

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

Winchester, Virginia

FINANCIAL REPORT

JUNE 30, 2019

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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

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, 2019 and 2018, 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, 2019 and 2018, 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 28, 2019

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

Statements of Financial Position
June 30, 2019 and 2018

Assets	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents (Note 1)	\$ 106,185	\$ 278,146
Accounts receivable (Note 1)	--	2,607
Accrued interest receivable	12,184	10,648
Prepaid expenses	197,365	210,270
Pledges receivable, net (Note 7)	254,349	1,606,175
Inventory (Note 1)	<u>38,956</u>	<u>49,148</u>
Total current assets	<u>\$ 609,039</u>	<u>\$ 2,156,994</u>
Noncurrent Assets		
Pledges receivable, net (Note 7)	\$ 45,388	\$ 139,318
Investments (Notes 1, 3 and 15)	9,891,230	11,129,508
Property and equipment, net of accumulated depreciation (Notes 1 and 4)	27,645,812	21,948,037
Other assets (Note 5)	<u>161,729</u>	<u>184,834</u>
Total noncurrent assets	<u>\$ 37,744,159</u>	<u>\$ 33,401,697</u>
Total assets	<u>\$ 38,353,198</u>	<u>\$ 35,558,691</u>
 Liabilities and Net Assets		
Current Liabilities		
Security deposit	\$ 2,561	\$ 1,500
Accounts payable	429,495	629,080
Accrued expenses	280,296	278,165
Note payable, current portion (Note 16)	6,832	--
Deferred revenue	<u>1,313,704</u>	<u>52,654</u>
Total current liabilities	<u>\$ 2,032,888</u>	<u>\$ 961,399</u>
Noncurrent Liabilities		
Note payable, less current portion (Note 16)	\$ 21,635	\$ --
Line of credit (Note 16)	<u>1,900,000</u>	<u>200,000</u>
Total noncurrent liabilities	<u>\$ 1,921,635</u>	<u>\$ 200,000</u>
Total liabilities	<u>\$ 3,954,523</u>	<u>\$ 1,161,399</u>
Net Assets		
Without donor restrictions	\$ 24,061,828	\$ 20,341,346
With donor restrictions (Notes 12, 13 and 17)	<u>10,336,847</u>	<u>14,055,946</u>
Total net assets	<u>\$ 34,398,675</u>	<u>\$ 34,397,292</u>
Total liabilities and net assets	<u>\$ 38,353,198</u>	<u>\$ 35,558,691</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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support, Revenue and Gains (Losses)						
Contributions:						
Glass-Glen Burnie Foundation	\$ 2,961,000	\$ 923,683	\$ 3,884,683	\$ 2,961,000	\$ 2,128,878	\$ 5,089,878
Memberships	144,376	--	144,376	124,144	--	124,144
Grants	21,984	50,500	72,484	10,379	6,500	16,879
Other contributions	348,383	639,089	987,472	389,967	1,429,658	1,819,625
Total contributions	<u>\$ 3,475,743</u>	<u>\$ 1,613,272</u>	<u>\$ 5,089,015</u>	<u>\$ 3,485,490</u>	<u>\$ 3,565,036</u>	<u>\$ 7,050,526</u>
Earned income:						
Admissions	\$ 175,291	\$ --	\$ 175,291	\$ 101,036	\$ --	\$ 101,036
Educational programs	43,343	--	43,343	40,206	--	40,206
Gift store sales	145,551	--	145,551	126,676	--	126,676
Plant sales	16,565	--	16,565	12,855	--	12,855
Development and membership events	2,125	--	2,125	3,482	--	3,482
Public events	38,192	--	38,192	25,774	--	25,774
Total earned income	<u>\$ 421,067</u>	<u>\$ --</u>	<u>\$ 421,067</u>	<u>\$ 310,029</u>	<u>\$ --</u>	<u>\$ 310,029</u>
Other revenue and gains (losses):						
Investment return, net	\$ 3,125	\$ 48,126	\$ 51,251	\$ (186,650)	\$ 227,472	\$ 40,822
Deaccessioning revenue	--	--	--	2,992	--	2,992
Miscellaneous income	14,649	--	14,649	14,418	--	14,418
Special property use	90,373	--	90,373	98,809	--	98,809
Total other revenue and gains (losses)	<u>\$ 108,147</u>	<u>\$ 48,126</u>	<u>\$ 156,273</u>	<u>\$ (70,431)</u>	<u>\$ 227,472</u>	<u>\$ 157,041</u>
Net assets released from restrictions (Note 13)	<u>\$ 5,380,497</u>	<u>\$ (5,380,497)</u>	<u>\$ --</u>	<u>\$ 1,988,658</u>	<u>\$ (1,988,658)</u>	<u>\$ --</u>
Total support, revenue and gains (losses)	<u>\$ 9,385,454</u>	<u>\$ (3,719,099)</u>	<u>\$ 5,666,355</u>	<u>\$ 5,713,746</u>	<u>\$ 1,803,850</u>	<u>\$ 7,517,596</u>
Expenses						
Salaries and benefits	\$ 2,629,401	\$ --	\$ 2,629,401	\$ 2,667,314	\$ --	\$ 2,667,314
Depreciation	1,004,811	--	1,004,811	888,692	--	888,692
Collections, conservation and exhibits	244,118	--	244,118	144,713	--	144,713
Marketing and promotion	215,865	--	215,865	203,907	--	203,907
