

**GLASS-GLEN BURNIE MUSEUM, INC.  
DBA: THE MUSEUM OF THE SHENANDOAH VALLEY**

**Winchester, Virginia**

**FINANCIAL REPORT**

**JUNE 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Glass-Glen Burnie Museum, Inc.  
DBA: The Museum of the Shenandoah Valley  
Winchester, Virginia

### **Opinion**

We have audited the financial statements of Glass-Glen Burnie Museum, Inc. DBA: The Museum of the Shenandoah Valley (the Museum), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities and cash flows for the years then ended and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Museum as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Museum and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Yount, Hyde & Barbour, P.C.*

Winchester, Virginia  
December 11, 2023

**GLASS-GLEN BURNIE MUSEUM, INC.**  
**DBA: THE MUSEUM OF THE SHENANDOAH VALLEY**

**Statements of Financial Position**  
June 30, 2023 and 2022

<b>Assets</b>	<b>2023</b>	<b>2022</b>
<b>Current Assets</b>		
Cash and cash equivalents (Note 1)	\$ 1,190,435	\$ --
Accounts receivable (Note 1)	128	583
Employee Retention Credit receivable (Note 1)	--	897,250
Prepaid expenses	347,147	315,256
Pledges receivable, net (Note 7)	791,463	25,433
Inventory (Note 1)	8,705	10,469
Total current assets	<u>\$ 2,337,878</u>	<u>\$ 1,248,991</u>
<b>Noncurrent Assets</b>		
Pledges receivable, net (Note 7)	\$ 2,021,237	\$ --
Investments (Notes 1, 3 and 15)	10,020,513	8,789,441
Property and equipment, net of accumulated depreciation (Notes 1 and 4)	27,777,683	27,854,691
Other assets (Note 5)	69,313	92,417
Total noncurrent assets	<u>\$ 39,888,746</u>	<u>\$ 36,736,549</u>
Total assets	<u>\$ 42,226,624</u>	<u>\$ 37,985,540</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Checks written in excess of cash balance	\$ --	\$ 16,936
Accounts payable	783,059	112,390
Accrued expenses	214,411	205,450
Note payable, current portion (Note 16)	569	6,832
Deferred revenue (Note 1)	147,845	76,416
Total current liabilities	<u>\$ 1,145,884</u>	<u>\$ 418,024</u>
<b>Noncurrent Liabilities</b> , note payable, less current portion (Note 16)	<u>\$ --</u>	<u>\$ 1,138</u>
Total liabilities	<u>\$ 1,145,884</u>	<u>\$ 419,162</u>
<b>Net Assets</b>		
Without donor restrictions	\$ 27,071,451	\$ 28,528,427
With donor restrictions (Notes 12, 13 and 18)	14,009,289	9,037,951
Total net assets	<u>\$ 41,080,740</u>	<u>\$ 37,566,378</u>
Total liabilities and net assets	<u>\$ 42,226,624</u>	<u>\$ 37,985,540</u>

See Notes to Financial Statements.

**GLASS-GLEN BURNIE MUSEUM, INC.**  
**DBA: THE MUSEUM OF THE SHENANDOAH VALLEY**

**Statements of Activities**  
For the Years Ended June 30, 2023 and 2022

	<b>2023</b>			<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support, Revenue and Gains (Losses)</b>						
Contributions:						
Glass-Glen Burnie Foundation	\$ 3,307,000	\$ 3,875,480	\$ 7,182,480	\$ 2,961,000	\$ 206,000	\$ 3,167,000
Memberships	242,766	--	242,766	212,049	--	212,049
Grants	20,900	--	20,900	526,456	--	526,456
Contributions of nonfinancial assets	106,299	40,245	146,544	486,391	555	486,946
Other contributions	534,793	184,560	719,353	605,623	302,573	908,196
Total contributions	<u>\$ 4,211,758</u>	<u>\$ 4,100,285</u>	<u>\$ 8,312,043</u>	<u>\$ 4,791,519</u>	<u>\$ 509,128</u>	<u>\$ 5,300,647</u>
Earned income:						
Admissions	\$ 241,426	\$ --	\$ 241,426	\$ 155,880	\$ --	\$ 155,880
Educational programs	51,914	--	51,914	51,065	--	51,065
Gift store sales	188,131	--	188,131	148,837	--	148,837
Plant sales	46,373	--	46,373	39,166	--	39,166
Development and membership events	70	--	70	1,095	--	1,095
Public events	100,045	--	100,045	61,749	--	61,749
Total earned income	<u>\$ 627,959</u>	<u>\$ --</u>	<u>\$ 627,959</u>	<u>\$ 457,792</u>	<u>\$ --</u>	<u>\$ 457,792</u>
Other revenue and gains (losses):						
Investment return, net (Note 9)	\$ 41,019	\$ 1,730,469	\$ 1,771,488	\$ (222)	\$ (1,862,945)	\$ (1,863,167)
(Loss) on disposal of property and equipment	(2,005)	--	(2,005)	(109,838)	--	(109,838)
Miscellaneous income	46,028	--	46,028	920,403	--	920,403
Special property use	88,229	--	88,229	87,741	--	87,741
Total other revenue and gains (losses)	<u>\$ 173,271</u>	<u>\$ 1,730,469</u>	<u>\$ 1,903,740</u>	<u>\$ 898,084</u>	<u>\$ (1,862,945)</u>	<u>\$ (964,861)</u>
<b>Net assets released from restrictions (Note 13)</b>	<u>\$ 859,416</u>	<u>\$ (859,416)</u>	<u>\$ --</u>	<u>\$ 2,071,100</u>	<u>\$ (2,071,100)</u>	<u>\$ --</u>
Total support, revenue and gains (losses)	<u>\$ 5,872,404</u>	<u>\$ 4,971,338</u>	<u>\$ 10,843,742</u>	<u>\$ 8,218,495</u>	<u>\$ (3,424,917)</u>	<u>\$ 4,793,578</u>
<b>Expenses</b>						
Salaries and benefits	\$ 2,796,581	\$ --	\$ 2,796,581	\$ 2,744,241	\$ --	\$ 2,744,241
Depreciation	1,767,415	--	1,767,415	1,715,067	--	1,715,067
Collections, conservation and exhibits	282,135	--	282,135	169,218	--	169,218
Marketing and promotion	152,897	--	152,897	163,797	--	163,797
Utilities	220,474	--	220,474	213,422	--	213,422
Grounds maintenance	178,788	--	178,788	232,681	--	232,681
Building maintenance	155,421	--	155,421	140,222	--	140,222
Professional services	192,139	--	192,139	152,430	--	152,430
Balance carryforward	<u>\$ 5,745,850</u>	<u>\$ --</u>	<u>\$ 5,745,850</u>	<u>\$ 5,531,078</u>	<u>\$ --</u>	<u>\$ 5,531,078</u>

See Notes to Financial Statements.

