

GREAT VALLEY MUSEUM FOUNDATION

FINANCIAL STATEMENTS

June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Great Valley Museum Foundation
Modesto, California

Report on the Financial Statements

We have audited the accompanying financial statements of Great Valley Museum Foundation (the "Foundation") which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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.

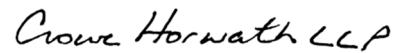
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Valley Museum Foundation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, net assets as of July 1, 2016 have been restated to correct the classification of board endowments previously recorded as permanently restricted net assets to unrestricted net assets. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "Crowe Horwath LLP".

Crowe Horwath LLP

Sacramento, California
November 21, 2017

GREAT VALLEY MUSEUM FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2017

	<u>2017</u>
ASSETS	
Cash and cash equivalents	\$ 323,948
Accounts receivable	24,002
Prepaid expenses	559
Inventory	17,864
Collections	86,996
Investments	<u>281,048</u>
Total assets	<u>\$ 734,417</u>
 LIABILITIES	
Accounts payable	\$ 133,393
Due to Yosemite Community College District	<u>185,048</u>
Total liabilities	<u>318,441</u>
 NET ASSETS	
Unrestricted	294,083
Temporarily restricted	<u>121,893</u>
Total net assets	<u>415,976</u>
Total liabilities and net assets	<u>\$ 734,417</u>

See accompanying notes to the financial statements.

GREAT VALLEY MUSEUM FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2017

	2017			
	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>
Revenues and other support:				
Contributions	\$ 22,893	\$ -	\$ -	\$ 22,893
Nature shop	23,861	-	-	23,861
Fundraising events, net	40,958	-	-	40,958
Other revenue	328	-	-	328
Investment income, net	11,551	1,024	-	12,575
Released from restriction	<u>149</u>	<u>(149)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>99,740</u>	<u>875</u>	<u>-</u>	<u>100,615</u>
Functional expenses:				
Program services	48,602	-	-	48,602
Management and general	<u>48,198</u>	<u>-</u>	<u>-</u>	<u>48,198</u>
Total functional expenses	<u>96,800</u>	<u>-</u>	<u>-</u>	<u>96,800</u>
Change in net assets	2,940	875	-	3,815
Net assets, beginning of year	<u>185,260</u>	<u>121,018</u>	<u>105,883</u>	<u>412,161</u>
Prior period adjustment (Note 2)	<u>105,883</u>	<u>-</u>	<u>(105,883)</u>	<u>-</u>
Net assets, beginning of year, as restated	<u>291,143</u>	<u>121,018</u>	<u>-</u>	<u>412,161</u>
Net assets, end of year	<u>\$ 294,083</u>	<u>\$ 121,893</u>	<u>\$ -</u>	<u>\$ 415,976</u>

See accompanying notes to the financial statements.

GREAT VALLEY MUSEUM FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2017

	<u>Program Services</u>		<u>Total</u>	<u>Management</u>	<u>Total</u>
	<u>Museum</u>	<u>Nature Shop</u>	<u>Program</u>	<u>and General</u>	<u>Expenses</u>
<u>2017</u>					
Salaries	\$ 14,040	\$ 17,160	\$ 31,200	\$ 46,800	\$ 78,000
Cost of goods sold	-	14,620	14,620	-	14,620
Repair & maintenance	-	-	-	1,398	1,398
Other expenses	<u>2,782</u>	<u>-</u>	<u>2,782</u>	<u>-</u>	<u>2,782</u>
Total	<u>\$ 16,822</u>	<u>\$ 31,780</u>	<u>\$ 48,602</u>	<u>\$ 48,198</u>	<u>\$ 96,800</u>

See accompanying notes to the financial statements.