Utilities	204,406	--	204,406	217,920	--	217,920
Grounds maintenance	179,747	--	179,747	140,495	--	140,495
Building maintenance	144,059	--	144,059	150,852	--	150,852
Professional services	124,372	--	124,372	112,742	--	112,742
Security	116,950	--	116,950	36,265	--	36,265
Insurance	102,658	--	102,658	121,123	--	121,123
Balance carryforward	<u>\$ 4,966,387</u>	<u>\$ --</u>	<u>\$ 4,966,387</u>	<u>\$ 4,684,023</u>	<u>\$ --</u>	<u>\$ 4,684,023</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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Balance carried forward	\$ 4,966,387	\$ --	\$ 4,966,387	\$ 4,684,023	\$ --	\$ 4,684,023
Expenses (continued)						
Communications	95,947	--	95,947	82,535	--	82,535
Events and programs	94,849	--	94,849	109,130	--	109,130
Acquisitions	91,655	--	91,655	143,629	--	143,629
Printing	89,152	--	89,152	68,298	--	68,298
Museum store	74,138	--	74,138	71,263	--	71,263
Contributions and gifts	41,853	--	41,853	40,453	--	40,453
Office expense	32,484	--	32,484	53,731	--	53,731
Professional training and memberships	30,711	--	30,711	35,062	--	35,062
Interest	29,937	--	29,937	15,817	--	15,817
Other expenses	26,038	--	26,038	22,005	--	22,005
Conceptual land use	23,105	--	23,105	23,104	--	23,104
Meals	22,776	--	22,776	16,371	--	16,371
Education	17,528	--	17,528	19,239	--	19,239
Transportation	8,153	--	8,153	15,188	--	15,188
Other maintenance	8,960	--	8,960	7,004	--	7,004
Bridal room supplies and decorations	4,750	--	4,750	--	--	--
Lodging	3,509	--	3,509	1,838	--	1,838
Consultants	2,727	--	2,727	43,907	--	43,907
Reference and research materials	313	--	313	5,272	--	5,272
Total expenses	<u>\$ 5,664,972</u>	<u>\$ --</u>	<u>\$ 5,664,972</u>	<u>\$ 5,457,869</u>	<u>\$ --</u>	<u>\$ 5,457,869</u>
Change in net assets	<u>\$ 3,720,482</u>	<u>\$ (3,719,099)</u>	<u>\$ 1,383</u>	<u>\$ 255,877</u>	<u>\$ 1,803,850</u>	<u>\$ 2,059,727</u>
Net Assets at beginning of year, as previously stated	<u>\$ 20,341,346</u>	<u>\$ 14,055,946</u>	<u>\$ 34,397,292</u>	<u>\$ 19,209,334</u>	<u>\$ 13,128,231</u>	<u>\$ 32,337,565</u>
Prior period adjustment (Note 18)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 876,135</u>	<u>\$ (876,135)</u>	<u>\$ --</u>
Net Assets at beginning of year, as restated	<u>\$ 20,341,346</u>	<u>\$ 14,055,946</u>	<u>\$ 34,397,292</u>	<u>\$ 20,085,469</u>	<u>\$ 12,252,096</u>	<u>\$ 32,337,565</u>
Net Assets, ending	<u>\$ 24,061,828</u>	<u>\$ 10,336,847</u>	<u>\$ 34,398,675</u>	<u>\$ 20,341,346</u>	<u>\$ 14,055,946</u>	<u>\$ 34,397,292</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, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 1,383	\$ 2,059,727
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,004,811	888,692
Unrealized and realized loss on investments	200,103	76,379
Write off conceptual land use and master plan	23,105	23,104
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	2,607	(1,731)
(Increase) in accrued interest receivable	(1,536)	(751)
Decrease (increase) in pledges receivable	1,445,756	(896,428)
Decrease (increase) in prepaid expenses	12,905	(74,748)
Decrease (increase) in inventory	10,192	(18,723)
(Decrease) increase in accounts payable	(199,585)	289,944
Increase in deferred revenue	1,261,050	27,654
Increase in security deposit	1,061	1,000
Increase in accrued expenses	2,131	31,694
Net cash provided by operating activities	\$ 3,763,983	\$ 2,405,813
Cash Flows from Investing Activities		
Purchase of property and equipment	\$ (6,668,426)	\$ (3,055,687)
Purchase of investments	(5,710,141)	(5,106,990)
Proceeds from sale of investments	6,748,316	5,170,521
Net cash (used in) investing activities	\$ (5,630,251)	\$ (2,992,156)
Cash Flows from Financing Activities		
Net draws on line of credit	\$ 1,700,000	\$ 200,000
Payments on note payable	(5,693)	--
Net cash provided by financing activities	\$ 1,694,307	\$ 200,000
Net (decrease) in cash and cash equivalents	\$ (171,961)	\$ (386,343)
Cash and Cash Equivalents		
Beginning	278,146	664,489
Ending	\$ 106,185	\$ 278,146
Supplemental Disclosures of Cash Flow Information,		
cash payments for interest	\$ 29,937	\$ 15,817
Supplemental Disclosures of Noncash Investing and Financing Activities, assets acquired and debt assumed through purchase of property and equipment	\$ 34,160	\$ --

