>87,298</u>
Total supporting services expenses	289,793
<b>Total expenses</b>	<b><u>735,847</u></b>
Change in net assets classified as donor restricted	<u>(26,411)</u>
<b>Changes in net assets without donor restrictions</b>	<b><u>107,859</u></b>
<b>Net assets with donor restrictions</b>	
Public support	151,360
Change in net assets classified as donor restricted	<u>(124,949)</u>
<b>Change in net assets with donor restrictions</b>	<b>26,411</b>
<b>Change in net assets</b>	<b>134,270</b>
Net assets, beginning of year	<u>225,429</u>
Net assets, end of year	<u><u>\$ 359,699</u></u>

See accompanying notes to financial statements

**Salt Lake Art Center, dba  
Utah Museum of Contemporary Art  
Statement of Functional Expenses  
Year Ended June 30, 2019**

	Program Services Expenses			Supporting Services Expenses			Total Expenses
	Exhibits	Public Education	Total Program Services Expenses	Management and General	Fundraising	Total Supporting Services Expenses	
Bank charges	\$ 40	\$ -	\$ 40	\$ 4,989	\$ 17	\$ 5,006	\$ 5,046
Bookstore expenses	-	4,944	4,944	(5)	-	(5)	4,939
Depreciation	-	-	-	4,257	-	4,257	4,257
Dues and subscriptions	445	-	445	566	969	1,535	1,980
Equipment rental and maintenance	-	-	-	11,136	-	11,136	11,136
Exhibition expense	20,376	549	20,925	54	275	329	21,254
Facility expense	47,689	42,752	90,441	42,513	22,618	65,131	155,572
Gala expense	120	-	120	261	43,592	43,853	43,973
Insurance	-	1,353	1,353	6,895	-	6,895	8,248
Interest	-	-	-	13,173	-	13,173	13,173
Other	32,560	791	33,351	7,303	2,388	9,691	43,042
Outside services - contractors	38,760	3,037	41,797	50,395	-	50,395	92,192
Payroll and related costs	122,832	103,995	226,827	41,440	58,308	99,748	326,575
Printing and postage	1,251	75	1,326	173	208	381	1,707
Promotions and marketing	16,825	-	16,825	32	600	632	17,457
Supplies	1,310	2,823	4,133	1,817	190	2,007	6,140
Telephone	-	-	-	3,716	-	3,716	3,716
Travel	2,174	1,353	3,527	13,780	2,106	15,886	19,413
Total expenses	<u>284,382</u>	<u>161,672</u>	<u>446,054</u>	<u>202,495</u>	<u>131,271</u>	<u>333,766</u>	<u>779,820</u>
Less cost of direct benefits to donors	-	-	-	-	(43,973)	(43,973)	(43,973)
Total expenses included in the expense section on the statement of activities	<u>\$ 284,382</u>	<u>\$ 161,672</u>	<u>\$ 446,054</u>	<u>\$ 202,495</u>	<u>\$ 87,298</u>	<u>\$ 289,793</u>	<u>\$ 735,847</u>

See accompanying notes to the financial statements

**Salt Lake Art Center, dba  
Utah Museum of Contemporary Art  
Statement of Cash Flows  
Year Ended June 30, 2019**

**Cash flows from operating activities:**

Increase (decrease) in net assets	\$	134,270
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation		4,257
Realized and unrealized gains and losses on investments		(5,244)
Decrease (increase) in:		
Other receivables		2,362
Grants receivable and promises to give		(59,292)
Inventory		222
Increase (decrease) in:		
Accounts payable		15,585
Accrued liabilities		(12,937)
Net cash provided by (used in) operating activities		79,223
<b>Cash flows from investing activities:</b>		
Net cash provided by (used in) investing activities		-
<b>Cash flows from financing activities:</b>		
Proceeds from line of credit		3,372
Net cash provided by (used in) financing activities		3,372
Net increase (decrease) in cash, restricted cash and equivalents		82,595
Beginning cash, restricted cash and equivalents		46,229
<b>Cash and equivalents at end of year</b>	<b>\$</b>	<b>128,824</b>

