

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

Winchester, Virginia

FINANCIAL REPORT

JUNE 30, 2018

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C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1 and 2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4 and 5
Statements of cash flows	6
Notes to financial statements	7-23
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION	24
SUPPLEMENTAL INFORMATION	
Statement of financial position (fund basis)	25
Statement of activities (fund basis)	26-28

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Glass-Glen Burnie Museum, Inc. DBA: The Museum of the Shenandoah Valley which comprise the statements of financial position as of June 30, 2018 and 2017, 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).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Glass-Glen Burnie Museum, Inc. DBA: The Museum of the Shenandoah Valley as of June 30, 2018 and 2017, 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.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
October 23, 2018

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

Statements of Financial Position

June 30, 2018 and 2017

Assets	2018	2017
Current Assets		
Cash and cash equivalents (Note 1)	\$ 278,146	\$ 664,489
Accounts receivable (Note 1)	2,607	876
Accrued interest receivable	10,648	9,897
Prepaid expenses	210,270	135,522
Pledges receivable, net (Note 6)	1,606,175	226,930
Inventory (Note 1)	<u>49,148</u>	<u>30,425</u>
Total current assets	<u>\$ 2,156,994</u>	<u>\$ 1,068,139</u>
Noncurrent Assets		
Pledges receivable, net (Note 6)	\$ 139,318	\$ 622,135
Investments (Notes 1, 2 and 14)	11,129,508	11,269,420
Property and equipment, net of accumulated depreciation (Notes 1 and 3)	21,948,037	19,781,042
Other assets (Note 4)	<u>184,834</u>	<u>207,936</u>
Total noncurrent assets	<u>\$ 33,401,697</u>	<u>\$ 31,880,533</u>
Total assets	<u><u>\$ 35,558,691</u></u>	<u><u>\$ 32,948,672</u></u>
 Liabilities and Net Assets		
Current Liabilities		
Security deposit	\$ 1,500	\$ 500
Accounts payable	629,080	339,136
Accrued expenses	278,165	246,471
Deferred revenue	<u>52,654</u>	<u>25,000</u>
Total current liabilities	<u>\$ 961,399</u>	<u>\$ 611,107</u>
Noncurrent Liabilities , line of credit (Note 15)	<u>\$ 200,000</u>	<u>\$ - -</u>
Total liabilities	<u>\$ 1,161,399</u>	<u>\$ 611,107</u>
Net Assets		
Unrestricted	\$ 19,465,211	\$ 19,209,334
Temporarily restricted (Notes 10 and 16)	8,192,536	6,388,686
Permanently restricted (Notes 11 and 16)	<u>6,739,545</u>	<u>6,739,545</u>
Total net assets	<u>\$ 34,397,292</u>	<u>\$ 32,337,565</u>
Total liabilities and net assets	<u><u>\$ 35,558,691</u></u>	<u><u>\$ 32,948,672</u></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, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue and Gains (Losses)								
Contributions:								
Glass-Glen Burnie Foundation	\$ 2,961,000	\$ 2,128,878	\$ --	\$ 5,089,878	\$ 2,961,000	\$ 844,456	\$ --	\$ 3,805,456
Memberships	124,144	--	--	124,144	101,460	--	--	101,460
Grants	10,379	6,500	--	16,879	14,200	--	--	14,200
Other contributions	389,967	1,429,658	--	1,819,625	419,944	289,113	--	709,057
Total contributions	<u>\$ 3,485,490</u>	<u>\$ 3,565,036</u>	<u>\$ --</u>	<u>\$ 7,050,526</u>	<u>\$ 3,496,604</u>	<u>\$ 1,133,569</u>	<u>\$ --</u>	<u>\$ 4,630,173</u>
Earned income:								
Admissions	\$ 101,036	\$ --	\$ --	\$ 101,036	\$ 94,108	\$ --	\$ --	\$ 94,108
Educational programs	40,206	--	--	40,206	26,351	--	--	26,351
Gift store sales	126,676	--	--	126,676	167,382	--	--	167,382
Plant sales	12,855	--	--	12,955	11,712	--	--	11,712
Development and membership events	3,482	--	--	3,482	13,734	--	--	13,734
Public events	25,774	--	--	25,774	28,730	--	--	28,730
Total earned income	<u>\$ 310,029</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 310,029</u>	<u>\$ 342,017</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 342,017</u>
Other revenue and gains (losses):								
Investment income	\$ 2,844	\$ 303,770	\$ --	\$ 306,614	\$ 11,777	\$ 312,999	\$ --	\$ 324,776
Deaccessioning revenue	2,992	--	--	2,992	3,790	--	--	3,790
Miscellaneous income	14,418	--	--	14,418	7,717	--	--	7,717
Special property use	98,809	--	--	98,809	94,535	--	--	94,535
Realized and unrealized gains (losses)	(81)	(76,298)	--	(76,379)	22,563	1,813,659	--	1,836,222
Total other revenue and gains (losses)	<u>\$ 118,982</u>	<u>\$ 227,472</u>	<u>\$ --</u>	<u>\$ 346,454</u>	<u>\$ 140,382</u>	<u>\$ 2,126,658</u>	<u>\$ --</u>	<u>\$ 2,267,040</u>
Net assets released from restrictions (Note 12)	<u>\$ 1,988,658</u>	<u>\$ (1,988,658)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,115,174</u>	<u>\$ (1,115,174)</u>	<u>\$ --</u>	<u>\$ --</u>
Total support, revenue and gains (losses)	<u>\$ 5,903,159</u>	<u>\$ 1,803,850</u>	<u>\$ --</u>	<u>\$ 7,707,009</u>	<u>\$ 5,094,177</u>	<u>\$ 2,145,053</u>	<u>\$ --</u>	<u>\$ 7,239,230</u>