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 net realizable value determined by the first-in, first-out method.

Accounts Receivable

Accounts receivable are reported at their net realizable value. There was no outstanding accounts receivable as of June 30, 2019. At June 30, 2018, accounts receivable totaled \$2,607.

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, 2019 and 2018 was \$210,776 and \$203,907, respectively.

Notes to Financial Statements

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.

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.

Notes to Financial Statements

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, 2019 and 2018, depreciation amounted to \$1,004,811 and \$888,692, 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, 2019 and 2018, \$0 and \$2,992, respectively, was designated for the Collection from deaccession sales, and is included in net assets without donor restrictions.

Reclassifications

The natural classification of expenses for the year ended June 30, 2018 have been reclassified for comparability purposes on the statements of activities. There is no effect on the total expenses or change in net assets for the year ended June 30, 2018.

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, 2019 and 2018, 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
Building maintenance	Square footage
Professional services	Time and effort
Security	Square footage
Capital and other expenses	Direct
Insurance	Time and effort
Grounds maintenance	Square footage
Communications	Time and effort
Acquisitions	Direct
Events and programs	Direct
Printing	Direct
Museum store	Direct
Other expenses	Direct
Contributions and gifts	Direct
Office expense	Direct
Professional training and memberships	Time and effort
Meals	Time and effort
Conceptual land use	Time and effort
Education	Direct
Transportation	Time and effort
Other maintenance	Direct
Bridal room supplies and decorations	Direct
Lodging	Time and effort
Consultants	Direct
Reference and research materials	Direct

New Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Museum adopted the provisions of this new standard in the current year. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources (Note 2) as well as the allocation methodology for the schedule of functional expenses (Note 1). Adoption of this standard had no effect on the change in net assets or in total.

Notes to Financial Statements

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. FASB has proposed a one-year extension to the effective date, which would make the effective date for the year ending June 30, 2022. Early adoption is permitted. The Museum is currently evaluating the impact that the adoption of Topic 842 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 the fiscal year ending June 30, 2020. ASU 2018-08 is effective for contributions made, if applicable, by the Museum for the fiscal 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. Liquidity and Availability

The Museum had \$39,487 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, 2019, the Museum had an additional \$600,000 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, 2019:

Financial assets, at year-end:

Cash and cash equivalents	\$ 106,185
Accrued interest receivable	12,184
Pledges receivable, net	254,349
Investments	<u>9,891,230</u>
Total financial assets	<u>\$ 10,263,948</u>

Less amounts not available to be used within one year:

Restricted by donors for purpose	\$ 497,144
Endowment less amount available for general expenditure within one year	<u>9,845,038</u>
	<u>\$ 10,342,182</u>

Appropriated according to Operating Endowment spending policy

\$ 117,721

Financial assets available to meet cash needs for general expenditures within one year

\$ 39,487

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 \$400,492 from the Collections and Exhibitions Endowment during fiscal year ending June 30, 2020.

