

**SHENANDOAH VALLEY
DISCOVERY MUSEUM, INC.**

FINANCIAL REPORT

December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shenandoah Valley Discovery Museum, Inc.
Winchester, Virginia

We have audited the accompanying financial statements of the Shenandoah Valley Discovery Museum, Inc. (the "Museum"), which comprise the statements of financial position as of December 31, 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.

Your Success is Our Focus

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shenandoah Valley Discovery Museum, Inc. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
May 8, 2019

SHENANDOAH VALLEY DISCOVERY MUSEUM, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 200,078	\$ 174,220
Contributions receivable, current (Note 2)	10,323	42,891
Inventory	8,164	9,979
Prepaid expenses	9,982	-
	228,547	227,090
OTHER ASSETS		
Contributions receivable, net of current portion (Note 2)	85,602	3,846
Investments (Notes 3 and 4)	448,722	357,005
Capital Reserve Fund (Note 3)	19,533	10,000
Property and equipment, net (Note 5)	4,198,325	4,405,146
	\$ 4,980,729	\$ 5,003,087
	\$ 4,980,729	\$ 5,003,087
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 12,857	\$ 9,878
Accrued expenses	22,702	1,603
Deferred member dues	42,081	34,587
	77,640	46,068
NET ASSETS		
Without donor restrictions	4,371,646	4,553,681
With donor restrictions (Note 7)	531,443	403,338
	4,903,089	4,957,019
	\$ 4,980,729	\$ 5,003,087

The Notes to Financial Statements are an integral part of these statements.

SHENANDOAH VALLEY DISCOVERY MUSEUM, INC.

STATEMENTS OF ACTIVITIES
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 153,029	\$ 201,682	\$ 354,711
Admissions	474,578	-	474,578
Special events, net of related expenses of \$10,763	44,530	-	44,530
In-kind contributions	28,461	-	28,461
Membership dues	80,639	-	80,639
Museum shop sales	35,929	-	35,929
Miscellaneous	9,137	-	9,137
Investment income, net (Notes 3 and 4)	579	(33,840)	(33,261)
Increase to allowance for uncollectible pledges	-	-	-
Net assets released from restriction	39,737	(39,737)	-
Total revenues, gains, and other support	866,619	128,105	994,724
EXPENSES			
Program services	851,320	-	851,320
Management and general	133,717	-	133,717
Fundraising	63,617	-	63,617
Total expenses	1,048,654	-	1,048,654
Change in net assets	(182,035)	128,105	(53,930)
NET ASSETS			
Beginning	4,553,681	403,338	4,957,019
Ending	\$ 4,371,646	\$ 531,443	\$ 4,903,089

The Notes to Financial Statements are an integral part of this statement.

SHENANDOAH VALLEY DISCOVERY MUSEUM, INC.

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 231,197	\$ 104,273	\$ 335,470
Admissions	449,719	-	449,719
Special events, net of related expenses of \$10,685	51,670	-	51,670
In-kind contributions	38,047	-	38,047
Membership dues	67,953	-	67,953
Museum shop sales	37,622	-	37,622
Miscellaneous	6,045	-	6,045
Investment income, net (Notes 3 and 4)	1,421	35,583	37,004
Increase to allowance for uncollectible pledges	-	(19,000)	(19,000)
Net assets released from restriction	73,768	(73,768)	-
Total revenues, gains, and other support	957,442	47,088	1,004,530
EXPENSES			
Program services	834,998	-	834,998
Management and general	118,522	-	118,522
Fundraising	69,287	-	69,287
Total expenses	1,022,807	-	1,022,807
Change in net assets	(65,365)	47,088	(18,277)
NET ASSETS			
Beginning	4,619,046	356,250	4,975,296
Ending	\$ 4,553,681	\$ 403,338	\$ 4,957,019

The Notes to Financial Statements are an integral part of this statement.