GREAT VALLEY MUSEUM FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2017

	<u>2017</u>
Cash flows from operating activities:	
Change in net assets	\$ 3,815
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized (gain) on investments	6,536
Changes in:	
Accounts receivable	(1,014)
Prepaid expenses	(91)
Inventory	(6,074)
Accounts payable	78,162
Due to Yosemite Community College District	<u>(287)</u>
Net cash provided by operating activities	<u>81,047</u>
Cash flows from investing activities:	
Purchase of investments	(93,853)
Proceeds from sale of investments	<u>72,967</u>
Net cash used in investing activities	<u>(20,886)</u>
Net change in cash and cash equivalents	60,161
Cash and cash equivalents, beginning of year	<u>263,787</u>
Cash and cash equivalents, end of year	<u><u>\$ 323,948</u></u>

See accompanying notes to the financial statements.

GREAT VALLEY MUSEUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Great Valley Museum Foundation (the "Foundation") is a nonprofit public benefit corporation whose specific and primary purpose is the procurement and extension of financial support toward the maintenance and modification of the Great Valley Museum of Natural History's (the "Museum's") facilities which includes a nature gift shop.

Basis of Presentation: Net assets and revenues, expenses, 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:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents: The Foundation considers cash and cash equivalents to include cash in commercial checking accounts and demand deposits in money market funds that are used for operational purposes with original maturity dates of three month or less. The Foundation at times may include in its depository account cash that has been restricted as to its use by donors. Cash and cash equivalent balances, at times, may be in excess of the Federal Deposit Insurance Corporation insurance limit of \$250,000. At June 30, 2017, cash did not exceed the federally insured limits.

Investments: Investments are carried at fair value. Net change in the fair value of investments, which consists of realized gains or losses and the unrealized appreciation (depreciation) of those investments, is reported in the statement of activities. Investment income is accrued as earned.

Collections: The Foundation capitalized its collections. Accessions are capitalized at cost, if purchased and at appraised or fair value, at date of accession if received by donation. Gains and losses on deaccessions of donated collections are recorded based on the presence or absence of donor restrictions placed on items at the date of donation.

Accounts Receivable: The Foundation utilizes the allowance method of accounting for uncollectible accounts receivable. No allowance was necessary at June 30, 2017.

Inventory: Inventory is stated at cost and consists of items available for resale in the nature shop of the Museum.

Restricted and Unrestricted Revenue and Support: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restrictions are accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The foundation currently has only unrestricted and temporary restricted net assets.

Contributions: Contributions are recognized as revenues in the period received. Unconditional promises to give (pledges) are recognized as revenue when the commitment is communicated to the Foundation. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

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GREAT VALLEY MUSEUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses: The costs of providing the various activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Net Assets: The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard prudence prescribed by UPMIFA. As of the year ending June 30, 2017, all endowments are board-designated endowment funds.

The Foundation follows adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain purchasing power of the endowment assets.

The investment objective is to optimize earnings on all invested funds, while maintaining the preservation of capital. Risk will be minimized by investing in high quality fixed income instruments. To the extent that corporate obligations are purchased, those purchases will be diversified in terms of issuer and industry sector.

Income Taxes: The Foundation is exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code* and Section 23701(d) of the *California Revenue and Taxation Code*. The Foundation has been classified as an organization that is not a private foundation under Section 509(a)(2). The Foundation has not entered into any activities that would jeopardize its tax-exempt status. Accordingly, no provision for income taxes is required.

The Foundation files exempt organization returns in the U.S. federal and California jurisdictions. The federal returns for tax years 2013 and beyond, and the California returns for tax years 2012 and beyond, remain subject to examination by the taxing authorities.

The Foundation adopted FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in the Foundation's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740 also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return.

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GREAT VALLEY MUSEUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Interest and penalties on tax assessments are classified as income tax expense when incurred. For the year ended June 30, 2017, the Foundation did not incur any interest or penalties.

Subsequent Events: Management has evaluated subsequent events through November 21, 2017, the date on which the financial statements were available to be issued.

NOTE 2 – PRIOR PERIOD ADJUSTMENT

The net assets as of July 1, 2016 have been restated to correct an error in the classification of permanently restricted endowments to unrestricted. The Foundation has determined the previously identified endowment funds were board-designated unrestricted net assets therefore, should have been classified as unrestricted net assets. The net assets as of July 1, 2016 have been restated to correct for this reporting error by reclassifying \$105,883 in permanently restricted net assets to unrestricted net assets. The total net assets balance of the Foundation has not changed. The effect on the prior year change in net assets would have been an increase in permanently restricted net assets and a decrease in unrestricted net assets of \$11,784. Note 4 has also been restated to reflect the impact on the Foundation's endowment.