Notes to Financial Statements

Note 3. Investments

The Museum's investments at June 30, 2019 and 2018 consisted of the following types of securities valued at their fair market values.

	2019		
	Historical Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Cash and Money Mutual Funds	\$ 48,684	\$ 48,684	\$ --
Equities	7,302,024	8,126,469	824,445
Corporate Bonds	1,789,890	1,703,577	(86,313)
Debt Securities	12,500	12,500	--
	\$ 9,153,098	\$ 9,891,230	\$ 738,132
	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

Note 4. Property and Equipment

Property and equipment consisted of the following at June 30, 2019 and 2018:

	2019	2018
Building	\$ 19,478,652	\$ 19,478,652
Equipment	323,186	278,283
Office equipment	166,417	162,456
Furniture and fixtures	954,731	947,246
Software	178,801	178,801
Vehicles	60,580	60,580
Leasehold improvements	16,201,347	9,258,248
Construction in progress	298,925	595,787
	\$ 37,662,639	\$ 30,960,053
Less accumulated depreciation	(10,016,827)	(9,012,016)
	\$ 27,645,812	\$ 21,948,037

Notes to Financial Statements

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. 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, 2019 and 2018, \$23,105 and \$23,104, respectively, of the remaining balance of the cost of the Master Plan was expensed.

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.

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.

Notes to Financial Statements

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. Upon completion of construction of the trails by the City, the MSV will be responsible for the maintenance of the trails and operation of the trails. The MSV will provide matching funds required for any grant application. The City will manage and oversee construction and provide the MSV with construction billings to review prior to payment by the MSV to the City.

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.

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 7. Pledges

The Museum had outstanding pledges receivable of \$299,737 and \$1,745,493 at June 30, 2019 and 2018, respectively, categorized as follows:

	2019	2018
General fund	\$ 11,062	\$ 37,955
Master plan phase two	<u>288,675</u>	<u>1,707,538</u>
	<u>\$ 299,737</u>	<u>\$ 1,745,493</u>

The outstanding pledges are due as follows:

	2019	2018
Within one year	\$ 254,349	\$ 1,606,175
Within one to five years	<u>52,841</u>	<u>157,929</u>
	\$ 307,190	\$ 1,764,104
Less: present value component	<u>7,453</u>	<u>18,611</u>
	<u>\$ 299,737</u>	<u>\$ 1,745,493</u>

Discount rate was 3.375% for the years ended June 30, 2019 and 2018. There was no bad debt expense for the year ended June 30, 2019. Bad debt expense was \$1,125 for the year ended June 30, 2018.

Included in total outstanding pledges receivable for Master Plan Phase Two are matching funds from the Glass-Glen Burnie Foundation of \$144,441 and \$1,378,878 at June 30, 2019 and June 30, 2018, respectively.

Notes to Financial Statements

Master Plan Phase Two

The Glass-Glen Burnie Foundation has pledged to provide a 1:1 matching contribution up to \$4.5 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, 2019, the Museum has recognized \$3,088,178 of contributions, of which \$2,933,566 was received from individuals, corporations, bequest, gift in kind services and grants and, therefore has earned and recognized \$2,933,566 of 1:1 matching funds. Additionally, the Glass-Glen Burnie Foundation has advanced \$1,291,204 to the Museum which is payable to the City of Winchester upon receipt of approved construction invoices for a certain portion of the trail system. This amount is shown as a liability and described as deferred revenue on the statement of financial position of the Museum. The Museum will reach the \$4.5 million dollar ceiling for the matching grant with collections of cash and gift in kind services totaling \$275,230 in subsequent years. Phase2A is now complete, and Phase2B, construction of the main surface trail in collaboration with the City of Winchester around the perimeter of the MSV property, intersecting with the City's Green Circle Trail, has been advertised by the City for bid. Bidding will close at the end of October 2019, and construction is expected to begin in December 2019; to be completed in September 2020.

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 \$85,849 and \$96,722 to the plan for the years ended June 30, 2019 and 2018, 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, 2019 and 2018.