Expenses								
Salaries and benefits	\$ 2,667,314	\$ --	\$ --	\$ 2,667,314	\$ 2,643,326	\$ --	\$ --	\$ 2,643,326
Consultants	43,907	--	--	43,907	20,441	--	--	20,441
Professional services	112,742	--	--	112,742	125,928	--	--	125,928
Transportation	15,188	--	--	15,188	9,696	--	--	9,696
Lodging	1,838	--	--	1,838	507	--	--	507
Meals	16,371	--	--	16,371	17,216	--	--	17,216
Contributions and gifts	40,454	--	--	40,454	40,031	--	--	40,031
Development and membership events	68,897	--	--	68,897	55,376	--	--	55,376
Professional development	35,062	--	--	35,062	35,515	--	--	35,515
Research and reference books	5,272	--	--	5,272	724	--	--	724
Balance carryforward	<u>\$ 3,007,045</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,007,045</u>	<u>\$ 2,948,760</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,948,760</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, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance carried forward	\$ 3,007,045	\$ --	\$ --	\$ 3,007,045	\$ 2,948,760	\$ --	\$ --	\$ 2,948,760
Expenses (continued)								
Marketing and promotion	203,907	--	--	203,907	195,162	--	--	195,162
Printing	68,298	--	--	68,298	56,818	--	--	56,818
Communications	89,476	--	--	89,476	87,762	--	--	87,762
Equipment and supplies	49,756	--	--	49,756	54,727	--	--	54,727
Uniforms	2,848	--	--	2,848	4,363	--	--	4,363
Utilities	217,920	--	--	217,920	197,981	--	--	197,981
Security	36,265	--	--	36,265	12,819	--	--	12,819
Insurance	121,123	--	--	121,123	113,850	--	--	113,850
Building maintenance	150,852	--	--	150,852	102,200	--	--	102,200
Gardens and grounds maintenance	140,493	--	--	140,493	121,673	--	--	121,673
Other maintenance	7,008	--	--	7,008	7,915	--	--	7,915
Historic structures report	--	--	--	--	63,598	--	--	63,598
Conceptual land use and master plan	23,104	--	--	23,104	23,108	--	--	23,108
Collections, care and conservation	50,600	--	--	50,600	147,122	--	--	147,122
Loaned and changing exhibitions	94,113	--	--	94,113	139,022	--	--	139,022
Public events	40,232	--	--	40,232	39,027	--	--	39,027
Educational programs	19,239	--	--	19,239	14,551	--	--	14,551
Museum store and rental services	71,263	--	--	71,263	113,214	--	--	113,214
Depreciation	888,692	--	--	888,692	858,717	--	--	858,717
Other	15,064	--	--	15,064	21,364	--	--	21,364
Acquisitions	143,629	--	--	143,629	202,457	--	--	202,457
Interest	15,817	--	--	15,817	1	--	--	1
Bad debt expense	1,125	--	--	1,125	--	--	--	--
Investment fees	189,413	--	--	189,413	64,522	--	--	64,522
Total expenses	<u>\$ 5,647,282</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,647,282</u>	<u>\$ 5,590,733</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 5,590,733</u>
Change in net assets	<u>\$ 255,877</u>	<u>\$ 1,803,850</u>	<u>\$ --</u>	<u>\$ 2,059,727</u>	<u>\$ (496,556)</u>	<u>\$ 2,145,053</u>	<u>\$ --</u>	<u>\$ 1,648,497</u>
Net Assets at beginning of year	<u>\$ 19,209,334</u>	<u>\$ 6,388,686</u>	<u>\$ 6,739,545</u>	<u>\$ 32,337,565</u>	<u>\$ 19,705,890</u>	<u>\$ 4,243,633</u>	<u>\$ 6,739,545</u>	<u>\$ 30,689,068</u>
Net Assets, ending	<u>\$ 19,465,211</u>	<u>\$ 8,192,536</u>	<u>\$ 6,739,545</u>	<u>\$ 34,397,292</u>	<u>\$ 19,209,334</u>	<u>\$ 6,388,686</u>	<u>\$ 6,739,545</u>	<u>\$ 32,337,565</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, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 2,059,727	\$ 1,648,497
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	888,692	858,717
Unrealized and realized loss (gain) on investments	76,379	(1,836,222)
Write off historic structures report	--	63,598
Write off conceptual land use and master plan	23,104	23,108
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,731)	382
(Increase) decrease in accrued interest receivable	(751)	5,541
(Increase) in pledges receivable	(896,428)	(242,998)
(Increase) in prepaid expenses	(74,748)	(18,098)
Decrease in grants receivable	--	25,000
(Increase) decrease in inventory	(18,723)	14,085
Increase in accounts payable	289,944	185,265
Increase (decrease) in deferred revenue	27,654	(48,500)
Increase in security deposit	1,000	500
Increase (decrease) in accrued expenses	31,694	(13,441)
Net cash provided by operating activities	\$ 2,405,813	\$ 665,434
Cash Flows from Investing Activities		
Purchase of property and equipment	\$ (3,055,687)	\$ (1,212,341)
Purchase of investments	(5,106,990)	(3,275,037)
Proceeds from sale of investments	5,170,521	3,992,896
Net cash (used in) investing activities	\$ (2,992,156)	\$ (494,482)
Cash Flows from Financing Activities,		
net draws on line of credit	\$ 200,000	\$ --
Net (decrease) increase in cash and cash equivalents	\$ (386,343)	\$ 170,952
Cash and Cash Equivalents		
Beginning	664,489	493,537
Ending	\$ 278,146	\$ 664,489
Supplemental Disclosures of Cash Flow Information,		
cash payments for interest	\$ 15,817	\$ 1

