

VIRGINIA MUSEUM OF CONTEMPORARY ART

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2019 and 2018

And Report of Independent Auditor

VIRGINIA MUSEUM OF CONTEMPORARY ART

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Report of Independent Auditor

To the Board of Trustees
Virginia Museum of Contemporary Art
Virginia Beach, Virginia

We have audited the accompanying financial statements of the Virginia Museum of Contemporary Art, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 audits 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 Virginia Museum of Contemporary Art as of June 30, 2019 and 2018, and the change in its net assets and its functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Financial Statement Presentation

As discussed in Note 1 to the financial statements, in 2019, Virginia Museum of Contemporary Art adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 has been applied retrospectively to all periods presented in the financial statements. Virginia Museum of Contemporary Art also adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* retrospectively to all periods presented. Our opinion is not modified with respect to these matters.

A handwritten signature in cursive script that reads "Cheryl Bekant LLP". The signature is written in black ink and is positioned above the typed name and date.

Virginia Beach, Virginia
February 12, 2020

VIRGINIA MUSEUM OF CONTEMPORARY ART
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 359,983	\$ 576,858
Investments	921,681	851,273
Accounts receivable	145,091	123,808
Inventory	23,811	27,284
Prepaid expense	44,242	21,845
Total Current Assets	<u>1,494,808</u>	<u>1,601,068</u>
Property and Equipment:		
Leasehold improvements	2,065,365	2,065,365
Equipment	409,266	574,042
	<u>2,474,631</u>	<u>2,639,407</u>
Less accumulated depreciation	1,652,562	1,806,460
Property and Equipment, Net	<u>822,069</u>	<u>832,947</u>
Total Assets	<u><u>\$ 2,316,877</u></u>	<u><u>\$ 2,434,015</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable, trade	\$ 71,821	\$ 50,444
Accrued expenses	14,609	13,203
Deferred income, advance payments	194,766	167,958
Total Current Liabilities	<u>281,196</u>	<u>231,605</u>
Net Assets:		
Net assets without donor restrictions	1,977,089	2,137,355
Net assets with donor restrictions	58,592	65,055
Total Net Assets	<u>2,035,681</u>	<u>2,202,410</u>
Total Liabilities and Net Assets	<u><u>\$ 2,316,877</u></u>	<u><u>\$ 2,434,015</u></u>

VIRGINIA MUSEUM OF CONTEMPORARY ART
STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Changes in Net Assets Without Donor Restrictions:		
Public Support and Revenues:		
Public Support:		
Contributions	\$ 893,139	\$ 980,497
Grant awards	180,540	170,989
Membership dues	42,330	40,603
Revenues:		
Special event fees	294,908	362,347
Facility rent	329,765	331,758
Class and material fees	225,227	265,627
Merchandise and concession sales	64,267	56,259
Exhibition admission income	29,981	40,811
Investment income, gain (loss), and market value adjustments, net	49,827	50,040
Other revenues, net	20,889	-
Net assets released from donor restrictions	6,463	57,256
Total Public Support and Revenues	<u>2,137,336</u>	<u>2,356,187</u>
Expenses:		
Program services	1,502,825	1,388,469
Management and general	508,782	463,603
Fundraising	285,995	282,623
Total Expenses	<u>2,297,602</u>	<u>2,134,695</u>
(Decrease) Increase in Net Assets Without Donor Restrictions	<u>(160,266)</u>	<u>221,492</u>
Changes in Net Assets With Donor Restrictions:		
Contributions	-	27,007
Net assets released from restrictions	<u>(6,463)</u>	<u>(57,256)</u>
Decrease in Net Assets With Donor Restrictions:	<u>(6,463)</u>	<u>(30,249)</u>
Change in net assets	(166,729)	191,243
Net assets, beginning of year	<u>2,202,410</u>	<u>2,011,167</u>
Net assets, end of year	<u>\$ 2,035,681</u>	<u>\$ 2,202,410</u>

The accompanying notes to the financial statements are an integral part of these statements.