SHENANDOAH VALLEY DISCOVERY MUSEUM, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Program Services	Management and General	Fundraising	Total
Payroll	\$ 369,161	\$ 61,354	\$ 45,123	\$ 475,638
Benefits	35,463	5,900	3,023	44,386
Payroll taxes	30,238	8,571	3,636	42,445
Printing and copying	9,109	1,072	536	10,717
Maintenance	45,363	2,412	483	48,258
Utilities	20,188	1,074	215	21,477
Insurance	15,096	1,776	888	17,760
Depreciation	221,723	7,002	4,668	233,393
Exhibits	1,685	-	-	1,685
Advertising	-	7,593	-	7,593
Summer camp and programs	17,746	-	-	17,746
Bank fees	110	20,269	1,652	22,031
Cost of goods sold	17,870	-	-	17,870
Supplies	9,251	514	514	10,279
Telephone	3,557	355	40	3,952
Training, meetings, and travel	8,255	834	186	9,275
Computer	5,953	1,985	1,984	9,922
Temporary help	391	-	-	391
Postage	4,157	231	231	4,619
Professional fees	765	11,987	-	12,752
Dues, licenses and permits	3,585	596	438	4,619
Visiting artist/mother goose	3,000	-	-	3,000
Subscriptions and memberships	193	192	-	385
In-kind	28,461	-	-	28,461
	<u>\$ 851,320</u>	<u>\$ 133,717</u>	<u>\$ 63,617</u>	<u>\$ 1,048,654</u>

The Notes to Financial Statements are an integral part of this statement.

SHENANDOAH VALLEY DISCOVERY MUSEUM, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Payroll	\$ 338,322	\$ 57,267	\$ 49,213	\$ 444,802
Benefits	34,547	5,529	4,694	44,770
Payroll taxes	27,706	4,641	4,015	36,362
Printing and copying	15,128	1,780	890	17,798
Maintenance	41,399	2,203	440	44,042
Utilities	18,385	978	196	19,559
Insurance	14,502	1,706	853	17,061
Depreciation	219,184	6,922	4,614	230,720
Exhibits	5,861	-	-	5,861
Advertising	-	8,164	-	8,164
Summer camp and programs	20,909	-	-	20,909
Bank fees	75	13,723	1,119	14,917
Interest	2,223	70	47	2,340
Cost of goods sold	17,152	-	-	17,152
Supplies	9,548	531	530	10,609
Telephone	3,338	334	37	3,709
Training, meetings, and travel	7,601	769	171	8,541
Computer	4,475	1,492	1,492	7,459
Temporary help	2,050	-	-	2,050
Postage	7,020	390	390	7,800
Professional fees	719	11,266	-	11,985
Dues, licenses and permits	4,032	682	586	5,300
Visiting artist/mother goose	2,700	-	-	2,700
Subscriptions and memberships	75	75	-	150
In-kind	38,047	-	-	38,047
	<u>\$ 834,998</u>	<u>\$ 118,522</u>	<u>\$ 69,287</u>	<u>\$ 1,022,807</u>

The Notes to Financial Statements are an integral part of this statement.

SHENANDOAH VALLEY DISCOVERY MUSEUM, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	\$ (53,930)	\$ (18,277)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	233,393	230,720
Unrealized (gain) loss on investments	43,323	(36,635)
Cash received from contributions restricted for long-term purposes	(202,026)	(226,075)
(Increase) decrease in assets:		
Contributions receivable	(49,188)	97,639
Inventory	1,815	(753)
Prepaid expenses	(9,982)	-
Increase in liabilities:		
Accounts payable and accrued expenses	24,078	16,252
Deferred member dues	7,494	2,472
	(5,023)	65,343
INVESTING ACTIVITIES		
Purchase of investments	(144,573)	(110,248)
Acquisition of property and equipment	(26,572)	(42,885)
	(171,145)	(153,133)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	-	(114,839)
Cash received from contributions restricted for long-term purposes	202,026	226,075
	202,026	111,236
	25,858	23,446
CASH AND CASH EQUIVALENTS		
Beginning	174,220	150,774
Ending	\$ 200,078	\$ 174,220
Supplemental disclosure:		
Cash paid for interest	\$ -	\$ 2,340

The Notes to Financial Statements are an integral part of these statements.