**GLASS-GLEN BURNIE MUSEUM, INC.**  
**DBA: THE MUSEUM OF THE SHENANDOAH VALLEY**

**Statements of Activities**  
(Continued)

For the Years Ended June 30, 2023 and 2022

	<b>2023</b>			<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Balance carried forward	\$ 5,745,850	\$ --	\$ 5,745,850	\$ 5,531,078	\$ --	\$ 5,531,078
<b>Expenses (continued)</b>						
Security and other	190,896	--	190,896	173,478	--	173,478
Insurance	119,061	--	119,061	111,858	--	111,858
Communications	108,836	--	108,836	103,862	--	103,862
Events and programs	144,168	--	144,168	107,749	--	107,749
Acquisitions	518,000	--	518,000	83,681	--	83,681
Printing	85,268	--	85,268	79,901	--	79,901
Museum store	109,616	--	109,616	105,917	--	105,917
Contributions and gifts	47,008	--	47,008	32,986	--	32,986
Office expense	51,984	--	51,984	32,606	--	32,606
Professional training and memberships	48,668	--	48,668	43,317	--	43,317
Interest	2,720	--	2,720	6,625	--	6,625
Other expenses	46,318	--	46,318	36,660	--	36,660
Conceptual land use and historic structures report	23,104	--	23,104	26,144	--	26,144
Meals	27,551	--	27,551	25,162	--	25,162
Education	20,276	--	20,276	14,886	--	14,886
Transportation	15,901	--	15,901	6,409	--	6,409
Lodging	3,570	--	3,570	1,455	--	1,455
Other maintenance	10,412	--	10,412	11,515	--	11,515
Bridal room supplies and decorations	4,460	--	4,460	4,194	--	4,194
Consultants	4,275	--	4,275	3,184	--	3,184
Reference and research materials	1,438	--	1,438	631	--	631
Total expenses	<u>\$ 7,329,380</u>	<u>\$ --</u>	<u>\$ 7,329,380</u>	<u>\$ 6,543,298</u>	<u>\$ --</u>	<u>\$ 6,543,298</u>
Change in net assets	<u>\$ (1,456,976)</u>	<u>\$ 4,971,338</u>	<u>\$ 3,514,362</u>	<u>\$ 1,675,197</u>	<u>\$ (3,424,917)</u>	<u>\$ (1,749,720)</u>
<b>Net Assets at beginning of year</b>	<u>\$ 28,528,427</u>	<u>\$ 9,037,951</u>	<u>\$ 37,566,378</u>	<u>\$ 26,853,230</u>	<u>\$ 12,462,868</u>	<u>\$ 39,316,098</u>
<b>Net Assets, ending</b>	<u>\$ 27,071,451</u>	<u>\$ 14,009,289</u>	<u>\$ 41,080,740</u>	<u>\$ 28,528,427</u>	<u>\$ 9,037,951</u>	<u>\$ 37,566,378</u>

See Notes to Financial Statements.



**GLASS GLEN-BURNIE MUSEUM, INC.**  
**DBA: THE MUSEUM OF THE SHENANDOAH VALLEY**

**Statements of Cash Flows**  
For the Years Ended June 30, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 3,514,362	\$ (1,749,720)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,767,415	1,715,067
Contributed property and equipment	(48,335)	(381,991)
Unrealized and realized (gain) loss on investments	(1,665,965)	1,882,661
Loss on disposal of property and equipment	2,005	109,838
Write off conceptual land use and master plan	23,104	23,102
Forgiveness of Paycheck Protection Program loan	--	(517,711)
Changes in assets and liabilities:		
Decrease (increase) in accounts and Employee Retention Credit receivable	897,705	(892,498)
(Increase) decrease in pledges receivable	(2,787,267)	130,142
(Increase) in prepaid expenses	(31,891)	(150,700)
Decrease in inventory	1,764	31,463
(Decrease) in security deposit	--	(2,561)
Increase (decrease) in accounts payable	670,669	(403,295)
Increase in accrued expenses	8,961	20,343
Increase in deferred revenue	71,429	40,051
Net cash provided by (used in) operating activities	<u>\$ 2,423,956</u>	<u>\$ (145,809)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	\$ (1,644,077)	\$ (657,341)
Purchase of investments	(918,168)	(3,789,493)
Proceeds from sale of investments	1,353,061	5,194,171
Net cash (used in) provided by investing activities	<u>\$ (1,209,184)</u>	<u>\$ 747,337</u>
<b>Cash Flows from Financing Activities</b>		
(Decrease) increase in checks written in excess of cash balance	\$ (16,936)	\$ 16,936
Net payments on line of credit	--	(1,187,270)
Payments on note payable	(7,401)	(6,836)
Net cash (used in) financing activities	<u>\$ (24,337)</u>	<u>\$ (1,177,170)</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,190,435	\$ (575,642)
<b>Cash and Cash Equivalents</b>		
Beginning	--	575,642
Ending	<u>\$ 1,190,435</u>	<u>\$ --</u>
<b>Supplemental Disclosures of Cash Flow Information,</b>		
cash payments for interest	<u>\$ 2,720</u>	<u>\$ 6,625</u>
<b>Supplemental Disclosures of Noncash Investing Activities</b>		
contributed property and equipment	<u>\$ 48,335</u>	<u>\$ 381,991</u>

See Notes to Financial Statements.

**GLASS-GLEN BURNIE MUSEUM, INC.**  
**DBA: THE MUSEUM OF THE SHENANDOAH VALLEY**

**Notes to Financial Statements**

**Note 1. Nature of Activities and Significant Accounting Policies**

The Museum of the Shenandoah Valley (the MSV and/or Museum) preserves over 214 acres of the Glen Burnie Historic House, Gardens, walking trails with Artscape, and farmland, a full service Museum with four galleries, and Museum store, as well as operating adjacent farmland. In addition, in partnership with Frederick County Parks and Recreation Department, the MSV oversees and interprets 300 acres at Rose Hill, site of The Civil War's First Battle of Kernstown. The Museum maintains the landscape and farmland of all these properties, each of which offers educational programming and/or exhibitions to its members and visitors.

**Basis of Accounting**

The financial statements of the Museum have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Cash and Cash Equivalents**

The Museum considers all highly liquid investments with a maturity of one year or less to be cash and cash equivalents, excluding those held for long-term investment. The Museum's cash accounts are maintained in two commercial banks located in Virginia, which, at times may exceed federally insured limits. The Museum has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash and cash equivalents.

**Inventory**

Inventory is stated at the lower of cost or net realizable value determined by the first-in, first-out method.

**Accounts Receivable**

Accounts receivable are reported at their net realizable value. At June 30, 2023 and 2022, accounts receivable totaled \$128 and \$583, respectively.

**Employee Retention Credit Receivable**

Employee retention credit receivable of \$897,250 at June 30, 2022, relates to a receivable for the Employee Retention Credit (ERC). The ERC, originally provided for within the CARES Act, is a refundable tax credit against certain employment taxes based on qualified wages paid to employees. The receivable, which represents the total amount of the ERC for the year ending June 30, 2022, was included in miscellaneous income on the statement of activities.

## Notes to Financial Statements

### Advertising

The Museum considers all advertising costs to be expensed as incurred. Inclusive of in-kind support, the total amount of advertising expensed during the years ended June 30, 2023 and 2022 was \$152,897 and \$163,797, respectively.

### Classification of Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Museum maintains the following funds:

#### **General Operating Fund**

Resources maintained in the General Operating Fund are used to meet the costs of providing the Museum's programs and supporting services.

#### **Operating Endowment Fund**

The Operating Endowment Fund consists of contributions classified as net assets with donor restrictions to be held in perpetuity. The income generated by endowment investments is restricted to support general operating expenditures.

#### **Capital Improvements Fund**

The Capital Improvements Fund consists of contributions classified as net assets with donor restrictions which must be used for capital expenditures.