**Supplemental information**

Cash paid for interest	\$	13,173
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See accompanying notes to financial statements

**Salt Lake Art Center, dba  
Utah Museum of Contemporary Art  
Notes to Financial Statements  
Year Ended June 30, 2019**

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**1. Organization and Summary of Significant Accounting Policies**

Organization

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

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

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, Not-for-Profit entities, Presentation of Financial Statements, and Accounting Standards Update ("ASU") 2016-14. Under the standards, the Organization reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions based upon the following criteria:

**WITHOUT DONOR RESTRICTIONS**

The net assets without donor restrictions represent expendable funds available for operations which are not otherwise limited by external donor restrictions.

**WITH DONOR RESTRICTIONS**

The net assets with donor restrictions which comprises of temporarily restricted net assets and permanent restricted net assets. Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds. Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Salt Lake Art Center, dba  
Utah Museum of Contemporary Art  
Notes to Financial Statements  
Year Ended June 30, 2019**

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

Property and Equipment

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

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of property and equipment asset impairment during the year ended June 30, 2019.

Art Collection

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Income Taxes

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

**Salt Lake Art Center, dba  
Utah Museum of Contemporary Art  
Notes to Financial Statements  
Year Ended June 30, 2019**

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

Income Taxes (continued)

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

Cash and Cash Equivalents

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

Grants Receivable and Promises to Give

Grants receivable and unconditional promises to give expected to be collected within one year are recorded at net realizable value. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2019, no allowance has been recorded.

Investments

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

Recently Issued Accounting Pronouncements

The Organization has reviewed the recently issued FASB Codification Updates (ASU's) for the year ended June 30, 2019, and have determined that none of the recently issued accounting updates will have a material effect on the fair presentation of these financial statements.

Inventory

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

**Salt Lake Art Center, dba  
Utah Museum of Contemporary Art  
Notes to Financial Statements  
Year Ended June 30, 2019**

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

Revenue and Revenue Recognition

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

Donated Services and In-Kind Contributions

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

Advertising

Advertising costs are expensed as incurred and were \$9,837 for the year ended June 30, 2019.

Functional Allocation of Expense

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

Fair Value of Financial Instruments

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

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

**Salt Lake Art Center, dba  
Utah Museum of Contemporary Art  
Notes to Financial Statements  
Year Ended June 30, 2019**

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

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

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

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

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

Concentration of Credit and Market Risk

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

The Organization also maintains accounts with a brokerage firm. The accounts contain cash and securities. The balances are insured by the Securities Investors Protection Corporation up to \$500,000 with a \$250,000 limit for cash claims. The Organization has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk on these balances.

**2. Investments and Fair Value**

Assets measured at fair value on a recurring basis as of June 30, 2019 are as follows:

	<u>Total</u>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Money market funds	\$ 257,203	\$ 257,203	\$ -	\$ -
Utah Public Treasurers' Investment Fund	31,581	31,581	-	-
Total investments	<u>\$ 288,784</u>	<u>\$ 288,784</u>	<u>\$ -</u>	<u>\$ -</u>

**Salt Lake Art Center, dba  
Utah Museum of Contemporary Art  
Notes to Financial Statements  
Year Ended June 30, 2019**

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**3. Property and Equipment**

Property and equipment consists of the following at June 30, 2019:

Furniture and fixtures	\$ 10,554
Leasehold improvements	132,453
Equipment	156,162
Vehicles	8,062
	<hr/>
	307,231
Less: accumulated depreciation	<hr/> (299,800)
	<hr/>
Total property and equipment	<u>\$ 7,431</u>

**4. Line of Credit**

The Organization has a revolving line of credit (line) with Merrill Lynch, secured by permanently restricted investment assets held at Merrill Lynch. Borrowings under the line bear interest at the 3-Month LIBOR rate plus 2.375% (4.78% at June 30, 2019). Accrued interest is due monthly. The line of credit does not expire as long as the secured deposit collateral is maintained.