SHENANDOAH VALLEY DISCOVERY MUSEUM, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

Note 1. Nature of Entity and Significant Accounting Policies

The Shenandoah Valley Discovery Museum, Inc. (the Museum) was incorporated in 1993 as a non-stock, non-profit organization under the laws of the Commonwealth of Virginia. The mission of the Museum is to spark curiosity and inspire learning through exploration and creative play. The Museum operates as a charitable and educational organization and has approximately 600 members. The Museum's primary sources of funds are from contributions, donated services, admissions, educational program fees, and store sales.

Basis of financial statement presentation and accounting:

The financial statements of the Museum have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with these principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

The accompanying financial statements present information regarding the Museum's financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The two classes are differentiated based on the existence or absence of donor-imposed restrictions.

Net Assets without Donor Restrictions are free of donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Revenues, gains, and losses that are not restricted by donors are included in this classification. Expenses are reported as decreases in this classification.

Net Assets with Donor Restrictions are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the Organization pursuant to those stipulations. Net assets with donor restrictions also includes amounts required by donors to be held in perpetuity; however, generally, the income on these assets is available to meet various operating needs.

Cash and cash equivalents:

The Museum considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Accounts in the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

(Continued)

SHENANDOAH VALLEY DISCOVERY MUSEUM, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

Note 1. Nature of Entity and Significant Accounting Policies (Continued)

Investments:

Investments in securities are reported at fair value based on readily determinable market values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Donated investments are recorded at fair value on the date of donation.

Property and equipment:

Property and equipment is stated at cost or at fair value at the date of gift, less accumulated depreciation. Expenditures for new construction, major renewals and replacements, and equipment exceeding \$1,000 are generally capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Exhibits and displays	7 years
Furniture and equipment	3-10 years
Building and improvements	39 years
Vehicles	5 years

Inventory:

Inventory consists primarily of educational and promotional items and toys held for sale that are valued at the lower of cost or net realizable value on an average cost basis, with shipping and handling cost included in the cost of goods sold for inventoried items sold. Management determined that a reserve for obsolete inventory was unnecessary as of December 31, 2018 and 2017.

Contributions:

Contributions, including unconditional promises, are recognized as without donor restrictions or with donor restrictions, in the period the donor's commitment is received. All donor restricted contributions are reported as increases in donor restricted net assets depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Amounts due to be received or paid in more than one year are discounted to their net present value. Changes in discounts are recognized as contribution revenue or expense over the period of the pledge. All pledges are deemed collectible and therefore an allowance for doubtful pledges is not considered necessary. Contributions received with donor-imposed restrictions that are met in the same year as received are recorded as revenues of the net asset without donor restrictions class.

Deferred member dues:

Deferred revenue consists principally of membership dues receipts received in advance of the applicable membership term.

(Continued)

SHENANDOAH VALLEY DISCOVERY MUSEUM, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

Note 1. Nature of Entity and Significant Accounting Policies (Continued)

Functional allocation of expenses:

The financial statements report certain categories of expenses that are attributable to more than one supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits, maintenance, utilities, insurance, depreciation, bank fees, and telephone expenses are allocated according to estimated time spent on activities. Other expenses are directly attributable to a specific activity.

Income taxes:

The Museum is exempt from income taxes under section §501(c)(3) of the *Internal Revenue Code* (“IRC”). The Museum has been classified as an organization that is not a private foundation. Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

Taxes assessed by governmental authorities:

Taxes collected on behalf of governmental authorities on revenue producing transactions, such as sales taxes, are recorded as liabilities on the statement of financial position. These amounts are not included in sales and cost of goods sold on the statement of activities.

Advertising costs:

Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2018 and 2017 were \$7,593 and \$8,164, respectively.

Not-for-Profit Financial Statement Presentation:

On August 18, 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Museum has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Subsequent events:

Subsequent events were considered through May 8, 2019, the date the financial statements were available to be issued.

(Continued)

SHENANDOAH VALLEY DISCOVERY MUSEUM, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

Note 2. Contributions Receivable

Contributions receivable are expected to be collected in the following periods:

	2018	2017
One year or less	\$ 10,323	\$ 46,891
Between one and five years	87,759	4,000
	98,082	50,891
Less allowance for uncollectible pledges	-	(4,000)
Less present value discount (2.63% and 1.10% for 2018 and 2017 respectively)	(2,157)	(154)
	\$ 95,925	\$ 46,737

Note 3. Investments and Fair Value

Generally accepted accounting principles establish a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories based on the inputs used in valuation:

Level 1: Quoted prices in active markets for identical assets or liabilities. The Museum considers all of its investments to be Level 1 aside from the Community Foundation of the Northern Shenandoah Valley (the "Foundation") non-endowed agency fund of \$10,000.