#### **Collections and Exhibitions Fund**

The Collections and Exhibitions Fund consists of contributions classified as net assets with donor restrictions to be held in perpetuity. The income generated by endowment investments must be used to conserve objects in the collection, and/or to acquire collection pieces for the Museum, and/or be used for exhibitions.

## Notes to Financial Statements

### Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-19, “Revenue from Contracts with Customers (Topic 606).” Topic 606 supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605)” and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Museum adopted Topic 606 as of July 1, 2020. Analysis of various provisions of the standard resulted in no significant changes in the way the Museum recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis.

The Museum recognizes revenue in accordance with ASC Topic 606. This standard provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

#### Nature of Products and Services

Earned income, including admissions, educational programs, public and membership events and gift store and plant sales, are considered exchange transactions and are recognized at the point in time the goods and services are provided.

Membership payments received by the Museum are considered contributions as benefits are considered insubstantial. Membership revenue is recognized by the Museum when received.

#### Transaction Price

The transaction price is the amount of consideration to which the Museum expects to be entitled in exchange for transferring goods and services to the customer.

#### Contract Balances

Funds received by the Museum relating to revenue generating activities of future reporting periods are recorded as a contract liability (deferred revenue) on the statements of financial position and were \$147,845 and \$76,416 at June 30, 2023 and 2022, respectively. The Museum does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset as of June 30, 2023 or 2022.

### Property and Equipment

Property and equipment are stated at cost on the date of acquisition, or fair market value on the date of donation (in the case of gifts). Depreciation is computed on a straight-line basis over the estimated useful lives of the respective classes of property which range from 3 to 40 years. During the years ended June 30, 2023 and 2022, depreciation amounted to \$1,767,415 and \$1,715,067, respectively.

## Notes to Financial Statements

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Income Tax Status

The Museum is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Museum qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

### Collections

The collections, which were acquired through purchases and contributions since the Museum's inception, are not recognized as assets on the statements of financial position. Purchases of collection items are recorded as expenses in the year in which the items are acquired. Contributed collection items are not reflected on the financial statements. Forty percent of the proceeds from any deaccessions or insurance recoveries are designated by the Board of Directors for future purchases of collection items. Sixty percent of proceeds from deaccessions or insurance recoveries would be reflected as increases in the General Operating Fund designated for conservation of collection items. For the years ending June 30, 2023 and 2022, amounts designated for the Collection from deaccession sales were \$42,981 and \$6,543, respectively.

### Fair Value of Financial Instruments

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under the standards are described as follows:

Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through collaboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

## Notes to Financial Statements

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option-pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

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

For fiscal years ended June 30, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value.

### *Investments*

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

The carrying amounts of the Museum's financial instruments not described above arise in the ordinary course of business and approximate fair value.

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

## Notes to Financial Statements

### Schedule of Functional Expenses

The costs of providing program and other activities are summarized on a functional basis in the schedule of functional expenses. Certain costs have been allocated among program, management and general and fundraising. The methodology for allocation is as follows:

<u>Expense</u>	<u>Methodology</u>
Salaries and benefits	Time and effort
Depreciation	Square footage
Collections, conservation and exhibits	Direct
Marketing and promotion	Time and effort
Utilities	Square footage
Grounds maintenance	Square footage
Building maintenance	Square footage
Professional services	Time and effort
Security and other	Square footage
Insurance	Time and effort
Communications	Time and effort
Events and programs	Direct
Acquisitions	Direct
Printing	Direct
Museum store	Direct
Contributions and gifts	Direct
Office expense	Direct
Professional training and memberships	Time and effort
Interest	Direct
Other expenses	Direct
Conceptual land use and historic structures report	Time and effort
Meals	Time and effort
Education	Direct
Transportation	Time and effort
Lodging	Time and effort
Other maintenance	Direct
Bridal room supplies and decorations	Direct
Consultants	Direct
Reference and research materials	Direct

## Notes to Financial Statements

### Recently Adopted Accounting Pronouncement

In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Museum adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Museum has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Museum's historical accounting treatment under ASC Topic 840, Leases.

The Museum elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Museum does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Museum has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Museum determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Museum obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Museum also considers whether its service arrangements include the right to control the use of an asset.

The Museum made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Museum made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.



## Notes to Financial Statements

The Museum has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The non-lease components typically represent additional services transferred to the Museum, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 did not result in the recording of ROU assets and lease liabilities at July 1, 2022. The adoption of the new lease standard did not impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

### Note 2. Liquidity and Availability

The Museum had \$1,248,619 and \$680,479 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure. The Museum has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As of June 30, 2023 and 2022, the Museum had an additional \$2,500,000 remaining on the line of credit that could be made available for general expenditures within one year. (See Note 16)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30, 2023 and 2022:

	2023	2022
Financial assets, at year-end:		
Cash and cash equivalents	\$ 1,190,435	\$ - -
Accounts receivable	128	583
Employee Retention Credit receivable	- -	897,250
Pledges receivable, net	2,812,700	25,433
Investments	10,020,513	8,789,441
Total financial assets	\$ 14,023,776	\$ 9,712,707
Less amounts not available to be used within one year:		
Restricted by donors for purpose	\$ 4,035,002	\$ 294,736
Endowment	9,974,287	8,847,032
	\$ 14,009,289	\$ 9,141,768
Restricted gifts spent on construction projects not yet placed in service	\$ 1,120,245	\$ - -
Appropriated according to Operating Endowment spending policy	\$ 113,887	\$ 109,540
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,248,619	\$ 680,479

## Notes to Financial Statements

The Museum historically has appropriated a portion of the Collections and Exhibitions Endowment each year to fund acquisitions of collection items and operating expenses of the collections and exhibitions departments according to the Collections and Exhibitions Endowment spending policy. The Museum has approved to transfer \$380,704 from the Collections and Exhibitions Endowment during fiscal year ending June 30, 2024.

### Note 3. Investments

The Museum's investments at June 30, 2023 and 2022 consisted of the following types of securities valued at their fair market values.

	<b>2023</b>		
	<b>Historical Cost</b>	<b>Fair Market Value</b>	<b>Unrealized Appreciation (Depreciation)</b>
Cash and Money Mutual Funds	\$ 457,700	\$ 457,700	\$ --
Equities	4,957,351	7,047,404	2,090,053
Fixed Income	326,294	310,635	(15,659)
Corporate Bonds	2,387,312	2,199,774	(187,538)
Debt Securities	5,000	5,000	--
	<u>\$ 8,133,657</u>	<u>\$ 10,020,513</u>	<u>\$ 1,886,856</u>
	<b>2022</b>		
	<b>Historical Cost</b>	<b>Fair Market Value</b>	<b>Unrealized Appreciation (Depreciation)</b>
Cash and Money Mutual Funds	\$ 398,731	\$ 398,731	\$ --
Equities	5,484,717	5,653,337	168,620
Treasury Bonds	326,294	316,095	(10,199)
Corporate Bonds	2,593,090	2,416,278	(176,812)
Debt Securities	5,000	5,000	--
	<u>\$ 8,807,832</u>	<u>\$ 8,789,441</u>	<u>\$ (18,391)</u>

## Notes to Financial Statements

### Note 4. Property and Equipment

Property and equipment consisted of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Building	\$ 19,315,109	\$ 19,315,109
Equipment	286,107	295,059
Office equipment	230,992	252,193
Furniture and fixtures	1,042,769	1,026,488
Software	105,591	108,569
Vehicles	76,480	60,580
Leasehold improvements	21,635,416	21,527,923
Construction in progress	1,887,143	385,772
	<u>\$ 44,579,607</u>	<u>\$ 42,971,693</u>
Less accumulated depreciation	<u>(16,801,924)</u>	<u>(15,117,002)</u>
	<u>\$ 27,777,683</u>	<u>\$ 27,854,691</u>

### Note 5. Other Assets

During fiscal year ended June 30, 2013, the Museum began to prepare a Master Plan. The Museum has incurred costs related to preliminary site evaluations and building plans, which were made for the purpose of evaluating future projects defined as the Master Plan. If any portion of the project is ever abandoned, it will be expensed as feasibility studies in that period.