VIRGINIA MUSEUM OF CONTEMPORARY ART
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising	Total
Advertising and printing	\$ 88,832	\$ 1,222	\$ 9,167	\$ 99,221
Artists, judges, lecture fees	3,944	-	-	3,944
Bank fees	635	599	2,826	4,060
Bad debt	20,734	-	-	20,734
Benefits and payroll taxes	100,377	67,562	25,094	193,033
Depreciation expense	41,818	13,939	-	55,757
Dues and subscriptions	8,028	1,289	2,874	12,191
Exhibitions and programs	214,582	-	57,122	271,704
Insurance	25,727	11,558	-	37,285
Maintenance and repairs	66,962	16,741	-	83,703
Merchandise and concession cost	30,757	-	-	30,757
Miscellaneous	2,295	479	469	3,243
Postage and express mail	-	10,160	-	10,160
Prizes and awards	27,881	-	-	27,881
Professional services	33,897	21,195	-	55,092
Salaries	483,477	322,319	142,200	947,996
Supplies	26,782	22,149	5,415	54,346
Taxes and licenses	2,421	389	867	3,677
Teachers and casual labor	206,657	2,088	-	208,745
Travel and hospitality	12,019	5,426	39,961	57,406
Utilities	105,000	11,667	-	116,667
Total Expenses	\$ 1,502,825	\$ 508,782	\$ 285,995	\$ 2,297,602

VIRGINIA MUSEUM OF CONTEMPORARY ART
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total
Advertising and printing	\$ 90,760	\$ 1,249	\$ 9,366	\$ 101,375
Artists, judges, lecture fees	2,657	-	-	2,657
Bank fees	2,642	2,494	11,763	16,899
Bad debt	775	-	-	775
Benefits and payroll taxes	88,059	59,271	22,014	169,344
Depreciation expense	48,149	16,049	-	64,198
Dues and subscriptions	3,322	533	1,189	5,044
Exhibitions and programs	279,270	-	74,120	353,390
Insurance	20,238	9,091	-	29,329
Maintenance and repairs	51,282	12,820	-	64,102
Merchandise and concession cost	26,144	-	-	26,144
Postage and express mail	-	6,965	-	6,965
Prizes and awards	30,219	-	-	30,219
Professional services	23,202	14,507	-	37,709
Salaries	453,940	302,627	133,513	890,080
Supplies	24,133	19,959	4,880	48,972
Taxes and licenses	3,434	551	1,229	5,214
Teachers and casual labor	116,024	1,172	-	117,196
Travel and hospitality	7,384	3,333	24,549	35,266
Utilities	116,835	12,982	-	129,817
Total Expenses	\$ 1,388,469	\$ 463,603	\$ 282,623	\$ 2,134,695

The accompanying notes to the financial statements are an integral part of these statements.

VIRGINIA MUSEUM OF CONTEMPORARY ART
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flow from operating activities:		
Change in net assets	\$ (166,729)	\$ 191,243
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	55,757	64,198
Bad debt	20,734	775
Loss on disposal of assets	1,458	-
Net (gain) loss on sale of investments	26,900	(3,511)
Interest and dividends reinvested	22,927	(55,332)
Increase (decrease) in operating assets and liabilities:		
Accounts receivable	(42,017)	(53,447)
Inventory	3,473	(8,930)
Prepaid expense	(22,397)	159
Accounts payable, trade	21,377	(7,233)
Accrued expenses	1,406	628
Deferred income, advance payments	26,808	(48,066)
Cash (used in) provided by operating activities	<u>(50,303)</u>	<u>80,484</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(46,337)	(3,344)
Proceeds from sale of investments	914,586	183,055
Purchase of investments	<u>(1,034,821)</u>	<u>(100,306)</u>
Cash (used in) provided by investing activities	<u>(166,572)</u>	<u>79,405</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(216,875)	159,889
Cash, cash equivalents, and restricted cash, beginning of year	<u>576,858</u>	<u>416,969</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 359,983</u>	<u>\$ 576,858</u>
Cash and cash equivalents reflected on the statements of financial position:		
Without donor restrictions	\$ 301,391	\$ 511,803
With donor restrictions	<u>58,592</u>	<u>65,055</u>
Cash and cash equivalents, end of year	<u>\$ 359,983</u>	<u>\$ 576,858</u>