Level 2: Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data. In fiscal year 2017 the Museum's Board of Directors set aside \$10,000 to create a capital reserve fund and was invested with the Foundation. As of December 31, 2018, the investment is valued at \$19,533 and is classified as Level 2 in the fair value hierarchy.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Investments consist of the following at December 31:

	2018	2017
Cash	\$ 8,761	\$ 12,816
Mutual funds	260,043	218,271
Exchange traded funds	179,918	125,918
	\$ 448,722	\$ 357,005

(Continued)

SHENANDOAH VALLEY DISCOVERY MUSEUM, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

Note 3. Investments and Fair Value (Continued)

Investment return consists of the following:

	2018	2017
Unrealized gain (loss)	\$ (43,323)	\$ 36,635
Interest and dividends	11,744	1,393
Investment fees	(1,682)	(1,024)
	\$ (33,261)	\$ 37,004

Note 4. Endowment

The Museum's endowment consists of one fund established to further the advancement of the Museum. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The Museum has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, the Museum retains in perpetuity a) the original value of initial and subsequent gift amounts donated to the fund and b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by SPMIFA. Additionally, in accordance with SPMIFA, The Museum considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: 1) the duration and preservation of the fund, 2) the purposes of the Museum and the donor restricted endowment fund, 3) general economic conditions, 4) the possible effect of inflation and deflation, 5) the expected total return from income and the appreciation of investments, 6) other resources of the Museum, 7) the investment policies of the Museum.

Endowment assets as of December 31 are summarized as follows:

	2018	2017
Investments	\$ 448,722	\$ 357,005
Cash not yet transferred to endowment	-	7,500
Contributions receivable, net	95,925	7,000
	\$ 544,647	\$ 371,505

(Continued)

SHENANDOAH VALLEY DISCOVERY MUSEUM, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

Note 4. Endowment (Continued)

Endowment net asset classification by type of fund as of December 31, 2018 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 531,443	\$ 531,443
Board-designated endowment funds	13,204	-	13,204
	\$ 13,204	\$ 531,443	\$ 544,647

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 8,248	\$ 363,257	\$ 371,505
Investment return:			
Net unrealized loss	-	(45,005)	(45,005)
Interest and dividends	-	11,165	11,165
Contributions	-	202,026	202,026
Transfers to Endowment	4,956	-	4,956
Endowment net assets, end of year	\$ 13,204	\$ 531,443	\$ 544,647

Endowment net asset classification by type of fund as of December 31, 2017 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 363,257	\$ 363,257
Board-designated endowment funds	8,248	-	8,248
	\$ 8,248	\$ 363,257	\$ 371,505

(Continued)

SHENANDOAH VALLEY DISCOVERY MUSEUM, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

Note 4. Endowment (Continued)

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 8,248	\$ 235,874	\$ 244,122
Investment return:			
Net unrealized gain	-	34,190	34,190
Interest and dividends	-	1,393	1,393
Contributions	-	101,800	101,800
Write off of pledges	-	(10,000)	(10,000)
Endowment net assets, end of year	<u>\$ 8,248</u>	<u>\$ 363,257</u>	<u>\$ 371,505</u>

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or UPMIFA requires the Museum to retain as a fund of perpetual duration. Management designated funds during 2016 to repay the shortfall in the endowment as of December 31, 2015. Funds remained in the Endowment for years ended December 31, 2018 and 2017.

While safety of principal is a key objective of the endowment, the endowment investments should be positioned to maximize long-term growth of income and principal of endowment funds consistent with prudent levels of risk. As such, short-term trading strategies or high current income are not critical parts of the long-term plan. However, given the uncertainty associated with the financial markets, short-term goals have been established to evaluate investment performance. The Museum's investment portfolio represents a well-diversified portfolio consisting of high-quality mutual funds and exchange traded funds. As such, from time to time, a portion of the assets may be allocated specifically to short-term investments and segregated from the overall assets of the endowment. Investment returns are expected to preserve and enhance the real value of the endowment to provide adequate funds to sufficiently support designated Museum activities.