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, 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 market determined by the first-in, first-out method.

Accounts Receivable

Accounts receivable are reported at their net realizable value. At June 30, 2018 and 2017, accounts receivable totaled \$2,607 and \$876, respectively.

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, 2018 and 2017 was \$203,907 and \$195,162, respectively.

Notes to Financial Statements

Financial Statement Presentation

Classification of Net Assets

The Museum maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund; however, in the accompanying financial statements, these funds have been combined to focus on the entity as a whole in accordance with accounting standards. This has been done by classification of fund transactions and balances into three categories of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. 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. This Fund's net asset group is generally unrestricted.

Operating Endowment Fund

The Operating Endowment Fund consists mainly of permanently restricted contributions. The income generated by endowment investments is restricted to support general operating expenditures. This Fund's net asset groups may be unrestricted, temporarily restricted, or permanently restricted.

Capital Improvements Fund

The Capital Improvements Fund consists of temporarily restricted contributions which must be used for capital expenditures. This Fund's net asset groups are generally unrestricted and temporarily restricted.

Collections and Exhibitions Fund

The Collections and Exhibitions Fund consists mainly of permanently restricted contributions. 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. This Fund's net asset groups may be unrestricted, temporarily restricted, or permanently restricted.

Unrestricted net assets generally result from revenues, less expenses, derived from providing services, unrestricted contributions, unrealized and realized gains and losses, and dividends and interest from investing in income-producing assets.

Temporarily restricted net assets generally result from contributions whose use by the Museum is limited by donor-imposed stipulations that can be fulfilled and removed by actions of the Museum pursuant to those stipulations. Accounting standards require the release from restriction on temporarily restricted net assets upon incurrence of an expense when both unrestricted and temporarily restricted net assets are available for that purpose.

Notes to Financial Statements

Permanently restricted net assets consist of gifts from donors who have stipulated, as a condition of the gift, that the principal is to be maintained intact in perpetuity and that only the income from the investment be expended either for unrestricted purposes or for purposes stated by the donor.

Revenue Recognition

The Museum recognizes membership revenue in the year it is received. Membership benefits are considered insubstantial. All membership levels receive the same benefits.

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, 2018 and 2017, depreciation amounted to \$888,692 and \$858,717, respectively.

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, 2018 and 2017, \$2,992 and \$3,790, respectively, was designated for collections, and is included in unrestricted net assets.

Notes to Financial Statements

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.

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, 2018 and 2017, 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

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Museum for its year ending June 30, 2021. Early adoption is permitted. The Museum is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for the Museum for its year ending June 30, 2019. Early adoption is permitted. The Museum is currently evaluating the impact that the adoption of ASU 2016-14 will have on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative transition method. In August 2015, the FASB issued No. 2015-14 which defers the effective date of ASU No. 2014-09 one year making it effective for the Museum for its year ending June 30, 2020. Early adoption is permitted. The Museum is currently evaluating the impact that the adoption of Topic 606 will have on its financial statements.

In June 2018, the FASB issued Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958), which clarifies the scope and the accounting guidance for contributions received and contributions made. Specifically, the update assists entities in determining whether a transaction should be accounted for as a contribution or an exchange transaction. If a transaction is accounted for as an exchange transaction, other accounting guidance, for example, in Topic 606, Revenue from Contracts with Customers, should be followed. If, however, a transaction is accounted for as a contribution, guidance in Subtopic 958-605 should be followed. Additionally, the update assists entities in determining whether a contribution is conditional. ASU 2018-08 is effective for contributions received by the Museum for its year ending June 30, 2020. ASU 2018-08 is effective for contributions made, if applicable, by the Museum for its year ending June 30, 2021. Early adoption is permitted. The Museum is currently evaluating the impact that the adoption of Topic 958 will have on its financial statements.

Notes to Financial Statements

Note 2. Investments

The Museum's investments at June 30, 2018 and 2017 consisted of the following types of securities valued at their fair market values.