Note 9. Investment Return, Net

Investment return, net consisted of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 271,086	\$ 306,614
Realized and unrealized (loss)	(200,103)	(76,379)
Investment fees	<u>(19,732)</u>	<u>(189,413)</u>
	<u>\$ 51,251</u>	<u>\$ 40,822</u>

Notes to Financial Statements

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.

The Glass Glen Burnie Foundation announced an additional matching donation to the MSV for the year ending June 30, 2020 to fund certain agreed upon capital repairs and replacements to existing structures. The Foundation will match up to \$250,000 based upon invoices submitted and approved by the Foundation as qualifying.

Note 11. 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, 2019 and 2018 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.

During fiscal years ended June 30, 2019 and 2018, the Museum utilized the services of a construction company which employs a member of a Board Committee. Payments to this company were \$5,608,603 and \$1,958,069 for fiscal years ended June 30, 2019 and 2018, respectively. The Museum recorded \$133,057 and \$150,000 of in-kind services from this company for fiscal years ended June 30, 2019 and 2018, respectively.

During fiscal years ended June 30, 2019 and 2018, the Museum utilized the services of an architectural firm which employs a member of a Board Committee. Payments to this firm were \$45,545 and \$63,214 for fiscal years ended June 30, 2019 and 2018, respectively.

During fiscal years ended June 30, 2019 and 2018, the Museum utilized an engineering firm affiliated with a member of a Board Committee. Payments to this company were \$1,640 and \$732 for fiscal years ended June 30, 2019 and 2018, respectively. The Museum recorded \$133,589 of in-kind services from this company for fiscal year ended June 30, 2019 and a pledge of \$60,000 to the Master Plan Phase II project in fiscal year ended June 30, 2018.

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, 2019 and 2018:

	2019	2018
Subject to expenditure for specified purpose:		
General operating	\$ 38,481	\$ 96,030
Capital projects	<u>458,663</u>	<u>3,632,082</u>
	<u>\$ 497,144</u>	<u>\$ 3,728,112</u>
Endowments:		
Operating	\$ 2,156,395	\$ 2,156,395
Miniature care and maintenance	50,000	50,000
Collections and exhibitions	<u>4,533,150</u>	<u>4,533,150</u>
	<u>\$ 6,739,545</u>	<u>\$ 6,739,545</u>
Subject to endowment spending policy and appropriation:		
Operating	\$ --	\$ 136,356
Collections and exhibitions	<u>3,105,493</u>	<u>3,451,933</u>
	<u>\$ 3,105,493</u>	<u>\$ 3,588,289</u>
Less: Underwater endowment	<u>\$ (5,335)</u>	<u>\$ --</u>
Total endowments	<u>\$ 9,839,703</u>	<u>\$ 10,327,834</u>
Total net assets with donor restrictions	<u>\$ 10,336,847</u>	<u>\$ 14,055,946</u>

Note 13. Net Assets Released from Restrictions

Net assets during the years ended June 30, 2019 and 2018 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:

	2019	2018
Satisfaction of purpose restrictions:		
General operating	\$ 101,774	\$ 44,110
Capital projects	<u>4,741,086</u>	<u>1,167,800</u>
	<u>\$ 4,842,860</u>	<u>\$ 1,211,910</u>
Subject to endowment spending policy and appropriation:		
Operating	\$ 134,758	\$ 172,911
Collections and exhibitions	<u>402,879</u>	<u>603,837</u>
	<u>\$ 537,637</u>	<u>\$ 776,748</u>
Total net assets released from restrictions	<u>\$ 5,380,497</u>	<u>\$ 1,988,658</u>

Notes to Financial Statements

Note 14. Commitments

The Museum has entered into several agreements for loan exhibitions. Payments on these commitments are due upon satisfactory completion of deliverables. As of June 30, 2019, outstanding commitments totaled approximately \$230,775.

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 20 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.

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 Fall of 2020.

Notes to Financial Statements

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, 2019 and 2018:

	<u>Balance as of June 30, 2019</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	\$ 9,891,230	\$ 9,891,230	\$ --	\$ --
		<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, 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	\$ --	\$ --

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 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 17). The outstanding balance was \$1,900,000 and \$200,000 at June 30, 2019 and June 30, 2018, respectively. Subsequent to year-end, the Museum drew an additional \$350,000 on the line of credit (See Notes 20 and 21).

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 \$28,467 as of June 30, 2019.