The Museum's spending policy for endowment assets is set annually by the Board of Directors and shall not exceed a rate of 5% of the beginning principal balance of the fund.

(Continued)

SHENANDOAH VALLEY DISCOVERY MUSEUM, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

Note 5. Property and Equipment

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 4,176,793	\$ 4,176,793
Museum exhibits and displays	869,072	843,950
Land	231,731	231,731
Furniture and equipment	126,448	124,999
Vehicles	20,000	20,000
	<u>5,424,044</u>	<u>5,397,473</u>
Less: Accumulated depreciation	<u>(1,225,719)</u>	<u>(992,327)</u>
Net property and equipment	<u>\$ 4,198,325</u>	<u>\$ 4,405,146</u>

Note 6. Employee Benefits

Retirement benefits are provided for eligible employees through a Simplified Employee Pension (SEP) Plan. Contributions amounted to \$13,250 and \$14,000 for the years ended December 31, 2018 and 2017, respectively.

Note 7. Net Assets with Donor Restrictions

Net assets with purpose and time restrictions consist of endowment earnings net of fees and contributions receivable to be received in the future that are not designated for endowment. Total net assets with purpose and time restrictions were \$34,662 and \$75,664 for the years ended December 31, 2018 and 2017, respectively. All amounts shown as net assets released from restriction on the statements of activities consisted of collections of contributions receivable.

Perpetually restricted net assets consist of all amounts restricted for endowment and includes investments, cash not yet transferred to the endowment, and contributions receivable. Perpetually restricted net assets were \$433,775 and \$313,174 at December 31, 2018 and 2017 respectively. See Note 4 for additional detail.

Note 8. Liquidity and Availability

The following table reflects the Museum's financial assets as of December 31, 2018, reduced for amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held for others, or because the governing board has set aside the funds for a specific purpose. These board designations could be drawn upon if the board approves that action. The Museum considers general expenditures to be all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

(Continued)

SHENANDOAH VALLEY DISCOVERY MUSEUM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Note 8. Liquidity and Availability (Continued)

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Financial assets:	
Cash and cash equivalents	\$ 200,078
Contributions receivable, net	95,925
Investments	468,255
Total financial assets	<u>764,258</u>
Less those unavailable for general expenditure within one year:	
Contributions expected to be received after one year	(85,602)
Donor-restricted Endowment	(435,518)
Unrestricted funds transferred to Endowment	(13,204)
Board designated capital reserve fund	(19,533)
Total unavailable assets	<u>(553,857)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 210,401</u>

Note 9. Subsequent Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and establishes a common revenue standard for U.S. financial reporting purposes.

The guidance in ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). ASU 2014-09 supersedes the revenue recognition requirements in Accounting Standards Codification (“ASC”) 605, *Revenue Recognition*, and most industry-specific accounting guidance.

In July 2015, the FASB approved to defer the effective date of ASU 2014-09 by one year. Accordingly, ASU 2014-09 will be effective for nonpublic entities for annual reporting periods beginning after December 15, 2018 and interim periods therein. Management has not determined the effects these new FASB Statements may have on prospective financial statements.

(Continued)

SHENANDOAH VALLEY DISCOVERY MUSEUM, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

Note 9. Subsequent Accounting Pronouncements (Continued)

Lease Accounting

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). ASU 2016-02 requires lessees to recognize all leases (other than leases with a term of twelve months or less) on the balance sheet as lease liabilities, based upon the present value of the lease payments, with corresponding right of use assets. ASU 2016-02 also makes targeted changes to other aspects of current guidance, including identifying a lease and lease classification criteria, the lessor accounting model, and guidance on separating components of a contract and consideration in the contract. The amendments in ASU 2016-02 will be effective for the Partnership on January 1, 2020 and will require modified retrospective application as of the beginning of the earliest period presented in the financial statements. Early application is permitted. Management has not determined the effects these new FASB Statements may have on prospective financial statements.