Phase One of the Master Plan includes renovations of the Glen Burnie manor house, surrounding gardens and grounds, and certain renovations at the Museum building. In prior years, the cost of the Master Plan was placed in service ratably as each of the four phases of construction included in the plan were completed. Phase One of the Master Plan is complete and has been placed in service, however, during fiscal year ended June 30, 2017, the MSV has determined that portions of the remaining phases included in the overall Master Plan may require a 10-year time horizon for completion. In fiscal years ended June 30, 2023 and 2022, \$23,104 and \$23,102 of the remaining balance of the cost of the Master Plan was expensed, respectively.

### Note 6. Commitments Under Cooperative Agreement and Leases

The Museum has entered into a cooperative agreement and lease dated May 13, 2013 with the Glass-Glen Burnie Foundation (the Foundation) whereby the Museum agrees to manage certain real property in Winchester, Virginia owned by the Foundation known as Glen Burnie, Rose Hill, Middle Road Properties, and the Hexagon House. The Museum has entered into an operating lease for the real property with future minimum annual lease payments of ten dollars per annum with a 25-year lease period. The Museum has the right to exercise this option to renew in multiple instances up to a maximum term, including renewals, of 50 years. This lease requires the Museum to pay certain costs of maintenance, insurance, taxes and utilities. Leasehold improvements to the property are capitalized and depreciated over the lesser of their estimated useful life or the remaining lease term.

## Notes to Financial Statements

The Foundation entered into a Deed of Easement dated June 30, 2013 with the City of Winchester for the grantee (City) to obtain a permanent easement for construction of a portion of the Green Circle on the Museum's Campus.

The Foundation entered into a perpetual Deed of Easement dated July 31, 2018 with the Frederick County School Board for the Foundation (grantee) to obtain a sanitary sewer easement on property owned by the Frederick County School Board (grantor) for the purposes of installing, constructing, operating, maintaining, repairing, or altering a private sanitary sewer line, consisting of pipes and appurtenances for the transmission of sewer through, upon, and across a portion of the grantors land.

The Foundation and the Museum entered into a Deed of Easement (Trail Easement) dated February 6, 2019 with the City of Winchester whereby the parties agree to develop a network of walking trails for public use upon a portion of land owned by the Glass Glen Burnie Foundation subject to the terms of a Memorandum of Understanding (MOU) dated February 6, 2019. The Foundation, the Museum, and the City of Winchester agreed to a MOU regarding the MSV trail network to construct a portion of the trail for the enjoyment of the general public. The MSV is responsible for the maintenance of the trails and operation of the trails. The trails were placed in service as construction phases were completed in the fiscal year ended June 30, 2021.

The Glass-Glen Burnie Museum, Inc. and the Glass-Glen Burnie Foundation entered into an agreement dated May 5, 2015 (subsequently amended on August 10, 2015) with the County of Frederick, Virginia allowing the Museum to sublease 7.7 acres of the real property known as Rose Hill to the County for recreational purposes for the general public for an annual sum of \$1 for a term of 50 years. The Foundation was required to construct and maintain an access road, parking lot, entrance gate, and interpretive signage within two years of signing the contract. The project was completed by the Museum during the year ended June 30, 2017. The County agreed to construct and maintain certain recreation amenities including trails, a picnic shelter and play areas, and to open and close the area each day. Further, the Glass-Glen Burnie Museum, Inc. and the Glass-Glen Burnie Foundation agree to allow the County to provide restrooms in a mutually agreed upon location in the general vicinity of the parking area with structural maintenance and utility costs associated with the restrooms the responsibility of the County.

The Museum entered into an occupancy agreement with the Executive Director beginning October 1, 2014 for the Executive Director to occupy the Rose Hill Farm as a personal residence. The Museum agrees to pay utilities, telephone, cable television, property taxes, monthly security monitoring costs, and property and liability insurance. The Executive Director agrees to pay the Museum \$1,000 per month, while agreeing to the day-to-day care of the historic house, serving as onsite security for the property, oversight of the installation of the adjacent Rose Hill park in collaboration with Frederick County Parks and Recreation at no additional costs to the Museum, and entertaining in the house as part of fundraising duties.

In August 2020, the MSV signed two Memorandums of Understanding entering into partnership with two area farmers to utilize farmland at Rose Hill and property adjacent to the MSV for five years. The farmland will be used for cattle grazing and hay production.

## Notes to Financial Statements

On October 14, 2019, the Museum entered into a memorandum of understanding regarding extension of the MSV trail network onto the lands of the Handley Board of Trustees (Handley Trust) pursuant to a license agreement for trail easement. The license agreement for trail easement was signed on October 11, 2019 by the Handley Trust, The Winchester Public School Board, and the City of Winchester for land containing 15.815 acres owned by the Handley Board of Trustees. The trail easement terminates October 11, 2039. The memorandum of understanding sets forth agreed upon terms with respect to the development and maintenance of the extension of the MSV trail network onto a portion of the Handley Trust parcel.

### Note 7. Pledges

The Museum had outstanding pledges receivable of \$2,812,700 and \$25,433 at June 30, 2023 and 2022, respectively, categorized as follows:

	<b>2023</b>	<b>2022</b>
General fund	\$ 41,463	\$ 13,188
Master plan phase two	<u>2,771,237</u>	<u>12,245</u>
	<u><u>\$ 2,812,700</u></u>	<u><u>\$ 25,433</u></u>

The outstanding pledges are due as follows:

	<b>2023</b>	<b>2022</b>
Within one year	\$ 791,463	\$ 25,433
Within one to five years	<u>2,250,000</u>	<u>- -</u>
	\$ 3,041,463	\$ 25,433
Less: present value component	<u>(228,763)</u>	<u>- -</u>
	<u><u>\$ 2,812,700</u></u>	<u><u>\$ 25,433</u></u>

Discount rate was 3.25% for the year ended June 30, 2023. There was no bad debt expense for the years ended June 30, 2023 and 2022.

During the year ending June 30, 2023, the Glass-Glen Burnie Foundation pledged \$4,000,000 for the trail master plan. Payments on this pledge of \$1,000,000 were received during the year ended June 30, 2023. The remaining outstanding balance, net of present value discount, is included in outstanding pledges receivable for Master Plan Phase Two at June 30, 2023.

## Notes to Financial Statements

### Note 8. Retirement Plan

The Museum has a Defined Contribution Retirement Plan which covers all employees who have completed one year of service to the Museum. The Museum contributes 5% of annual compensation. The Museum contributed \$90,238 and \$92,068 to the plan for the years ended June 30, 2023 and 2022, respectively.

The Museum has established a Tax-Deferred Annuity (TDA) Plan under Section 403(b) of the Internal Revenue Code. The plan allows employees to defer a portion of their compensation. Such deferrals accumulate on a tax-deferred basis until the employee withdraws the funds. Employees are eligible to participate immediately upon employment. The Museum did not make any contributions to this plan during the years ended June 30, 2023 and 2022.