VIRGINIA MUSEUM OF CONTEMPORARY ART

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1—Nature of operations

Virginia Museum of Contemporary Art (the “Museum”) is a charitable not-for-profit organization. Its purpose is to provide a broad range of art and art-related services and activities to the Tidewater, Virginia community. Included in the scope of the Museum’s activities are a studio school, gallery exhibitions, tours and lectures on art subjects, and various fundraising events.

Note 2—Summary of significant accounting policies

Basis of Presentation – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Cash and Cash Equivalents – Cash and investments with an original maturity of three months or less are considered to be cash and cash equivalents. Included in cash on the statements of financial position as of June 30, 2019 and 2018 is net assets with donor restrictions of \$58,592 and \$65,055, respectively.

Property and Equipment – Property and equipment acquired by purchase are recorded at cost. Donated assets are recorded at fair market value as of the date contributed. Depreciation is calculated using the straight-line method based on the following useful lives:

	<u>Life</u>
Leasehold improvements	5 - 39 years
Furniture and equipment	5 - 7 years

Collections – Purchases of artwork are recorded as decreases in net assets without donor restrictions in the year in which the item is acquired or as net assets with donor restrictions if restricted by donor.

Accounts Receivable – Accounts receivable consist of trade receivables at amounts billed less an allowance for doubtful accounts. Management considers all trade receivables over 30 days to be past due. Management's determination of the allowance for doubtful accounts is based on an evaluation of the accounts receivable, past collection experience, current economic conditions, and other risks inherent in the receivable portfolio. No allowance for doubtful accounts was deemed necessary for the years ended June 30, 2019 and 2018.

Grant Income – Grant income without donor restrictions is recognized in the year the grant is awarded. Grants that are restricted by the grantor are reported as increases in net assets with donor restrictions. When the restriction is met or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Functional Expenses – The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be specifically identified to a functional area are allocated directly. Expenses that are common to more than one function are allocated by various statistical means and by the use of management’s estimates.

Endowment Fund – An endowment fund held in perpetuity existed in prior years. The principal of the endowment fund was invested in stocks, bonds, or similar investments chosen by the Endowment Investment Committee. The income earned was withdrawn on an annual basis to fund operations. During the year ended June 30, 2013, the Museum obtained permission from the original donor lifting restrictions on the donation. The funds from the endowment held in perpetuity were then designated by the Board of Trustees to be used to support the Museum and its mission in future periods, and are now included in net assets without donor restrictions.

VIRGINIA MUSEUM OF CONTEMPORARY ART

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

Income Taxes – As a charitable not-for-profit organization, the Museum is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated the effect of the guidance provided by U.S. GAAP on *Accounting for Uncertainty in Income Taxes*. Management believes the Museum continues to satisfy the requirements of a tax-exempt organization at June 30, 2019.

Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined the Museum had no uncertain income tax positions at this date.

Adopted Accounting Pronouncements – In August 2016, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard changes presentation and disclosure requirements of not-for-profit entities. The primary changes are a decrease in the number of net asset classes from three to two, requiring disclosures of qualitative information on how the not-for-profit entity manages its liquid available resources and liquidity risks and requiring reporting of expenses by function and nature. This standard is effective for all fiscal years beginning after December 15, 2017, and was applied on a retrospective basis to the financial statements for the year ended June 30, 2019.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 requires the statement of cash flows to present the change of restricted cash with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts. The standard will be effective for non-public entities for annual reporting periods beginning after December 31, 2018. Early adoption is permitted. The Museum has elected to early adopt this standard.

Credit Risk – The Museum places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Museum from time to time may have amounts on deposit in excess of the insured limits. As of June 30, 2019, no accounts exceeded these insured amounts.