	2018		
	Historical Cost	Fair Market Value	Unrealized Appreciation
Cash and Money Mutual Funds	\$ 3,664,940	\$ 3,664,940	\$ --
Equities	5,693,360	6,069,626	376,266
Corporate Bonds	1,175,026	1,379,942	204,916
Debt Securities	15,000	15,000	--
	\$ 10,548,326	\$ 11,129,508	\$ 581,182
	2017		
	Historical Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Cash and Money Mutual Funds	\$ 1,200,146	\$ 1,200,146	\$ --
Mutual Funds - Corporate Bonds	62,111	62,441	330
Mutual Funds - Government Bonds	249,477	249,051	(426)
Equities	6,978,515	8,850,765	1,872,250
Corporate Bonds	958,506	889,517	(68,989)
Debt Securities	17,500	17,500	--
	\$ 9,466,255	\$ 11,269,420	\$ 1,803,165

Notes to Financial Statements

Note 3. Property and Equipment

Property and equipment consisted of the following at June 30, 2018 and 2017:

	2018	2017
Building	\$ 19,478,652	\$ 19,478,652
Equipment	278,283	297,994
Office equipment	162,456	143,800
Furniture and fixtures	947,246	882,772
Software	178,801	99,710
Vehicles	60,580	60,580
Leasehold improvements	9,258,248	5,927,408
Construction in progress	595,787	1,068,936
	\$ 30,960,053	\$ 27,959,852
Less accumulated depreciation	(9,012,016)	(8,178,810)
	\$ 21,948,037	\$ 19,781,042

Note 4. 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. A substantial portion of Phase One of the Master Plan is complete and 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, 2018 and 2017, \$23,104 and \$23,108, respectively, of the remaining balance of the cost of the Master Plan was expensed.

The Museum will hire a consultant to evaluate the historic structure report for Rose Hill farm. Relevant information will be extracted from the historic structures report to aid in preparation of a Historic American Building Survey (HABS). The Museum has elected a three year write off of the cost of the historic structures report to coincide with the expected due date of the HABS report. During the year ended June 30, 2017, the remaining cost of \$63,598 of the HABS report was written off.

Notes to Financial Statements

Note 5. 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.

The Foundation has also 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 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 and yard at no additional costs to the Museum, 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.

The Museum sublets farm pasture including a barn located at Rose Hill farm on a month-to-month basis with no annual rental fee to an area farmer for beef cattle. The Museum entered into a lease agreement with a local farmer dated July 3, 2017 and ending July 3, 2022 to sublet farmland consisting of 83.87 acres adjacent to the Museum of the Shenandoah Valley for an annual rental fee of \$1,553. The farmland will be used for beef cattle and hay production.

Notes to Financial Statements

Note 6. Pledges

The Museum had outstanding pledges receivable of \$1,745,493 and \$849,065 at June 30, 2018, and 2017, respectively, categorized as follows:

	2018	2017
General fund	\$ 37,955	\$ 39,000
Master plan phase two	<u>1,707,538</u>	<u>810,065</u>
	<u><u>\$ 1,745,493</u></u>	<u><u>\$ 849,065</u></u>

The outstanding pledges are due as follows:

	2018	2017
Within one year	\$ 1,606,175	\$ 226,930
Within one to five years	<u>157,929</u>	<u>641,999</u>
	\$ 1,764,104	\$ 868,929
Less: present value component	<u>18,611</u>	<u>19,864</u>
	<u><u>\$ 1,745,493</u></u>	<u><u>\$ 849,065</u></u>

Discount rate was 3.375% for the years ended June 30, 2018 and 2017. Bad debt expense was \$1,125 for the year ended June 30, 2018. There was no bad debt expense for the year ended June 30, 2017.

Included in total outstanding pledges receivable for Master Plan Phase Two are matching funds from the Glass-Glen Burnie Foundation of \$1,378,878 and \$444,456 at June 30, 2018 and June 30, 2017, respectively.

Master Plan Phase Two

The Glass-Glen Burnie Foundation has pledged to provide a 1:1 matching contribution up to \$3.25 million for pledges received by December 31, 2018 for portions of Phase Two of the Master Plan and certain other portions of the Master Plan as specifically approved by the Museum's Board of Directors. The Glass-Glen Burnie Foundation will match payments received and not outstanding pledge balances. Cumulative through June 30, 2018, the Museum has recognized \$2,387,105 of contributions, of which \$2,039,834 was received from individuals, bequests and grants and, therefore has earned and recognized \$2,039,834 of 1:1 matching funds with \$1,210,166 of matching funds to be earned by December 31, 2018.

Notes to Financial Statements

Note 7. 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 \$96,722 and \$97,892 to the plan for the years ended June 30, 2018 and 2017, 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, 2018 and 2017.

Note 8. 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 9. Related Parties

Two members of the Board are affiliated with banks which the Museum utilizes for investment and deposit accounts. The Museum has an outstanding loan with a bank of which one Board member is 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, 2018 and 2017 at \$24,561 for each year. 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 and snow removal, water and sewer service, insurance, taxes and structural maintenance.

Notes to Financial Statements

During fiscal years ended June 30, 2018 and 2017, the Museum utilized the services of a construction company which employs a member of a Board Committee. Payments to this company were \$1,958,069 and \$602,304 for fiscal years ended June 30, 2018 and 2017, respectively. The Museum recorded \$150,000 of in-kind services from this company during fiscal year ended June 30, 2018.