Future maturities on the note payable are: 2020, \$6,832; 2021, \$6,832; 2022, \$6,832; 2023, \$6,832 and 2024, \$1,139.

Note 17. 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.

Notes to Financial Statements

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, 2019 was 5.5% for both the General Operating Endowment and 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, 2019, there was one underwater endowment fund with an original gift value of \$2,156,395, fair value of \$2,132,768 and a deficiency of \$23,627. There were no underwater endowment funds at June 30, 2018.

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.

Changes in endowment net assets for the years ending June 30, 2019 and 2018 were as follows:

	<u>Net Assets With Donor Restrictions</u>
Endowment net assets, June 30, 2017	\$ 10,870,111
Investment return, net	234,471
Appropriation of endowment assets for expenditure	<u>(776,748)</u>
Endowment net assets, June 30, 2018	\$ 10,327,834
Investment return, net	49,506
Appropriation of endowment assets for expenditure	<u>(537,637)</u>
Endowment net assets, June 30, 2019	<u>\$ 9,839,703</u>

Note 18. Prior Period Adjustment

The Museum's financial statements for the year ended June 30, 2017 have been restated to reclassify losses previously recorded as net assets without donor restrictions in the Operating Endowment Fund and Collections and Exhibitions Fund. The effect of the change in net assets with donor restrictions is a decrease of \$876,135. The effect of the change in net assets without donor restrictions is an increase of \$876,135. There was no effect on the total change in net assets.

Notes to Financial Statements

Note 19. Schedule of Functional Expenses

Expenses by natural and functional classifications for the year ended June 30, 2019 are as follows:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 2,121,496	\$ 332,031	\$ 175,874	\$ 2,629,401
Depreciation	827,822	111,949	65,040	1,004,811
Collections, conservation and exhibits	244,118	--	--	244,118
Marketing and promotion	210,022	493	5,350	215,865
Utilities	203,108	1,298	--	204,406
Building maintenance	125,459	11,121	7,479	144,059
Professional services	78,964	38,179	7,229	124,372
Security and other	109,992	4,175	2,783	116,950
Insurance	80,004	16,353	6,301	102,658
Grounds maintenance	169,077	6,402	4,268	179,747
Communications	77,419	6,329	12,199	95,947
Events and programs	52,335	--	42,514	94,849
Acquisitions	91,655	--	--	91,655
Printing	71,096	79	17,977	89,152
Museum store	74,138	--	--	74,138
Contributions and gifts	15,121	25,749	983	41,853
Office expense	19,578	11,567	1,339	32,484
Professional training and memberships	21,584	6,821	2,306	30,711
Interest	31	29,906	--	29,937
Other expenses	6,626	19,412	--	26,038
Conceptual land use	18,643	2,917	1,545	23,105
Meals	9,030	4,507	9,239	22,776
Education	17,528	--	--	17,528
Other maintenance	8,544	416	--	8,960
Transportation	6,849	745	559	8,153
Bridal room supplies and decorations	4,618	--	132	4,750
Lodging	1,735	478	1,296	3,509
Consultants	455	--	2,272	2,727
Reference and research materials	89	224	--	313
Total expenses	<u>\$ 4,667,136</u>	<u>\$ 631,151</u>	<u>\$ 366,685</u>	<u>\$ 5,664,972</u>

Notes to Financial Statements

Note 20. MSV Building Remediation Project

During the fiscal year ended June 30, 2017, the Museum began renovations to the Museum building. 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. Subsequent change orders totaling \$972,748 increased the contract total to \$3,146,664. The construction work was managed by a building envelope engineering firm that billed monthly based upon hourly rates plus reimbursable expenses for services rendered. The architectural firm named in the contract also billed the Museum monthly based upon an hourly rate plus reimbursable expenses. Total costs outside of the construction contract totaled \$196,649. In total, the MSV building remediation project is expected to cost just over cost approximately \$3.85 million dollars and was completed in February of 2019. The contract includes a contractor's fee of 5% of the cost of the. 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.

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 16)

The Glass-Glen Burnie Foundation donated \$830,000 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 21. Subsequent Events

The Museum has evaluated all subsequent events through October 28, 2019, the date the financial statements were available to be issued.

Subsequent to year-end, the Museum drew \$350,000 on its line of credit.

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.

Notes to Financial Statements

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.

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.