Classification of Net Assets – Net assets, revenues, expense, gains, and losses are classified based on the existence or absence of donor-imposed restrictions

Net assets of the Museum and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are free of donor-imposed stipulations and are fully available to utilize for any program or supporting services. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions in accordance with donors’ stipulations result in the release of such restrictions. The Board of Trustees (the “Board”) may designate certain amounts to be utilized or invested to meet specific objectives of the Museum.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may expire with the passage of time or that may be satisfied by actions of the Museum. When donor stipulations expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from donor restrictions. The Museum held net assets with donor restrictions of \$58,592 and \$65,055 at June 30, 2019 and 2018, respectively.

VIRGINIA MUSEUM OF CONTEMPORARY ART

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

Inventory – Merchandise inventory consists of gift shop items, purchased for resale, and is stated at cost or net realizable value.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingencies and liabilities at the date of the financial statements and revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

Advertising – The Museum expenses advertising costs as they are incurred. Advertising costs expensed for the years ended June 30, 2019 and 2018 were \$99,221 and \$101,375, respectively.

Revenue Recognition – Unearned revenues consisting primarily of tuition and facility rental deposits, which are received in advance, but which relate to the following fiscal year, are deferred and recognized as revenue in that following fiscal year, as services are provided.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Significant New Accounting Standards Not Yet Adopted – In May 2014, FASB issued ASU 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 updated standard 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 effect transition method. In August 2015, FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018, for all non-SEC filers, including not-for-profit entities. The Museum has not yet selected a transition method and is currently evaluating the effect the standard will have on the financial statements.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides a more detailed framework for determining whether a grant or similar contract should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides additional guidance to help determine whether a contribution is conditional and better distinguish between a donor-imposed condition and a donor-imposed restriction. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. ASU 2018-08 requires the provisions to be applied on a modified prospective basis and early adoption is permitted. The Museum is currently evaluating the effect ASU 2018-08 will have on the financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset, representing the lessee's right to use or control the asset, be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statements of activities and changes in net assets and the statements of cash flows will be substantially unchanged from the existing lease accounting guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Museum is currently evaluating the full effect the adoption of this standard will have on the financial statements.

VIRGINIA MUSEUM OF CONTEMPORARY ART
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 3—Investments

The Museum reports investments in marketable fixed income and exchange traded funds with readily determinable fair values at their fair values in the statements of financial position. Unrealized gain and losses are included in the change in net assets in the accompanying statements of activities under net assets without donor restrictions as required by accounting standards.

Investments include exchange traded and fixed income funds recorded at fair market value.

	June 30, 2019		June 30, 2018	
	Market	Cost	Market	Cost
Exchange traded funds	\$ 629,969	\$ 629,181	\$ 776,401	\$ 729,049
Fixed income funds	291,712	280,753	74,872	75,747
	\$ 921,681	\$ 909,934	\$ 851,273	\$ 804,796

Note 4—Donated goods and services

Contributions of noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Contributions of noncash goods and services for June 30, 2019 and 2018 were \$13,348 and \$39,850, respectively, and are included on the accompanying statements of activities in contributions.

A substantial number of unpaid volunteers make significant contributions of their time to develop and implement the Museum's programs and activities. The Museum does not recognize this as revenue; therefore, the fair value of these volunteer hours has not been determined.

Note 5—Net assets without donor restrictions

Net assets without donor restrictions at June 30, 2019 and 2018 consisted of the following:

	2019	2018
Undesignated	\$ 985,607	\$ 1,037,984
Invested in property and equipment	822,069	832,947
Designated by the Board of Trustees for future use	169,413	266,424
	\$ 1,977,089	\$ 2,137,355

VIRGINIA MUSEUM OF CONTEMPORARY ART
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 6—Net assets with donor restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 include amounts restricted in cash for the following purposes:

	2019	2018
Cohen Fund	\$ 58,592	\$ 63,396
Public Art Work Fund	-	1,659
	<u>\$ 58,592</u>	<u>\$ 65,055</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the other events specified by donors. Total assets released from restrictions were:

	2019	2018
Cohen Fund	\$ 4,804	\$ 2,505
Public Art Work Fund	1,659	54,741
	<u>\$ 6,463</u>	<u>\$ 57,246</u>

Note 7—Collection of artwork

The Museum has a small collection of legacy artwork that is currently not on display. The collection, which has been acquired through purchases and contributions, are not recognized as an asset on the statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restriction in the year in which the items are acquired or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors.

