



**VIRGINIA MUSEUM OF
CONTEMPORARY ART**

FINANCIAL STATEMENTS

*As of and for the Years Ended June 30, 2018
and 2017*

And Report of Independent Auditor

VIRGINIA MUSEUM OF CONTEMPORARY ART

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Report of Independent Auditor

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 (the "Museum"), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 Museum'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 Museum'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, 2018 and 2017, and the change 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.



Virginia Beach, Virginia
December 7, 2018

VIRGINIA MUSEUM OF CONTEMPORARY ART
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 576,858	\$ 416,969
Investments	851,273	875,179
Accounts receivable	123,808	71,136
Inventory	27,284	18,354
Prepaid expense	21,845	22,004
Total Current Assets	<u>1,601,068</u>	<u>1,403,642</u>
Property and Equipment:		
Leasehold improvements	2,065,365	2,065,365
Equipment	574,042	570,697
	<u>2,639,407</u>	<u>2,636,062</u>
Less accumulated depreciation	1,806,460	1,742,261
Total Property and Equipment	<u>832,947</u>	<u>893,801</u>
Total Assets	<u><u>\$ 2,434,015</u></u>	<u><u>\$ 2,297,443</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable, trade	\$ 50,444	\$ 57,677
Accrued expenses	13,203	12,575
Deferred income, advance payments	167,958	216,024
Total Current Liabilities	<u>231,605</u>	<u>286,276</u>
Net Assets:		
Unrestricted:		
Undesignated	1,037,984	821,348
Invested in property and equipment	832,947	893,801
Board-designated endowment	266,424	200,724
Temporarily restricted	65,055	95,294
Total Net Assets	<u>2,202,410</u>	<u>2,011,167</u>
Total Liabilities and Net Assets	<u><u>\$ 2,434,015</u></u>	<u><u>\$ 2,297,443</u></u>

VIRGINIA MUSEUM OF CONTEMPORARY ART
STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Changes in Unrestricted Net Assets:		
Public Support and Revenues:		
Public Support:		
Contributions	\$ 980,497	\$ 814,187
Grant awards	170,989	186,136
Membership dues	40,603	41,020
Revenues:		
Special event fees	362,347	398,199
Facility rent	331,758	282,330
Class and material fees	265,627	216,366
Merchandise and concession sales	56,259	75,252
Exhibition admission income	40,811	55,817
Investment gain and market value adjustments, net	3,511	56,130
Interest and dividend income	55,332	21,324
Other revenues, net	-	1,338
Net assets released from restrictions	57,246	5,139
Total Public Support and Revenues	<u>2,364,980</u>	<u>2,153,238</u>
Expenses:		
Program services	1,060,538	1,156,543
Costs of direct benefits to donors	329,307	224,826
Management and general	464,902	450,581
Fundraising	288,751	272,612
Total Expenses	<u>2,143,498</u>	<u>2,104,562</u>
Increase in Unrestricted Net Assets	<u>221,482</u>	<u>48,676</u>
Changes in Temporarily Restricted Net Assets:		
Contributions	27,007	61,009
Net assets released from restrictions	<u>(57,246)</u>	<u>(5,139)</u>
Increase (decrease) in Temporarily Restricted Net Assets	<u>(30,239)</u>	<u>55,870</u>
Change in net assets	191,243	104,546
Net assets, beginning of year	<u>2,011,167</u>	<u>1,906,621</u>
Net assets, end of year	<u>\$ 2,202,410</u>	<u>\$ 2,011,167</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, 2018

	Program Services	Costs of Direct Benefits to Donors	Management and General	Fundraising	Total
Advertising and printing	\$ 72,102	\$ 18,658	\$ 1,249	\$ 9,366	\$ 101,375
Artists, judges, lecture fees	2,657	-	-	-	2,657
Bank fees	-	4,018	3,793	17,891	25,702
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	172,398	106,872	-	74,120	353,390
Insurance	903	19,335	9,091	-	29,329
Maintenance and repairs	-	51,282	12,820	-	64,102
Merchandise and concession cost	5,367	20,777	-	-	26,144
Postage and express mail	-	-	6,965	-	6,965
Prizes and awards	4,500	25,719	-	-	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	199	3,235	551	1,229	5,214
Teachers and casual labor	93,728	22,296	1,172	-	117,196
Travel and hospitality	926	6,458	3,333	24,549	35,266
Utilities	116,835	-	12,982	-	129,817
Total Expenses	\$ 1,060,538	\$ 329,307	\$ 464,902	\$ 288,751	\$ 2,143,498