### Note 9. Investment Return, Net

Investment return, net consisted of the following for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 163,265	\$ 88,018
Realized and unrealized gain (loss)	1,665,965	(1,882,661)
Investment fees	<u>(57,742)</u>	<u>(68,524)</u>
	<u>\$ 1,771,488</u>	<u>\$ (1,863,167)</u>

### Note 10. Revenue Source Concentration

The Glass-Glen Burnie Foundation is the parent-organization of the Museum and by agreement, provides a significant source of income to the Museum. If this revenue source were to cease or be reduced, it would significantly affect the Museum's operations.

### Note 11. Related Parties

Three members of the Board and two members of a Board Committee are affiliated with banks which the Museum utilizes for investment and deposit accounts. The Museum has a line of credit with a bank of which two Board members and two Board Committee members are affiliated.

The Museum (property manager) entered into sublease agreements with two non-profit organizations, Preservation of Historic Winchester (lessee) and Shenandoah Arts Council, Inc. (lessee) for the rental of the building known as the Hexagon House. The Hexagon House is owned by the Glass-Glen Burnie Foundation. The Museum has valued the in-kind rental of the house for the years ended June 30, 2023 and 2022 at \$30,000 and \$24,561, respectively. This value includes consideration of the square foot rental value and the Museum's obligation under the lease to provide year-round grounds maintenance, including mowing, water and sewer service, insurance, taxes and structural maintenance.

## Notes to Financial Statements

During fiscal years ended June 30, 2023 and 2022, the Museum utilized the services of a construction company which employs a member of a Board Committee. Payments to this company were \$1,281,045 and \$305 for fiscal years ended June 30, 2023 and 2022, respectively. The Museum continues to work with this company for design development services.

During fiscal years ended June 30, 2023 and 2022, the Museum utilized the services of an architectural firm which employs two members of a Board Committee. Payments to this firm were \$22,929 and \$99,922 for fiscal years ended June 30, 2023 and 2022, respectively.

During fiscal years ended June 30, 2023 and 2022, the Museum utilized the services of a landscape design and architectural firm which is owned by a member of a Board Committee. Payments to this firm were \$15,048 and \$40,679 for fiscal years ended June 30, 2023 and 2022, respectively.

During fiscal years ended June 30, 2023 and 2022, the Museum utilized an engineering firm affiliated with a member of the Board. Payments to this firm were \$0 and \$73,405 for the fiscal years ended June 30, 2023 and 2022, respectively.

During fiscal years ended June 30, 2023 and 2022, the Museum utilized an engineering firm which employs a member of a Board Committee. Payments to this firm were \$80,882 and \$43,182 for fiscal years ended June 30, 2023 and 2022, respectively. Additionally, the engineering firm donated gift in kind services of \$14,462 and \$9,563 for the fiscal years ended June 30, 2023 and 2022, respectively.

During fiscal years ended June 30, 2023 and 2022, the Museum utilized a media company which employs a member of a Board Committee. Payments to this company were \$27,979 and \$20,040 for fiscal years ended June 30, 2023 and 2022, respectively. Additionally, the media company donated gift in kind services of \$56,148 and \$57,787 for the fiscal years ended June 30, 2023 and 2022, respectively.

During fiscal years ended June 30, 2023 and 2022, the Museum utilized the services of a printing business which employes a member of a Board Committee. Payments to this business were \$105,537 and \$111,343 for fiscal years ended June 30, 2023 and 2022, respectively. Additionally, the printing business donated gift in kind services of \$4,956 and \$0 for the fiscal years ended June 30, 2023 and 2022, respectively.

## Notes to Financial Statements

### Note 12. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Subject to expenditure for specified purpose:		
General operating	\$ 101,508	\$ 220,792
Capital projects	3,933,494	73,944
	\$ 4,035,002	\$ 294,736
Endowments:		
Operating	\$ 2,156,395	\$ 2,156,395
Miniature care and maintenance	50,000	50,000
Collections and exhibitions	4,549,593	4,549,593
	\$ 6,755,988	\$ 6,755,988
Subject to endowment spending policy and appropriation:		
Operating	\$ 177,160	\$ --
Collections and exhibitions	3,041,139	2,091,044
	\$ 3,218,299	\$ 2,091,044
Less: Underwater endowment	\$ --	\$ (103,817)
Total endowments	\$ 9,974,287	\$ 8,743,215
Total net assets with donor restrictions	\$ 14,009,289	\$ 9,037,951

### Note 13. Net Assets Released from Restrictions

Net assets during the years ended June 30, 2023 and 2022 were released from donor restrictions by incurring expenses satisfying the restrictions or by the occurrence of other events specified by donors, and were as follows:

	<b>2023</b>	<b>2022</b>
Satisfaction of purpose restrictions:		
General operating	\$ 163,184	\$ 182,974
Capital projects	196,835	449,642
	\$ 360,019	\$ 632,616
Subject to endowment spending policy and appropriation:		
Operating	\$ 109,536	\$ 105,768
Collections and exhibitions	389,861	1,332,716
	\$ 499,397	\$ 1,438,484
Total net assets released from restrictions	\$ 859,416	\$ 2,071,100



## Notes to Financial Statements

### Note 14. Commitments

The Museum has entered into several agreements for loan exhibitions, artwork along the trails, conservation of collection items, and a light show in the gardens. Payments on these commitments are due upon satisfactory completion of deliverables. As of June 30, 2023, outstanding commitments totaled \$412,535.

The Museum entered into a construction contract for ongoing services for the Master Plan Phase 2C. The contract was signed on February 3, 2023 with fees billed as services are rendered at agreed upon rates. As of June 30, 2023, outstanding commitments totaled \$966,795. Subsequent to year end on August 21, 2023, a change order for \$1,749,365 was signed (see Note 22).

### Note 15. Fair Value of Financial Instruments

The following table presents the balance of financial assets measured at fair value on a recurring basis as of June 30, 2023 and 2022:

	<u>Balance as of June 30, 2023</u>	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Levels (Level 2)</u>	<u>Significant Other Unobservable Levels (Level 3)</u>
Investments	\$ 10,020,513	\$ 10,020,513	\$ --	\$ --
		<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Levels (Level 2)</u>	<u>Significant Other Unobservable Levels (Level 3)</u>
	<u>Balance as of June 30, 2022</u>	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Levels (Level 2)</u>	<u>Significant Other Unobservable Levels (Level 3)</u>
Investments	\$ 8,789,441	\$ 8,789,441	\$ --	\$ --

### Note 16. Line of Credit and Note Payable

During the year ended June 30, 2017, the Museum obtained an available line of credit of \$2,500,000 with an interest rate of 3.375%. The line of credit matured on March 23, 2022. During the year ended June 30, 2022, the line of credit was renewed with an interest rate of 3.25% and matures on March 23, 2027. The line of credit is collateralized by a portion of the overall market value of the Collections and Exhibitions Endowment investment account (see Note 18). There was no outstanding balance at June 30, 2023 and 2022.

During the year ended June 30, 2019, the Museum entered into a note payable agreement for the purchase of equipment. The terms of the agreement require monthly payments of \$569 with 0% interest until August 2023. The outstanding balance was \$569 and \$7,970 as of June 30, 2023 and 2022, respectively.

Future maturities on the note payable are: 2024, \$569.