Note 8—Operating leases

The Museum's building opened to the public in April 1989. Ownership was transferred to the City of Virginia Beach (the "City") in October 1989, subject to the terms and conditions of a lease and operating agreement between the Museum and the City. The Museum leases the land and building from the City for \$1 annually. The market value of the lease is not readily determinable. The initial term of the lease was for five years with unlimited five-year renewals thereafter. The City is responsible for long-term maintenance and repair of the building and its surrounding grounds.

The City awards the Museum a grant each year to cover the cost of electricity and gas. At the expiration of the lease, the Museum will waive the right to claim any furniture, fixtures, and equipment if not removed from the property within ten days.

VIRGINIA MUSEUM OF CONTEMPORARY ART

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 8—Operating leases (continued)

The Museum leases office equipment under various lease agreements expiring in fiscal years ranging from 2019 to 2023. Lease expense under these leases was \$19,932 and \$12,973 for the years ended June 30, 2019 and 2018, respectively. Operating lease commitments are as follows:

<u>Years Ending</u>	
2020	\$ 21,361
2021	21,360
2022	13,638
2023	2,838
2024	1,280

Note 9—Defined contribution plan

The Museum's 401(k) plan covers all employees, not including those that are contracted seasonally, that are at least 21 years of age, and have been employed for over one year. The Museum made contributions to the plan totaling \$20,000 and \$21,012 for the years ended June 30, 2019 and 2018, respectively.

Note 10—Fair value measurements

Accounting standards require that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

Accounting standards specify a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Museum's market assumptions. The three levels of the fair value hierarchy based on these two types of inputs are as follows:

Level 1 – Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 – Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 – Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

VIRGINIA MUSEUM OF CONTEMPORARY ART
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 10—Fair value measurements (continued)

The following describes the valuation techniques used by the Museum to measure certain financial assets recorded at fair value on a recurring basis in the financial statements:

	Fair Value	Fair Value Measurements at June 30, 2019		
		Level 1	Level 2	Level 3
Exchange traded funds	\$ 629,969	\$ 629,969	\$ -	\$ -
Fixed income funds	291,712	291,712	-	-
Total investments	<u>\$ 921,681</u>	<u>\$ 921,681</u>	<u>\$ -</u>	<u>\$ -</u>

	Fair Value	Fair Value Measurements at June 30, 2018		
		Level 1	Level 2	Level 3
Exchange traded funds	\$ 776,401	\$ 776,401	\$ -	\$ -
Fixed income funds	74,872	74,872	-	-
Total investments	<u>\$ 851,273</u>	<u>\$ 851,273</u>	<u>\$ -</u>	<u>\$ -</u>

Note 11—Liquidity and availability of financial assets

The following table reflects the Museum's financial assets as of June 30, 2019 (which exclude inventory, prepaid expense, and property and equipment) available for general use within one year of the statement of financial position date.

Cash	\$ 359,983
Investments	921,681
Accounts receivable	145,091
Total financial assets	<u>1,426,755</u>
Less:	
Board designations held for future use	(169,413)
Cash held with donor restrictions	(58,592)
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 1,198,750</u>

As part of the Museum's liquidity management plan, it structures its financial assets to be available as its obligations come due. The Museum regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Museum considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures. Management is of the opinion that sufficient liquidity exists to meet its obligations.

VIRGINIA MUSEUM OF CONTEMPORARY ART
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 12—Related party transactions

The Museum had donations of \$53,909 and \$45,895 from members of the Museum's Board of Trustees as of June 30, 2019 and 2018, respectively.

Note 13—Subsequent events

The Museum has evaluated subsequent events through February 12, 2020, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through this date that would require adjustment to, or disclosure in, the financial statements.