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, 2017

	Program Services	Costs of Direct Benefits to Donors	Management and General	Fundraising	Total
Advertising and printing	\$ 159,253	\$ 25,541	\$ 2,542	\$ 19,070	\$ 206,406
Artists, judges, lecture fees	1,712	-	-	-	1,712
Bank fees	1,476	2,836	4,070	19,199	27,581
Benefits and payroll taxes	86,605	-	58,293	21,651	166,549
Depreciation expense	55,256	-	18,419	-	73,675
Dues and subscriptions	2,348	1,565	628	1,400	5,941
Exhibitions and programs	93,908	82,041	-	46,838	222,787
Insurance	24,547	-	11,027	-	35,574
Maintenance and repairs	57,870	-	14,467	-	72,337
Merchandise and concession cost	9,887	38,546	-	-	48,433
Other expenses	2,341	494	591	578	4,004
Postage and express mail	-	-	6,618	-	6,618
Prizes and awards	4,750	23,500	-	-	28,250
Professional services	25,645	-	16,035	-	41,680
Salaries	429,998	-	286,665	126,470	843,133
Supplies	4,262	10,740	12,407	3,034	30,443
Taxes and licenses	5,504	-	883	1,970	8,357
Teachers and casual labor	80,914	31,284	1,133	-	113,331
Telephone	-	-	314	-	314
Travel and hospitality	1,466	8,279	4,400	32,402	46,547
Utilities	108,801	-	12,089	-	120,890
Total Expenses	\$ 1,156,543	\$ 224,826	\$ 450,581	\$ 272,612	\$ 2,104,562

VIRGINIA MUSEUM OF CONTEMPORARY ART
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flow from operating activities:		
Change in net assets	\$ 191,243	\$ 104,546
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	64,198	73,675
Bad debt	775	-
Net gain on investments	(3,511)	(56,130)
Interest and dividends reinvested	(55,332)	(21,324)
Increase/decrease in operating assets/liabilities:		
Accounts receivable	(53,447)	96,886
Inventory	(8,930)	9,883
Prepaid expense	159	(9,425)
Accounts payable, trade	(7,233)	(14,069)
Accrued expenses	628	(1,350)
Deferred income, advance payments	(48,066)	26,574
Cash provided by operating activities	<u>80,484</u>	<u>209,266</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(3,344)	(3,382)
Proceeds from sale of investments	183,055	76,339
Purchase of investments	(100,306)	(65,229)
Cash provided by investing activities	<u>79,405</u>	<u>7,728</u>
Net increase in cash	159,889	216,994
Cash and cash equivalents, beginning of year	<u>416,969</u>	<u>199,975</u>
Cash and cash equivalents, end of year	<u>\$ 576,858</u>	<u>\$ 416,969</u>

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

VIRGINIA MUSEUM OF CONTEMPORARY ART

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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 (“GAAP”).

Cash and Cash Equivalents – Cash and investments with an original maturity of 90 days or less are considered to be cash and cash equivalents. Included in cash on the statements of financial position as of June 30, 2018 and 2017 is temporarily restricted cash of \$65,055 and \$95,294, 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 unrestricted net assets in the year in which the item is acquired or as temporarily or permanently restricted 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, 2018 and 2017.

Grant Income – Unrestricted grant income is recognized in the year the grant is awarded. Grants that are restricted by the grantor are reported as increases in temporarily restricted net assets. When the restriction is met or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Functional Expenses – Certain costs of providing various programs and other 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.

Endowment Fund – A permanent endowment fund 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 permanent endowment were used to set up a Board designated endowment fund to support the Museum and its mission for years to come.

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.

VIRGINIA MUSEUM OF CONTEMPORARY ART

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

Income Taxes (continued) – Management has evaluated the effect of the guidance provided by U.S. Generally Accepted Accounting Principles on Accounting for Uncertainty in Income Taxes. Management believes the Museum continues to satisfy the requirements of a tax-exempt organization at June 30, 2018.

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.

Adoption of New Accounting Standard – Effective July 2017, the Museum adopted Accounting Standards Update (“ASU”) 2015-11, *Simplifying the Measurement of Inventory* (Subtopic 330-10). This standard is effective for fiscal years beginning after December 15, 2016. The new guidance requires inventory to be measured at the lower of cost or net realizable value. Previously, the Museum stated inventory at the lower of average cost or market value.

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

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, 2018, no accounts exceeded these insured amounts.

Financial Statement Presentation – The Museum is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The financial statement will report amounts separately by class of asset, when applicable, as follows:

Unrestricted – Amounts that are undesignated are currently available for use in the operations of the Museum. During the year ended June 30, 2013, the Board designated an endowment fund to support the mission of the Museum and to encourage others to leave a legacy to the Museum. Additions can be made annually from operating or reserve accounts by the Executive Committee. In prior years, the designated net assets balance resulted from contributions, which were Board designated for construction of the Museum's building, which opened in April 1989, and for equipment and furniture, related to the project. Subsequent to completion of the facility, the Board of Trustees authorized the use of earnings from those remaining assets for current operation of the Museum and management includes this amount in its general operations budget. In addition, the endowment fund includes capital campaign contributions received to complete the addition of the new atrium, which opened in October 2003.

Temporarily Restricted – Amounts are those which are stipulated by donors for specific purposes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted – Amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

VIRGINIA MUSEUM OF CONTEMPORARY ART

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

Advertising – The Museum expenses advertising costs as they are incurred. Advertising costs expensed for the years ended June 30, 2018 and 2017 were \$101,375 and \$206,406, 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.