During fiscal years ended June 30, 2018 and 2017, the Museum utilized the services of an architectural firm which employs a member of a Board Committee. Payments to this firm were \$63,214 and \$20,469 for fiscal years ended June 30, 2018 and 2017, respectively. The Museum recorded \$883 of in-kind services from this firm during fiscal year ended June 30, 2017.

During fiscal years ended June 30, 2018 and 2017, the Museum utilized an engineering firm affiliated with a member of a Board Committee. Payments to this company were \$732 and \$20,377 for fiscal years ended June 30, 2018 and 2017, respectively. The Museum recorded \$14,241 of in-kind services from this firm during fiscal year ended June 30, 2017.

Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2018 and 2017 were:

	2018	2017
General operating	\$ 96,030	\$ 46,550
Capital	3,632,082	1,335,435
Collections and exhibitions	4,006,194	4,420,933
Operating endowment	458,230	585,768
	\$ 8,192,536	\$ 6,388,686

Note 11. Permanently Restricted Net Assets

The primary purpose and balance of these net assets as of June 30, 2018 and 2017 are as follows:

	2018	2017
Operating endowment	\$ 2,156,395	\$ 2,156,395
Miniature care and maintenance	50,000	50,000
Collections and exhibitions	4,533,150	4,533,150
	\$ 6,739,545	\$ 6,739,545

Notes to Financial Statements

Note 12. Net Assets Released from Restrictions

Net assets during the years ended June 30, 2018 and 2017 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:

	<u>2018</u>	<u>2017</u>
Operating endowment	\$ 172,911	\$ 173,000
General operating	44,110	111,930
Collections and exhibitions	603,837	615,012
Capital	<u>1,167,800</u>	<u>215,232</u>
	<u>\$ 1,988,658</u>	<u>\$ 1,115,174</u>

Note 13. Commitments

The Museum has entered into several agreements for loan exhibitions, conservation services of collection items, and new garden statuary. Payments on these commitments are due upon satisfactory completion of deliverables. As of June 30, 2018 outstanding commitments totaled approximately \$68,032.

The Museum entered into an agreement with a construction company on March 17, 2017 for a guaranteed maximum price of \$2,173,916 for exterior renovations of the Museum building. The contract includes a contractor's fee of 5% of the cost of the work. The construction work is being managed by a building envelope engineering firm that bills monthly based upon hourly rates plus reimbursable expenses for services rendered. The architectural firm named in the contract also bills the Museum monthly based upon an hourly rate plus reimbursable expenses for service rendered. The contract was substantially completed at the end of fiscal year 2018. Additional change orders increased the total sum of the contract with this company subsequent to June 30, 2018 (See Note 18).

On December 17, 2014, the Museum entered into an agreement with a contractor. This agreement is a contract for construction of the Museum's Master Plan Phases 2A-2F (see Note 19 for details). Each phase will be the subject of at least one change order which will include drawings and specifications and will establish a guaranteed maximum price for each phase. The agreement includes preconstruction services and includes a provision that if the project is not constructed following the preconstruction phase of the project phase, the Museum shall reimburse the contractor for all reasonable costs through the preconstruction phase plus a contractor's fee of 5%. During fiscal year ended June 30, 2018, this contract was terminated by both parties and the contractor agreed to contribute preconstruction costs to the Museum as an in kind contribution valued at \$150,000.

Notes to Financial Statements

On June 11, 2018, the Museum entered into an agreement with a contractor. This agreement is a contract for the construction of the Museum's Master Plan Phase 2A to include a new entrance roadway, service road, event lawn, expanded paver parking lot, restrooms, trailheads, gatehouse, landscaping, fencing, utility infrastructure and some art installation. The contract sum is not to exceed \$5,469,766 subject to additions and deductions by change order. Shared savings under the contract shall be credited 100% to the Museum as an in-kind gift from the contractor. The contract includes \$233,900 contingency for contractor initiated changes and \$100,000 for Museum initiated changes. The contract includes a 5% contractor's fee which is payable on work performed and preconstruction costs if the project is not constructed. Actual construction began shortly after June 30, 2018.

On October 24, 2017, the City of Winchester Common Council supported application to the Virginia Department of Transportation Fiscal Year 2019 Revenue Sharing Program which included \$1,133,887 for the Museum's recreation trails included in Phase 2B of the Master Plan. Subsequently, the City of Winchester was notified of an award of \$1,041,204. 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. This project, Master Plan Phase 2B, will be bid and managed by the City, with the Museum's contractor to serve as the Museum's agent. Funding from VDOT will be received and managed by the City, and the Museum's match will be billed at regular intervals for reimbursement to the City. The Museum anticipates that construction will be completed by the Winter of 2019.

Note 14. 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, 2018 and 2017:

	<u>Balance as of June 30, 2018</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	\$ 11,129,508	\$ 11,129,508	\$ --	\$ --
		<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, 2017</u>			
Investments	\$ 11,269,420	\$ 11,269,420	\$ --	\$ --

Notes to Financial Statements

Note 15. Line of Credit

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 matures on March 23, 2022. The line of credit is collateralized by a portion of the overall market value of the Collections and Exhibitions Endowment investment account (see Note 16). The outstanding balance was \$200,000 at June 30, 2018. There was no balance outstanding at June 30, 2017. Subsequent to year-end, the Museum drew an additional \$150,000 on the line of credit (See Notes 18 and 19).