Phase2A is now complete, and Phase2B, construction of the main surface trail in collaboration with the City of Winchester around the perimeter of the MSV property, intersecting with the City's Green Circle Trail, has been advertised by the City for bid. Bidding will close at the end of October 2019, and construction is expected to begin in December 2019; to be completed in September 2020.

The Museum is to complete an MOU with the City of Winchester and the Handley Board of Trustees regarding the extension of the MSV Trails onto lands of the Handley Board of Trustees. A final draft was received on October 4, 2019.

On October 9, 2019, the Museum entered into an agreement with a mechanical contractor to replace two boilers at the Glen Burnie House and Gardens. The contract is for \$97,389. The Museum entered into an exhibition contract with the Reading Public Museum on October 9, 2019 for \$45,000.

**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, 2019 and 2018, and have issued our report thereon, dated October 28, 2019, 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 28, 2019.

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 28, 2019

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

Statement of Financial Position (Fund Basis)

June 30, 2019

(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	\$ 245,082	\$ --	\$ (138,897)	\$ --	\$ 106,185
Accrued interest receivable	--	2,299	--	9,885	12,184
Prepaid expenses	197,365	--	--	--	197,365
Pledges receivable, net	11,062	--	243,287	--	254,349
Inventory	38,956	--	--	--	38,956
Total current assets	<u>\$ 492,465</u>	<u>\$ 2,299</u>	<u>\$ 104,390</u>	<u>\$ 9,885</u>	<u>\$ 609,039</u>
Noncurrent Assets					
Pledges receivable, net	\$ --	\$ --	\$ 45,388	\$ --	\$ 45,388
Investments	63,711	2,198,761	--	7,628,758	9,891,230
Property and equipment, net of accumulated depreciation	27,346,887	--	298,925	--	27,645,812
Other assets	161,729	--	--	--	161,729
Total noncurrent assets	<u>\$ 27,572,327</u>	<u>\$ 2,198,761</u>	<u>\$ 344,313</u>	<u>\$ 7,628,758</u>	<u>\$ 37,744,159</u>
Total assets	<u>\$ 28,064,792</u>	<u>\$ 2,201,060</u>	<u>\$ 448,703</u>	<u>\$ 7,638,643</u>	<u>\$ 38,353,198</u>
Liabilities and Net Assets					
Current Liabilities					
Security deposit	\$ 2,561	\$ --	\$ --	\$ --	\$ 2,561
Accounts payable	93,066	--	336,429	--	429,495
Accrued expenses	280,296	--	--	--	280,296
Note payable, current portion	6,832	--	--	--	6,832
Deferred revenue	20,500	--	1,293,204	--	1,313,704
Total current liabilities	<u>\$ 403,255</u>	<u>\$ --</u>	<u>\$ 1,629,633</u>	<u>\$ --</u>	<u>\$ 2,032,888</u>
Noncurrent Liabilities					
Note payable, less current portion	\$ 21,635	\$ --	\$ --	\$ --	\$ 21,635
Line of credit	--	--	1,900,000	--	1,900,000
Total noncurrent liabilities	<u>\$ 21,635</u>	<u>\$ --</u>	<u>\$ 1,900,000</u>	<u>\$ --</u>	<u>\$ 1,921,635</u>
Total liabilities	<u>\$ 424,890</u>	<u>\$ --</u>	<u>\$ 3,529,633</u>	<u>\$ --</u>	<u>\$ 3,954,523</u>
Net Assets					
Without donor restrictions	\$ 27,601,421	\$ --	\$ (3,539,593)	\$ --	\$ 24,061,828
With donor restrictions	38,481	2,201,060	458,663	7,638,643	10,336,847
Total net assets	<u>\$ 27,639,902</u>	<u>\$ 2,201,060</u>	<u>\$ (3,080,930)</u>	<u>\$ 7,638,643</u>	<u>\$ 34,398,675</u>
Total liabilities and net assets	<u>\$ 28,064,792</u>	<u>\$ 2,201,060</u>	<u>\$ 448,703</u>	<u>\$ 7,638,643</u>	<u>\$ 38,353,198</u>

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

Statement of Activities (Fund Basis)