## Notes to Financial Statements

### Note 17. Paycheck Protection Program Loan

On February 24, 2021, the Museum received a second loan of \$517,711 under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the United States Small Business Administration (SBA). The loan accrues interest at 1% with a maturity two years from the date of the loan. The Museum was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government. As of June 30, 2022, the loan and accrued interest had been formally forgiven. This amount was recognized as grant revenue on the statement of activities for the year ended June 30, 2022.

### Note 18. Endowments

The Museum's endowment consists of two funds: the Collections and Exhibitions Endowment established to provide for collections and exhibitions as well as related program expenditures; and the Operating Endowment for support of day-to-day operations. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted state law as requiring the preservation of the value of the original gift (corpus) of the perpetual donor-restricted endowment funds. The net appreciation (realized and unrealized) is classified as net assets with donor restrictions until appropriated for expenditure according to the Museum's spending policy.

The Museum has adopted an investment policy. The investment objective is to provide long-term growth of capital, consistent with its preservation, and to provide sufficient income to guarantee excellence in the Museum's standard of operation as well as the conservation and interpretation of its collection.

The Board of Directors has adopted a spending policy which uses a calculation based on the average market value at the end of the preceding five calendar years. The Board approves the annual spending rate each year upon approval of the annual budget. The approved annual spending rate for the year ended June 30, 2023 was 4.5% for the General Operating Endowment and 4.75% for the Collections and Exhibitions Endowment.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). At June 30, 2023, there were no underwater endowments. At June 30, 2022, there was one underwater endowment fund with an original gift value of \$2,206,395, fair value of \$2,102,578 and a deficiency of \$103,817.

During the year ended June 30, 2017, a portion of the overall market value of the Collections and Exhibitions Endowment investment account has been pledged as collateral for a commercial line of credit of \$2,500,000. The initial amount pledged was \$4,166,667 which represents a 60% loan to value. The loan to value ratio is measured quarterly and shall not exceed 80%. In the event the collateral value fails to support the 80% ratio, the Museum will be required to reduce the loan amount or pledge additional collateral to maintain the 80% ratio.

## Notes to Financial Statements

Changes in endowment net assets for the years ending June 30, 2023 and 2022 were as follows:

	<b>Net Assets With Donor Restrictions</b>
Endowment net assets, June 30, 2021	\$ 12,030,554
Investment return, net	(1,862,945)
Contributions	14,090
Appropriation of endowment assets for expenditure	(1,438,484)
Endowment net assets, June 30, 2022	\$ 8,743,215
Investment return, net	1,730,469
Contributions	-
Appropriation of endowment assets for expenditure	(499,397)
Endowment net assets, June 30, 2023	\$ 9,974,287

### Note 19. Contributions of Nonfinancial Assets

Contributed nonfinancial assets include donated property and equipment, advertising, construction services, professional services, and other in-kind contributions which are recorded at the respective fair values of the good or services received. Contributed goods are recorded at fair value at the date of donation.

In addition to contributed nonfinancial assets, many individuals volunteer their time and perform a variety of tasks; 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.

During the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included the following:

	<b>2023</b>	<b>2022</b>
Buildings, improvements and equipment	\$ 48,335	\$ 381,991
Advertising	38,224	57,787
Construction services	10,310	12,063
Professional services and other	49,675	35,105
	\$ 146,544	\$ 486,946

## Notes to Financial Statements

The estimated fair value of buildings, improvements and equipment for the years ended June 30, 2023 and 2022 was \$48,335 and \$381,991, respectively, and is based on the contract value for newly constructed assets or net book value in the case of other items. Buildings, improvements and equipment totaling \$379,957, were contributed by the Glass-Glen Burnie Foundation during the year ended June 30, 2022.

The estimated fair value of advertising for the years ended June 30, 2023 and 2022 was \$38,224 and \$57,787, respectively, and represents the value of the services determined by the donor.

The estimated fair value of construction services at the date of receipt for the years ended June 30, 2023 and 2022 was \$10,310 and \$12,063, respectively, and represents the value of the services based on invoiced amounts from the contractor.

The estimated fair value of professional services and other for the years ended June 30, 2023 and 2022 was \$49,675 and \$35,105, respectively, and represents the value of the services determined by the donor.

Buildings, improvements and equipment of \$32,435 and \$339, are subject to donor-imposed restrictions and are included in net assets with donor restrictions on the statement of activities for the years ended June 30, 2023 and 2022, respectively. Construction services of \$7,810 are subject to donor-imposed restrictions and are included in net assets with donor restrictions on the statement of activities for the year ended June 30, 2023. Other contributions of \$216 are subject to donor-imposed restrictions and are included in net assets with donor restrictions on the statement of activities for the year ended June 30, 2022. Other contributed nonfinancial assets did not have donor-imposed restrictions.

## Notes to Financial Statements

### Note 20. Schedule of Functional Expenses

Expenses by natural and functional classifications for the years ended June 30, 2023 and 2022 are as follows:

	2023			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 2,304,286	\$ 308,952	\$ 183,343	\$ 2,796,581
Depreciation	1,463,239	181,217	122,959	1,767,415
Collections, conservation and exhibits	282,135	--	--	282,135
Marketing and promotion	145,926	6,971	--	152,897
Utilities	209,854	6,378	4,242	220,474
Grounds maintenance	171,693	4,257	2,838	178,788
Building maintenance	148,069	4,411	2,941	155,421
Professional services	104,770	71,187	16,182	192,139
Security and other	181,384	5,708	3,804	190,896
Insurance	91,551	19,374	8,136	119,061
Communications	82,806	8,536	17,494	108,836
Events and programs	80,591	--	63,577	144,168
Acquisitions	518,000	--	--	518,000
Printing	62,346	2,538	20,384	85,268
Museum store	109,616	--	--	109,616
Contributions and gifts	399	45,350	1,259	47,008
Office expense	31,008	15,787	5,189	51,984
Professional training and memberships	28,175	16,595	3,898	48,668
Interest	--	2,720	--	2,720
Other expenses	26,604	8,775	10,939	46,318
Conceptual land use and historic structures report	23,104	--	--	23,104
Meals	1,917	8,290	17,344	27,551
Education	20,276	--	--	20,276
Transportation	8,745	3,426	3,730	15,901
Lodging	724	1,774	1,072	3,570
Other maintenance	9,595	615	202	10,412
Bridal room supplies and decorations	3,704	--	756	4,460
Consultants	1,225	1,600	1,450	4,275
Reference and research materials	431	521	486	1,438
Total expenses	<u>\$ 6,112,173</u>	<u>\$ 724,982</u>	<u>\$ 492,225</u>	<u>\$ 7,329,380</u>