Note 16. 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 permanent endowment funds. The net appreciation (realized and unrealized) is retained as temporarily restricted.

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, 2018 was 5.5% for both the General Operating Endowment and the Collections and Exhibitions Endowment.

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, 2018 and 2017 were as follows:

	Temporarily Restricted	Permanently Restricted
Endowment net assets, June 30, 2017	\$ 3,667,365	\$ 6,739,545
Investment income	312,999	--
Net realized and unrealized gains	1,814,349	--
Appropriation of endowment assets for expenditure	(788,012)	--
Endowment net assets, June 30, 2017	\$ 5,006,701	\$ 6,739,545
Investment income	303,770	--
Net realized and unrealized (losses)	(69,299)	--
Appropriation of endowment assets for expenditure	(776,748)	--
Endowment net assets, June 30, 2018	\$ 4,464,424	\$ 6,739,545

Note 17. Phase One of the Master Plan including Glen Burnie Historic House Preservation Project

The total estimated cost of the First Phase of the Master Plan is approximately \$3.9 million. The Glass-Glen Burnie Foundation has contributed \$2.5 million for this project with additional funding provided by grants and other donations. In addition, the Museum's Board had agreed to allow the use of a maximum of \$700,000 from the capital improvement fund to complete the project with the stipulation that the Museum reimburse the funds to the capital improvement fund in the following seven years. During fiscal year ended June 30, 2017, the Museum's Board removed the requirement that the Museum pay back the capital fund. The total cumulative amount withdrawn from the capital improvements fund to complete Master Plan Phase I was \$686,454.

Note 18. MSV Building Remediation Project

During the fiscal year ended June 30, 2017, the Museum began renovations to the Museum building. The MSV Building Remediation Project is expected to cost just over \$4 million dollars. The Museum entered into an agreement with a construction company on March 17, 2017 for a guaranteed maximum price of \$2,173,916 for exterior renovations. During fiscal year ended June 30, 2018, the contract increased to a contract sum of \$2,907,656. The contract includes a contractor's fee of 5% of the cost of the work. The construction work is being managed by a building envelope engineering firm that bills monthly based upon hourly rates plus reimbursable expenses for services rendered. The architectural firm named in the contract also bills the Museum monthly based upon an hourly rate plus reimbursable expenses. The project was substantially completed at June 30, 2018. However, due to problems with window design and fabrication and increased scope of the project, additional change orders increased the total sum of the contract with this company subsequent to June 30, 2018. (See Note 19).

Notes to Financial Statements

The Museum signed a 60-month term business loan agreement on March 23, 2017 to finance the repairs and improvements to the Museum building including, but not limited to: new roof, windows, exterior stucco, upgrades to lighting, and new exterior irrigation system. The amount of the loan is \$2,500,000, 3.375% fixed interest rate for five years with interest only payments. In lieu of making draws on the line of credit and to also defray interest expense, the Museum's Board agreed to allow the Museum to utilize excess cash collected from the Master Plan Phase Two capital campaign to fund this project with the requirement that the Museum records provide separate accounting for each project. (See Note 15).

The Glass-Glen Burnie Foundation donated \$800,000 to the Museum for this project. The Capital Improvements Fund, a board designated investment account of \$330,480, was liquidated during fiscal year ended June 30, 2018 to provide additional funding.

Note 19. Subsequent Events

The Museum has evaluated all subsequent events through October 23, 2018, the date the financial statements were available to be issued.

Subsequent to year-end, the Museum drew \$150,000 on its line of credit (Note 15).

On August 20, 2018, the Museum entered into a loan contract to purchase a tractor, financing \$34,160 over 60 months at zero percent interest.

Subsequent to year-end, the Museum approved additional change orders submitted by the primary contractor for the MSV Building Remediation Project increasing the contract by \$170,366 to total contract sum of \$3,078,022.

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. The largest green space and only remaining working farm in Winchester, the MSV has an exciting opportunity to create a thematically unique niche in the cultural community of the Shenandoah Valley. Divided into four 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 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. And 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) is already fully-funded. The next Phase of the Master Plan is critical. Building on the success of Phase One (Stewardship), in Phase Two (Public Trails and Capacity Building) we can address the many financial and logistical issues critical to our long-term sustainability, relevance and public value by increasing our capacity to serve and work with our immediate community.