For the Year Ended June 30, 2019

(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>
Support, Revenue and Gains (Losses)					
Contributions:					
Glass-Glen Burnie Foundation	\$ 2,961,000	\$ --	\$ 923,683	\$ --	\$ 3,884,683
Memberships	144,376	--	--	--	144,376
Grants	21,984	--	50,500	--	72,484
Other contributions	392,607	--	594,865	--	987,472
Total contributions	<u>\$ 3,519,967</u>	<u>\$ --</u>	<u>\$ 1,569,048</u>	<u>\$ --</u>	<u>\$ 5,089,015</u>
Earned income:					
Admissions	\$ 175,291	\$ --	\$ --	\$ --	\$ 175,291
Educational programs	43,343	--	--	--	43,343
Gift store sales	145,551	--	--	--	145,551
Plant sales	16,565	--	--	--	16,565
Development and membership events	2,125	--	--	--	2,125
Public events	38,192	--	--	--	38,192
Total earned income	<u>\$ 421,067</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 421,067</u>
Other revenue and gains (losses):					
Investment return, net	\$ 3,124	\$ (6,931)	\$ (1,382)	\$ 56,440	\$ 51,251
Miscellaneous income	14,649	--	--	--	14,649
Special property use	90,373	--	--	--	90,373
Total other revenue and gains (losses)	<u>\$ 108,146</u>	<u>\$ (6,931)</u>	<u>\$ (1,382)</u>	<u>\$ 56,440</u>	<u>\$ 156,273</u>
 Total support, revenue gains and (losses)	 <u>\$ 4,049,180</u>	 <u>\$ (6,931)</u>	 <u>\$ 1,567,666</u>	 <u>\$ 56,440</u>	 <u>\$ 5,666,355</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, 2019

(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	\$ 2,629,401	\$ --	\$ --	\$ --	\$ 2,629,401
Depreciation	1,004,811	--	--	--	1,004,811
Collections, conservation and exhibits	244,118	--	--	--	244,118
Marketing and promotion	210,777	--	5,088	--	215,865
Utilities	204,406	--	--	--	204,406
Grounds maintenance	94,361	--	85,386	--	179,747
Building maintenance	144,059	--	--	--	144,059
Professional services	120,844	--	3,528	--	124,372
Security and other	116,950	--	--	--	116,950
Insurance	102,658	--	--	--	102,658
Communications	94,162	--	1,785	--	95,947
Events and programs	91,252	--	3,597	--	94,849
Acquisitions	91,655	--	--	--	91,655
Printing	82,332	--	6,820	--	89,152
Museum store	74,138	--	--	--	74,138
Contributions and gifts	41,728	--	125	--	41,853
Office expense	32,484	--	--	--	32,484
Professional training and memberships	30,711	--	--	--	30,711
Interest	29,937	--	--	--	29,937
Other expenses	25,282	--	756	--	26,038
Conceptual land use	23,105	--	--	--	23,105
Meals	22,744	--	32	--	22,776
Education	17,528	--	--	--	17,528
Other maintenance	7,480	--	1,480	--	8,960
Transportation	8,153	--	--	--	8,153
Bridal room supplies and decorations	4,750	--	--	--	4,750
Lodging	3,509	--	--	--	3,509
Consultants	1,397	--	1,330	--	2,727
Reference and research materials	313	--	--	--	313
Total expenses	<u>\$ 5,555,045</u>	<u>\$ --</u>	<u>\$ 109,927</u>	<u>\$ --</u>	<u>\$ 5,664,972</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, 2019

(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	\$ (1,505,865)	\$ (6,931)	\$ 1,457,739	\$ 56,440	\$ 1,383
Other Changes in Net Assets					
Transfers for:					
Capital expenditures	6,919,847	--	(6,919,847)	--	--
General operations	134,760	(134,760)	--	--	--
Collections and exhibitions	<u>402,882</u>	<u>--</u>	<u>--</u>	<u>(402,882)</u>	<u>--</u>
Change in net assets	<u>\$ 5,951,624</u>	<u>\$ (141,691)</u>	<u>\$ (5,462,108)</u>	<u>\$ (346,442)</u>	<u>\$ 1,383</u>
Net Assets, beginning of year	<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>
Net Assets, end of year					
Without donor restrictions	\$ 27,601,421	\$ --	\$ (3,539,593)	\$ --	\$ 24,061,828
With donor restrictions	<u>38,481</u>	<u>2,201,060</u>	<u>458,663</u>	<u>7,638,643</u>	<u>10,336,847</u>
Total net assets, ending	<u>\$ 27,639,902</u>	<u>\$ 2,201,060</u>	<u>\$ (3,080,930)</u>	<u>\$ 7,638,643</u>	<u>\$ 34,398,675</u>