## Notes to Financial Statements

	2022			
	Program	Management and General	Fundraising	Total
Salaries and benefits	\$ 2,233,179	\$ 316,022	\$ 195,040	\$ 2,744,241
Depreciation	1,412,872	170,355	131,840	1,715,067
Collections, conservation and exhibits	167,337	1,881	--	169,218
Marketing and promotion	161,882	1,915	--	163,797
Utilities	200,718	8,608	4,096	213,422
Grounds maintenance	227,255	3,256	2,170	232,681
Building maintenance	133,962	3,756	2,504	140,222
Professional services	95,936	36,513	19,981	152,430
Security and other	164,826	5,191	3,461	173,478
Insurance	85,071	18,598	8,189	111,858
Communications	81,922	7,512	14,428	103,862
Events and programs	54,490	--	53,259	107,749
Acquisitions	83,681	--	--	83,681
Printing	58,802	2,339	18,760	79,901
Museum store	105,917	--	--	105,917
Contributions and gifts	270	28,149	4,567	32,986
Office expense	20,297	10,437	1,872	32,606
Professional training and memberships	31,981	6,154	5,182	43,317
Interest	--	6,625	--	6,625
Other expenses	15,048	9,839	11,773	36,660
Conceptual land use and historic structures report	21,504	2,863	1,777	26,144
Meals	1,191	6,071	17,900	25,162
Education	14,886	--	--	14,886
Transportation	871	2,506	3,032	6,409
Lodging	357	382	716	1,455
Other maintenance	10,641	561	313	11,515
Bridal room supplies and decorations	3,892	--	302	4,194
Consultants	1,441	--	1,743	3,184
Reference and research materials	144	401	86	631
Total expenses	\$ 5,390,373	\$ 649,934	\$ 502,991	\$ 6,543,298

### Note 21. Master Plan

In fiscal year ended June 30, 2014, the Museum Board approved the Master Plan which will serve as a guide for the next ten years. Divided into phases, the MSV's Master Plan approaches the site holistically, with careful consideration and stewardship of resources, capacity building and with it responsible growth to develop a cohesive campus. This plan addresses many of these opportunities and re-emphasizes the need to build for the future while establishing relevance and meaning with our core audiences. While the entire plan has been fully evaluated for construction costs in today's market, the plan creates a flexible framework to guide the future physical development of the campus as funding and needs prescribe.

Phase One of the Master Plan (Stewardship and full utilization of what we already have) was fully-funded and construction is complete.

Phase Two of the Master Plan is organized into six incremental projects (A-F).

On June 11, 2018, the Museum entered into an agreement with a contractor for the construction of Phase 2A to include a new entrance roadway, service road, event lawn, expanded paver parking lot, trailheads, landscaping, fencing, and utility infrastructure. The contract sum inclusive of all change orders, was \$5,335,925 with final payment made in July 2019 upon completion of the project.

## Notes to Financial Statements

In support of Phase 2B of the MSV's Master Plan, on October 24, 2017, the City of Winchester Common Council supported application to the Virginia Department of Transportation (VDOT) Fiscal Year 2019 Revenue Sharing Program for funds of \$2,082,408 (\$1,041,204 state match and \$1,041,204 local match) for the Museum's recreation trails included in Phase 2B of the Master Plan. Subsequently, the City of Winchester was notified of revenue sharing funds in fiscal year 2020 of \$185,366 (\$92,683 state match and \$92,683 local match). Additionally, the City of Winchester and the Commonwealth of Virginia Department of Transportation entered into a Standard Project Administration Agreement (Federal-aid Projects) dated February 12, 2018 for scope of work including connection of the Museum's trail to the Green Circle trail from the Museum's entrances for a total project cost of \$312,500, of which the Virginia Department of Transportation will provide maximum funding of \$250,000 and the locality shall provide \$62,500. In summary, awards for the trails network totaled \$2,580,274 inclusive of matching funds required by the Museum of \$1,196,387. This project, Master Plan Phase 2B has been bid and managed by the City, with the Museum's contractor serving as the Museum's agent. Upon receipt of the final billing from the City of Winchester, the Museum was assessed an additional fee of \$33,291. The trails were placed in service as construction was completed in fiscal year ended June 30, 2021.

During fiscal year ended June 30, 2023, the City of Winchester approved the site plan application for the Master Plan Phase 2C. This phase includes five distinct sub-phases. The first sub-phase includes the expansion of infrastructure, ADA compliant trails from the parking lots through the trails, boardwalk and silo, revised silo trail and access, trail at the new entrance alongside the main roadway, patio and trailhead expansion, new service road behind the galleries building, fencing, completion of Bullough Treehouse and ADA pathway, and silo trailhead pavilion with art installation.

The second sub-phase of the Master Plan Phase 2C includes a horticulture and facilities center, greenhouse, hoop house, potting shed, 4-bay garages, workshop and storage building, garden staff office, root cellar, run-in shed, and two single public ADA restrooms for daily use when the trails are open.

The third sub-phase of the Master Plan Phase 2C includes renovations of the MSV galleries building first floor restrooms, infrastructure and programming improvements to the galleries building, safety and lighting improvements, and collections storage renovations with installation of compact storage system.

### **Note 22. Subsequent Events**

On August 21, 2023, a change order of \$1,749,365 for the Master Plan Phase 2C project was signed. Additional payments of \$1,375,030 on the contract were made subsequent to year end. As of December 11, 2023, the outstanding contract balance was \$1,341,131.

Subsequent to year end, the Museum borrowed \$650,000 on the line of credit. As of December 11, 2023, the line of credit has an outstanding balance of \$650,000.

The Museum has evaluated all subsequent events through December 11, 2023, the date the financial statements were available to be issued. The Museum has determined there are no additional subsequent events that require recognition or disclosure.



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## **INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Glass-Glen Burnie Museum, Inc.  
DBA: The Museum of the Shenandoah Valley  
Winchester, Virginia

We have audited the financial statements of Glass-Glen Burnie Museum, Inc. DBA: The Museum of the Shenandoah Valley as of and for the years ended June 30, 2023 and 2022, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Yount, Hyde & Barbour, P.C.*

Winchester, Virginia  
December 11, 2023



**GLASS-GLEN BURNIE MUSEUM, INC.**  
**DBA: THE MUSEUM OF THE SHENANDOAH VALLEY**

**Statement of Financial Position (Fund Basis)**

June 30, 2023

(See Independent Auditor's Report on the Supplementary Information)

	<b>General Operating Fund</b>	<b>Operating Endowment Fund</b>	<b>Capital Improvements Fund</b>	<b>Collections and Exhibitions Fund</b>	<b>Total All Funds</b>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 978,068	\$ --	\$ 212,367	\$ --	\$ 1,190,435
Accounts receivable	128	--	--	--	128
Prepaid expenses	347,147	--	--	--	347,147
Pledges receivable, net	41,463	--	750,000	--	791,463
Inventory	8,705	--	--	--	8,705
Total current assets	<u>\$ 1,375,511</u>	<u>\$ --</u>	<u>\$ 962,367</u>	<u>\$ --</u>	<u>\$ 2,337,878</u>
<b>Noncurrent Assets</b>					
Pledges receivable, net	\$ --	\$ --	\$ 2,021,237	\$ --	\$ 2,021,237
Investments	46,226	2,383,555	--	7,590,732	10,020,513
Property and equipment, net of accumulated depreciation	25,894,080	--	1,883,603	--	27,777,683
Other assets	69,313	--	--	--	69,313
Total noncurrent assets	<u>\$ 26,009,619</u>	<u>\$ 2,383,555</u>	<u>\$ 3,904,840</u>	<u>\$ 7,590,732</u>	<u>\$ 39,888,746</u>
Total assets	<u>\$ 27,385,130</u>	<u>\$ 2,383,555</u>	<u>\$ 4,867,207</u>	<u>\$ 7,590,732</u>	<u>\$ 42,226,624</u>
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 112,115	\$ --	\$ 670,944	\$ --	\$ 783,059
Accrued expenses	214,411	--	--	--	214,411
Note payable, current portion	569	--	--	--	569
Deferred revenue	147,845	--	--	--	147,845
Total current liabilities	<u>\$ 474,940</u>	<u>\$ --</u>	<u>\$ 670,944</u>	<u>\$ --</u>	<u>\$ 1,145,884</u>
<b>Net Assets</b>					
Without donor restrictions	\$ 26,808,682	\$ --	\$ 262,769	\$ --	\$ 27,071,451
With donor restrictions	101,508	2,383,555	3,933,494	7,590,732	14,009,289
Total net assets	<u>\$ 26,910,190</u>	<u>\$ 2,383,555</u>	<u>\$ 4,196,263</u>	<u>\$ 7,590,732</u>	<u>\$ 41,080,740</u>
Total liabilities and net assets	<u>\$ 27,385,130</u>	<u>\$ 2,383,555</u>	<u>\$ 4,867,207</u>	<u>\$ 7,590,732</u>	<u>\$ 42,226,624</u>