**5. Rental Commitments**

During the year ended June 30, 2019, the Organization leased its facility from Salt Lake County. The 12-month calendar year lease requires an annual payment of \$1, plus a portion of utility and maintenance costs. Accordingly, an in-kind donation totaling \$126,682 was recorded during the year ended June 30, 2019, approximating the fair market value of rent and utility and maintenance costs for the facility provided by Salt Lake County.

**6. Endowments**

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

**Salt Lake Art Center, dba  
Utah Museum of Contemporary Art  
Notes to Financial Statements  
Year Ended June 30, 2019**

**6. Endowments (continued)**

The Organization's Board of Directors has interpreted the Utah Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2019, there were no such donor stipulations. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts) and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The Organization has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. At June 30, 2019, all Endowment earnings had been appropriated for support of the Organization's programs.

Changes in the Endowment for the year ending June 30, 2019 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
<b>Endowment net assets at June 30, 2018</b>	\$ -	\$ 283,540	\$ 283,540
Investment fees		-	-
Investment returns			
Dividends and interest	-	5,244	5,244
<b>Endowment net assets at June 30, 2019</b>	<b>\$ -</b>	<b>\$ 288,784</b>	<b>\$ 288,784</b>

**Salt Lake Art Center, dba  
Utah Museum of Contemporary Art  
Notes to Financial Statements  
Year Ended June 30, 2019**

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**7. Net Assets With Donor Restrictions**

Net assets with donor restrictions as of June 30, 2019 are as follows:

Exhibits	\$ 3,057
Development	3,735
Other	28,003
Art Center Endowment Fund	200,000
	<u>\$ 234,795</u>

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

**8. Related Party Transactions**

The Organization received unrestricted contributions from members of the board of trustees totaling \$124,385 during the year ended June 30, 2019. At June 30, 2019, grants receivable and promises to give include \$0 due from members of the board of trustees.

**9. Donated Services, Materials, and Facilities**

The Organization received donated facilities, professional services and materials as follows during the year ended June 30, 2019:

Facilities	<u>\$ 126,682</u>
Total In-Kind Contributions	<u>\$ 126,682</u>

**10. Concentrations**

During the year ended June 30, 2019, the Organization received a grant from one government agency totaling \$5,500 and in-kind donations totaling \$126,682 or approximately 20% of total public support. The grant amount represents the Organization's allocation of the Zoo, Arts, and Parks (ZAP) sales tax amount collected in Salt Lake County. At June 30, 2019, the Organization has a Salt Lake County grant receivable from this government agency totaling \$82,632, representing approximately 47% of total grants receivable. These are considered concentrations of public support and grants receivable, respectively.

**Salt Lake Art Center, dba  
Utah Museum of Contemporary Art  
Notes to Financial Statements  
Year Ended June 30, 2019**

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**11. Subsequent Events**

Coronavirus Pandemic:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the patrons' ability to participate in recreational entertainment or activities in public places. Operating functions that may be changed include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown.

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure through May 14, 2020, which is the date the financial statements were available to be issued, and determined there are no other events to disclose.

**Salt Lake Art Center, dba  
Utah Museum of Contemporary Art  
Audit Findings and Recommendations  
Year Ended June 30, 2019**

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**2019-001 Restricted Assets Held as Collateral of the Line of Credit**

Condition

Donor restricted endowment assets of \$200,000 are being held as collateral for a \$239,356 line of credit, which is not allowed per the restrictions of the endowment funds.

Criteria

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

Cause

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

Effect

The lender would seize the endowment funds if UMOCA defaults on repayment of the line of credit. This has placed the funds in a situation of undue risk.

Recommendation

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