Future Pronouncements – In August 2016, Financial Accounting Standards Board (“FASB”) issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the statements of activities and changes in net assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Museum's financial statements, it is not expected to alter the Museum's reported financial position. The Museum has elected to defer implementation until the applicable required date.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) (“ASU 2016-02”). ASU 2016-02 requires lessees to recognize most leases on the balance sheet. This is expected to increase both reported assets and liabilities. The new lease standard does not substantially change lessor accounting. For non-public companies, the standard will be effective for annual reporting periods beginning after December 15, 2019 and interim periods within annual reporting periods beginning after December 15, 2020. Lessees and lessors will be required to apply the new standard at the beginning of the earliest period presented in the financial statements in which they first apply the new guidance, using a modified retrospective transition method. The requirements of this standard include a significant increase in required disclosures. The Museum has elected to defer implementation until the applicable required date.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (“ASU 2014-09”). ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers* (Topic 606): *Deferral of Effective Date* (“ASU 2015-14”). The amendments in ASU 2015-14 defer the effective date of ASU 2014-09 for all entities by one year. The standard will be effective for non-public entities for annual reporting periods beginning after December 15, 2018 and interim periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted, beginning after December 15, 2016. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. The Museum has elected to defer implementation until the applicable required date.

VIRGINIA MUSEUM OF CONTEMPORARY ART
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 3—Investments

The Museum reports investments in marketable fixed income and equity mutual 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 the unrestricted net assets as required by accounting standards.

Investments include mutual funds and marketable equities recorded at fair market value.

	June 30, 2018		June 30, 2017	
	Market	Cost	Market	Cost
Mutual funds	\$ 776,401	\$ 729,049	\$ 680,021	\$ 632,109
Fixed income funds	74,872	75,747	195,158	196,366
	<u>\$ 851,273</u>	<u>\$ 804,796</u>	<u>\$ 875,179</u>	<u>\$ 828,475</u>

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, 2018 and 2017 were \$39,850 and \$43,588, 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—Board designated endowment

The Museum's Board designated endowment was created during the year ended June 30, 2013 and consists of board-restricted funds held by the Museum for the purpose of supporting the work of the Museum in perpetuity. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Return Objectives and Risk Parameters – The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Under these policies, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results at least a return of 8.0%. To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum utilizes an asset allocation that targets five different mutual funds. Asset allocations are reviewed semi-annually.

Spending Policy – The spending rate of the unrestricted portion of the endowment account will be no greater than 4.5%. The calculation of the actual distribution amount will be the average value of the endowment account for the previous 12 quarters. The Executive Committee will recommend to the Board of Directors each year the percentage distribution.

VIRGINIA MUSEUM OF CONTEMPORARY ART
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 5—Board designated endowment (continued)

For the years ended June 30, 2018 and 2017, the Museum had the following endowment-related activities:

	2018	2017
Board-designated endowment net assets, beginning of year	\$ 200,724	\$ 181,148
Deposits	49,201	-
Investment income, net	3,164	6,211
Net appreciation	13,335	13,365
Board-designated endowment net assets, end of year	<u>\$ 266,424</u>	<u>\$ 200,724</u>

Note 6—Restrictions and limitations on net asset balances

Temporarily restricted funds at June 30, 2018 and 2017 include amounts restricted for the following:

	2018	2017
Cohen Fund	\$ 63,396	\$ 65,894
Public Art Work Fund	1,659	29,400
	<u>\$ 65,055</u>	<u>\$ 95,294</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:

	2018	2017
Cohen Fund	\$ 2,505	\$ 4,539
Public Art Work Fund	54,741	600
	<u>\$ 57,246</u>	<u>\$ 5,139</u>

Note 7—Collection of artwork

The Museum has a collection of artwork that is on public 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 unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets 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.

VIRGINIA MUSEUM OF CONTEMPORARY ART

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 8—Operating leases (continued)

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.

The Museum leases office equipment under various lease agreements expiring in fiscal years ranging from 2019 to 2023. Lease expense under these leases was \$12,973 and \$9,021 for the years ended June 30, 2018 and 2017, respectively. Operating lease commitments are as follows:

2019	\$	11,017
2020		11,017
2021		11,016
2022		11,016
2023		964

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 \$21,012 and \$30,502 for the years ended June 30, 2018 and 2017, 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, 2018 AND 2017

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:

	June 30, 2018			
	Carrying Value	Fair Value Measurements		
		Level 1	Level 2	Level 3
Mutual 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>

	June 30, 2017			
	Carrying Value	Fair Value Measurements		
		Level 1	Level 2	Level 3
Mutual funds	\$ 680,021	\$ 680,021	\$ -	\$ -
Fixed income funds	195,158	195,158	-	-
Total investments	<u>\$ 875,179</u>	<u>\$ 875,179</u>	<u>\$ -</u>	<u>\$ -</u>

Note 11—Related party transactions

The Museum had donations of \$45,895 and \$68,384 from members of the Museum’s Board of Trustees as of June 30, 2018 and 2017, respectively.

Note 12—Subsequent events

The Museum has evaluated subsequent events through December 7, 2018, 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.