**GLASS-GLEN BURNIE MUSEUM, INC.**  
**DBA: THE MUSEUM OF THE SHENANDOAH VALLEY**

**Statement of Activities (Fund Basis)**

For the Year Ended June 30, 2023

(See Independent Auditor's Report on the Supplementary Information)

	<u>General Operating Fund</u>	<u>Operating Endowment Fund</u>	<u>Capital Improvements Fund</u>	<u>Collections and Exhibitions Fund</u>	<u>Total All Funds</u>
<b>Support, Revenue and Gains (Losses)</b>					
Contributions:					
Glass-Glen Burnie Foundation	\$ 3,307,000	\$ --	\$ 3,875,480	\$ --	\$ 7,182,480
Memberships	242,766	--	--	--	242,766
Grants	20,900	--	--	--	20,900
Contributions of nonfinancial assets	106,299	--	40,245	--	146,544
Other contributions	579,226	--	140,660	(533)	719,353
Total contributions	<u>\$ 4,256,191</u>	<u>\$ --</u>	<u>\$ 4,056,385</u>	<u>\$ (533)</u>	<u>\$ 8,312,043</u>
Earned income:					
Admissions	\$ 241,426	\$ --	\$ --	\$ --	\$ 241,426
Educational programs	51,914	--	--	--	51,914
Gift store sales	188,131	--	--	--	188,131
Plant sales	46,373	--	--	--	46,373
Development and membership events	70	--	--	--	70
Public events	100,045	--	--	--	100,045
Total earned income	<u>\$ 627,959</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 627,959</u>
Other revenue and gains (losses):					
Investment return, net	\$ 41,019	\$ 390,513	\$ --	\$ 1,339,956	\$ 1,771,488
(Loss) on disposal of property and equipment	(2,005)	--	--	--	(2,005)
Miscellaneous income	46,028	--	--	--	46,028
Special property use	88,229	--	--	--	88,229
Total other revenue and gains (losses)	<u>\$ 173,271</u>	<u>\$ 390,513</u>	<u>\$ --</u>	<u>\$ 1,339,956</u>	<u>\$ 1,903,740</u>
Total support, revenue and gains (losses)	<u>\$ 5,057,421</u>	<u>\$ 390,513</u>	<u>\$ 4,056,385</u>	<u>\$ 1,339,423</u>	<u>\$ 10,843,742</u>

**GLASS-GLEN BURNIE MUSEUM, INC.**  
**DBA: THE MUSEUM OF THE SHENANDOAH VALLEY**

**Statement of Activities (Fund Basis)**  
(Continued)

For the Year Ended June 30, 2023

(See Independent Auditor's Report on the Supplementary Information)

	<b>General Operating Fund</b>	<b>Operating Endowment Fund</b>	<b>Capital Improvements Fund</b>	<b>Collections and Exhibitions Fund</b>	<b>Total All Funds</b>
<b>Expenses</b>					
Salaries and benefits	\$ 2,796,581	\$ --	\$ --	\$ --	\$ 2,796,581
Depreciation	1,767,415	--	--	--	1,767,415
Collections, conservation and exhibits	280,635	--	1,500	--	282,135
Marketing and promotion	152,897	--	--	--	152,897
Utilities	220,474	--	--	--	220,474
Grounds maintenance	130,788	--	48,000	--	178,788
Building maintenance	155,421	--	--	--	155,421
Professional services	191,771	--	368	--	192,139
Security and other	190,896	--	--	--	190,896
Insurance	119,061	--	--	--	119,061
Communications	108,836	--	--	--	108,836
Events and programs	144,168	--	--	--	144,168
Acquisitions	518,000	--	--	--	518,000
Printing	85,268	--	--	--	85,268
Museum store	109,616	--	--	--	109,616
Contributions and gifts	47,008	--	--	--	47,008
Office expense	51,984	--	--	--	51,984
Professional training and memberships	48,668	--	--	--	48,668
Interest	2,720	--	--	--	2,720
Other expenses	39,823	--	6,495	--	46,318
Conceptual land use and historic structures report	23,104	--	--	--	23,104
Meals	27,551	--	--	--	27,551
Education	20,276	--	--	--	20,276
Transportation	15,901	--	--	--	15,901
Lodging	3,252	--	318	--	3,570
Other maintenance	10,412	--	--	--	10,412
Bridal room supplies and decorations	4,460	--	--	--	4,460
Consultants	4,275	--	--	--	4,275
Reference and research materials	1,438	--	--	--	1,438
Total expenses	<u>\$ 7,272,699</u>	<u>\$ --</u>	<u>\$ 56,681</u>	<u>\$ --</u>	<u>\$ 7,329,380</u>

**GLASS-GLEN BURNIE MUSEUM, INC.**  
**DBA: THE MUSEUM OF THE SHENANDOAH VALLEY**

**Statement of Activities (Fund Basis)**

(Continued)

For the Year Ended June 30, 2023

(See Independent Auditor's Report on the Supplementary Information)

	<u>General Operating Fund</u>	<u>Operating Endowment Fund</u>	<u>Capital Improvements Fund</u>	<u>Collections and Exhibitions Fund</u>	<u>Total All Funds</u>
Change in net assets	\$ (2,215,278)	\$ 390,513	\$ 3,999,704	\$ 1,339,423	\$ 3,514,362
<b>Other Changes in Net Assets</b>					
Transfers for:					
Capital expenditures	(788,415)	--	788,415	--	--
General operations	109,536	(109,536)	--	--	--
Collections and exhibitions	<u>389,328</u>	<u>--</u>	<u>--</u>	<u>(389,328)</u>	<u>--</u>
<b>Change in net assets</b>	<u>\$ (2,504,829)</u>	<u>\$ 280,977</u>	<u>\$ 4,788,119</u>	<u>\$ 950,095</u>	<u>\$ 3,514,362</u>
<b>Net Assets, beginning of year</b>	<u>\$ 29,415,019</u>	<u>\$ 2,102,578</u>	<u>\$ (591,856)</u>	<u>\$ 6,640,637</u>	<u>\$ 37,566,378</u>
<b>Net Assets, end of year</b>					
Without donor restrictions	\$ 26,808,682	\$ --	\$ 262,769	\$ --	\$ 27,071,451
With donor restrictions	<u>101,508</u>	<u>2,383,555</u>	<u>3,933,494</u>	<u>7,590,732</u>	<u>14,009,289</u>
Total net assets, ending	<u>\$ 26,910,190</u>	<u>\$ 2,383,555</u>	<u>\$ 4,196,263</u>	<u>\$ 7,590,732</u>	<u>\$ 41,080,740</u>