NOTE 3 - INVESTMENTS

Following is a summary of investments held for the year ended June 30 as follows:

	<u>2017</u>
Investments:	
Equity securities	\$ 149,744
Debt and fixed income securities	<u>131,304</u>
 Total investment	 <u>\$ 281,048</u>

The Foundation accounts for certain assets and liabilities in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements*. The Foundation measures some assets at fair value on a recurring basis as described in note 1. The Foundation may be required, from time to time, to measure certain assets and liabilities at fair value on a non-recurring basis. The Foundation had no assets or liabilities that were required to be measured on a non-recurring basis as of June 30, 2017.

The Foundation classifies its fair value assets and liabilities into a hierarchy of three levels based on the markets in which they are traded and the reliability of the assumptions used to determine fair value. The asset or liability measurement level within the hierarchy is based on the lowest level of any assumption that is significant to the measurement.

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GREAT VALLEY MUSEUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 - INVESTMENTS (Continued)

Valuations within the hierarchy levels are based upon the following:

Level 1: Quoted market prices for identical instruments traded in active exchange markets.

Level 2: Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable or can be corroborated by observable market data.

Level 3: Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the Foundation's estimates of assumptions that market participants would use on pricing the asset or liability. Valuation techniques include management judgment and estimation which may be significant.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2017.

The Foundation is required or permitted to record the following assets at fair value on a recurring basis:

<u>June 30, 2017</u>				
<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities:				
Equity securities	\$ 149,744	\$ 149,744	\$ -	\$ -
Debt and fixed income securities	<u>131,304</u>	<u>131,304</u>	<u>-</u>	<u>-</u>
Total investment securities	<u>\$ 281,048</u>	<u>\$ 281,048</u>	<u>\$ -</u>	<u>\$ -</u>

Equity Securities - Equity securities are valued at the closing price reported on the active market on which the individual securities are traded.

Debt and Fixed Income Securities - Corporate and municipal bonds and other debt and fixed income securities are valued at the closing price reported on the active market on which the individual securities are traded.

Following is a summary of investment income for the year ended June 30 as follows:

	<u>2017</u>
Dividends, interest and fees	\$ 19,111
Net realized/unrealized gain	<u>(6,536)</u>
Total	<u>\$ 12,575</u>

(Continued)

GREAT VALLEY MUSEUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 - ENDOWMENTS

The Foundation accounts for endowments under the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and its own governing documents. All endowments are board-designated endowment funds. See note 1, Net Assets for more details on the use and investment of those funds.

The endowment net asset composition as of June 30, 2017, consists of the following:

	Board- Designated <u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment balance beginning of year	\$ -	\$ -	\$ 105,883	\$ 105,883
Prior period adjustment (Note 2)	105,883	-	(105,883)	-
Endowment balance beginning of year, as restated	105,883	-	-	105,883
Income	1,399	-	-	1,399
Net appreciation (depreciation) (realized and unrealized)	92	-	-	92
Appropriation of endowment assets for expenditure	(1,399)	-	-	(1,399)
	<u>\$ 105,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,975</u>

NOTE 5 - RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017, consisted of the following:

	<u>2017</u>
Capital projects	\$ 62,996
Collections	24,000
Water Access	6,441
Periodic Table	<u>28,456</u>
Total temporarily restricted net assets	<u>\$ 121,893</u>

NOTE 6 - ADMINISTRATIVE EXPENSES

The District provides certain administrative and fiscal services to the Foundation in a service and advisory capacity.

For the fiscal year ending June 30, 2017 the Foundation has a financial agreement with the District to cover operating costs of the Museum. This agreement requires the Foundation to reimburse \$78,000 to the District, payable in semi-annual installments of \$39,000. The \$78,000 is an estimate of the expenses required to operate the Museum. The Foundation records amounts due to the District on the statement of financial position for payments made by the District on-behalf of the Foundation.