Notes to Financial Statements

Although all of Phase Two development of the MSV campus is forecasted to cost over \$26 million, in reviewing our objectives, listening to feedback from Board, staff and the community, and by also considering the strategic plans of other regional institutions and City governments, we determined a new course to fulfill our overarching vision:

- We have organized the Master Plan into *six incremental and manageable projects* (A-F) that allow the MSV to build capacity, audience, partnerships and revenues over the next decade. Each project has been developed as a logical sequence complete with a critical construction schedule that literally builds one project upon another without exhausting time, human and financial resources, or audience.
- MSV Master Plan Phase Two projects A and B, The Trailblazer Campaign, include a new site entrance, a primary trail system complete with trail head, shelters, and restrooms that will be freely open to all neighbors and the greater citizenship - and therefore have the greatest potential for positive community impact. It also includes necessary infrastructure to complete the other aspects of the plan including increased parking and a garden work center. Once construction begins, it is anticipated that completion will take 12-21 months.
- Phase Two project C will include renovation of the site's main barns and construction of a new Orientation building between the gardens and MSV building. Once construction begins, it is anticipated that completion will take 10-12 months.
- Phase Two project D will include expansion of infrastructure, service roads and the construction of an Arts and Education building. Once construction begins, it is anticipated that completion will take 12-24 months.
- Phase Two project E will include a professionally acoustically-designed garden amphitheater and stone artifact wall surround complete with restrooms and a box office. Once construction begins, it is anticipated that completion will take 12-24 months.
- Phase Two project F will include secondary site trails, and renovation and expansion of the MSV's water gardens adjacent to Amherst Street, complete with a pedestrian entrance. Once construction begins, it is anticipated that completion will take 12-24 months.

**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, 2018 and 2017, and have issued our report thereon, dated October 23, 2018, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to October 23, 2018.

The accompanying 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
October 23, 2018

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

Statement of Financial Position (Fund Basis)

June 30, 2018

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

	General Operating Fund	Operating Endowment Fund	Capital Improvements Fund	Collections and Exhibitions Fund	Total All Funds
Assets					
Current Assets					
Cash and cash equivalents	\$ 277,864	\$ --	\$ 282	\$ --	\$ 278,146
Accounts receivable	2,607	--	--	--	2,607
Accrued interest receivable	--	2,278	--	8,370	10,648
Prepaid expenses	210,270	--	--	--	210,270
Pledges receivable, net	37,955	--	1,568,220	--	1,606,175
Due from Operating Endowment Fund	--	--	746,109	--	746,109
Due from General Operating Fund	--	--	29,000	--	29,000
Inventory	49,148	--	--	--	49,148
Total current assets	<u>\$ 577,844</u>	<u>\$ 2,278</u>	<u>\$ 2,343,611</u>	<u>\$ 8,370</u>	<u>\$ 2,932,103</u>
Noncurrent Assets					
Pledges receivable, net	\$ --	\$ --	\$ 139,318	\$ --	\$ 139,318
Investments	66,211	3,086,582	--	7,976,715	11,129,508
Property and equipment, net of accumulated depreciation	21,352,250	--	595,787	--	21,948,037
Other assets	184,834	--	--	--	184,834
Total noncurrent assets	<u>\$ 21,603,295</u>	<u>\$ 3,086,582</u>	<u>\$ 735,105</u>	<u>\$ 7,976,715</u>	<u>\$ 33,401,697</u>
Total assets	<u>\$ 22,181,139</u>	<u>\$ 3,088,860</u>	<u>\$ 3,078,716</u>	<u>\$ 7,985,085</u>	<u>\$ 36,333,800</u>
Liabilities and Net Assets					
Current Liabilities					
Security deposit	\$ 1,500	\$ --	\$ --	\$ --	\$ 1,500
Accounts payable	131,542	--	497,538	--	629,080
Accrued expenses	278,165	--	--	--	278,165
Due to Capital Improvements Fund	29,000	746,109	--	--	775,109
Deferred revenue	52,654	--	--	--	52,654
Total current liabilities	<u>\$ 492,861</u>	<u>\$ 746,109</u>	<u>\$ 497,538</u>	<u>\$ --</u>	<u>\$ 1,736,508</u>
Noncurrent Liabilities,					
line of credit	\$ --	\$ --	\$ 200,000	\$ --	\$ 200,000
Total liabilities	<u>\$ 492,861</u>	<u>\$ 746,109</u>	<u>\$ 697,538</u>	<u>\$ --</u>	<u>\$ 1,936,508</u>
Net Assets					
Unrestricted	\$ 21,592,248	\$ (321,874)	\$ (1,250,904)	\$ (554,259)	\$ 19,465,211
Temporarily restricted	96,030	458,230	3,632,082	4,006,194	8,192,536
Permanently restricted	--	2,206,395	--	4,533,150	6,739,545
Total net assets	<u>\$ 21,688,278</u>	<u>\$ 2,342,751</u>	<u>\$ 2,381,178</u>	<u>\$ 7,985,085</u>	<u>\$ 34,397,292</u>
Total liabilities and net assets	<u>\$ 22,181,139</u>	<u>\$ 3,088,860</u>	<u>\$ 3,078,716</u>	<u>\$ 7,985,085</u>	<u>\$ 36,333,800</u>

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

Statement of Activities (Fund Basis)

For the Year Ended June 30, 2018

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

	General Operating Fund	Operating Endowment Fund	Capital Improvements Fund	Collections and Exhibitions Fund	Total All Funds
Support, Revenue and (Losses)					
Contributions:					
Glass-Glen Burnie Foundation	\$ 2,961,000	\$ --	\$ 2,128,878	\$ --	\$ 5,089,878
Memberships	124,144	--	--	--	124,144
Grants	16,879	--	--	--	16,879
Other contributions	<u>477,056</u>	<u>--</u>	<u>1,342,569</u>	<u>--</u>	<u>1,819,625</u>
Total contributions	<u>\$ 3,579,079</u>	<u>\$ --</u>	<u>\$ 3,471,447</u>	<u>\$ --</u>	<u>\$ 7,050,526</u>
Earned income:					
Admissions	\$ 101,036	\$ --	\$ --	\$ --	\$ 101,036
Educational programs	40,206	--	--	--	40,206
Gift store sales	126,576	--	--	--	126,576
Plant sales	12,955	--	--	--	12,955
Development and membership events	3,482	--	--	--	3,482
Public events	<u>25,774</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>25,774</u>
Total earned income	<u>\$ 310,029</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 310,029</u>
Other revenue and (losses):					
Investment income	\$ 2,844	\$ 70,553	\$ --	\$ 233,217	\$ 306,614
Deaccessioning revenue	2,992	--	--	--	2,992
Miscellaneous income	764	--	13,654	--	14,418
Special property use	98,809	--	--	--	98,809
Realized and unrealized (losses)	<u>(81)</u>	<u>(25,181)</u>	<u>(7,000)</u>	<u>(44,117)</u>	<u>(76,379)</u>
Total other revenue and (losses)	<u>\$ 105,328</u>	<u>\$ 45,372</u>	<u>\$ 6,654</u>	<u>\$ 189,100</u>	<u>\$ 346,454</u>
Total support, revenue and (losses)	<u>\$ 3,994,436</u>	<u>\$ 45,372</u>	<u>\$ 3,478,101</u>	<u>\$ 189,100</u>	<u>\$ 7,707,009</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, 2018

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

	General Operating Fund	Operating Endowment Fund	Capital Improvements Fund	Collections and Exhibitions Fund	Total All Funds
Expenses					
Salaries and benefits	\$ 2,667,314	\$ --	\$ --	\$ --	\$ 2,667,314
Consultants	25,192	--	18,715	--	43,907
Professional services	107,326	--	5,416	--	112,742
Transportation	15,188	--	--	--	15,188
Lodging	1,838	--	--	--	1,838
Meals	16,371	--	--	--	16,371
Contributions and gifts	39,932	--	522	--	40,454
Development and membership events	65,120	--	3,777	--	68,897
Professional development	35,062	--	--	--	35,062
Research and reference books	5,272	--	--	--	5,272
Marketing and promotion	203,907	--	--	--	203,907
Printing	63,652	--	4,646	--	68,298
Communications	82,103	--	7,373	--	89,476
Equipment and supplies	49,261	--	495	--	49,756
Uniforms	2,848	--	--	--	2,848
Utilities	217,920	--	--	--	217,920
Security	36,265	--	--	--	36,265
Insurance	120,701	--	422	--	121,123
Building maintenance	150,852	--	--	--	150,852
Gardens and grounds maintenance	115,371	--	25,122	--	140,493
Other maintenance	7,008	--	--	--	7,008
Conceptual land use and master plan	23,104	--	--	--	23,104
Collections, care and conservation	50,600	--	--	--	50,600
Loaned and changing exhibitions	94,113	--	--	--	94,113
Public events	40,232	--	--	--	40,232
Educational programs	19,239	--	--	--	19,239
Museum store and rental services	71,263	--	--	--	71,263
Depreciation	888,692	--	--	--	888,692
Other	15,064	--	--	--	15,064
Acquisitions	143,629	--	--	--	143,629
Interest expense	15,817	--	--	--	15,817
Bad debt expense	1,125	--	--	--	1,125
Investment fees	2,920	37,670	--	148,823	189,413
Total expenses	\$ 5,394,301	\$ 37,670	\$ 66,488	\$ 148,823	\$ 5,647,282

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

Statement of Activities (Fund Basis)

(Continued)

For the Year Ended June 30, 2018

(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	\$ (1,399,865)	\$ 7,702	\$ 3,411,613	\$ 40,277	\$ 2,059,727
Other Changes in Net Assets					
Transfers for:					
Capital expenditures	2,999,966	--	(2,999,966)	--	--
General operations	135,240	(135,240)	--	--	--
Collections and exhibitions	<u>455,014</u>	<u>--</u>	<u>--</u>	<u>(455,014)</u>	<u>--</u>
Change in net assets	<u>\$ 2,190,355</u>	<u>\$ (127,538)</u>	<u>\$ 411,647</u>	<u>\$ (414,737)</u>	<u>\$ 2,059,727</u>
Net Assets, beginning of year	<u>\$ 19,497,923</u>	<u>\$ 2,470,289</u>	<u>\$ 1,969,531</u>	<u>\$ 8,399,822</u>	<u>\$ 32,337,565</u>
Net Assets, end of year					
Unrestricted	\$ 21,592,248	\$ (321,874)	\$ (1,250,904)	\$ (554,259)	\$ 19,465,211
Temporarily restricted	96,030	458,230	3,632,082	4,006,194	8,192,536
Permanently restricted	<u>--</u>	<u>2,206,395</u>	<u>--</u>	<u>4,533,150</u>	<u>6,739,545</u>
Total net assets, ending	<u>\$ 21,688,278</u>	<u>\$ 2,342,751</u>	<u>\$ 2,381,178</u>	<u>\$ 7,985,085</u>	<u>\$ 34,397,292</u>