

GREAT VALLEY MUSEUM FOUNDATION
Modesto, California

FINANCIAL STATEMENTS
June 30, 2014 and 2013

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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, 2014, 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.

(Continued)

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, 2014, 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.

Other Matter

The financial statements of Great Valley Museum Foundation as of June 30, 2013, were audited by other auditors whose report dated November 19, 2013, expressed an unmodified opinion on those statements.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
December 1, 2014

GREAT VALLEY MUSEUM FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 244,065	\$ 313,030
Accounts receivable	15,045	20,202
Inventory	7,820	8,619
Collections	86,996	86,996
Investments	<u>252,517</u>	<u>144,279</u>
Total assets	<u>\$ 606,443</u>	<u>\$ 573,126</u>
LIABILITIES		
Accounts payable	\$ 7,890	\$ 3,531
Due to Yosemite Community College District	105,200	66,184
Amounts held in trust for others	<u>-</u>	<u>12,955</u>
Total liabilities	<u>113,090</u>	<u>82,670</u>
NET ASSETS		
Unrestricted	270,736	286,834
Temporarily restricted	105,450	86,455
Permanently restricted	<u>117,167</u>	<u>117,167</u>
Total net assets	<u>493,353</u>	<u>490,456</u>
Total liabilities and net assets	<u>\$ 606,443</u>	<u>\$ 573,126</u>

See accompanying notes to the financial statements.

GREAT VALLEY MUSEUM FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2014

	2014			
	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>
Revenues and other support:				
Contributions	\$ 36,862	\$ 18,995	\$ -	\$ 55,857
Nature shop	8,791	-	-	8,791
Fundraising events, net	8,990	-	-	8,990
Investment income, net	15,668	7,062	-	22,730
Released from restriction	<u>(7,062)</u>	<u>7,062</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>77,373</u>	<u>18,995</u>	<u>-</u>	<u>96,368</u>
Functional expenses:				
Program services	38,101	-	-	38,101
Management and general	<u>55,370</u>	<u>-</u>	<u>-</u>	<u>55,370</u>
Total functional expenses	<u>93,471</u>	<u>-</u>	<u>-</u>	<u>93,471</u>
Change in net assets	(16,098)	18,995	-	2,897
Net assets, beginning of year	<u>286,834</u>	<u>86,455</u>	<u>117,167</u>	<u>490,456</u>
Net assets, end of year	<u>\$ 270,736</u>	<u>\$ 105,450</u>	<u>\$ 117,167</u>	<u>\$ 493,353</u>

See accompanying notes to the financial statements.

GREAT VALLEY MUSEUM FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2013

	2013			
	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Permanently</u>	<u>Total</u>
Revenues and other support:				
Contributions	\$ 181,817	\$ -	\$ -	\$ 181,817
Nature shop	10,262	-	-	10,262
Fundraising events, net	8,034	-	-	8,034
Other revenue	124	-	-	124
Investment income, net	5,526	3,699	-	9,225
Released from restriction	<u>3,699</u>	<u>(3,699)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>209,462</u>	<u>-</u>	<u>-</u>	<u>209,462</u>
Functional expenses:				
Program services	36,792	-	-	36,792
Management and general	<u>50,768</u>	<u>-</u>	<u>-</u>	<u>50,768</u>
Total functional expenses	<u>87,560</u>	<u>-</u>	<u>-</u>	<u>87,560</u>
Change in net assets	121,902	-	-	121,902
Net assets, beginning of year	<u>164,932</u>	<u>86,455</u>	<u>117,167</u>	<u>368,554</u>
Net assets - end of year	<u>\$ 286,834</u>	<u>\$ 86,455</u>	<u>\$ 117,167</u>	<u>\$ 490,456</u>

See accompanying notes to the financial statements.

GREAT VALLEY MUSEUM FOUNDATION
 STATEMENTS OF FUNCTIONAL EXPENSES
 Years ended June 30, 2014 and 2013

	Program Services		Total Program Services	Management and General	Total Expenses
	Museum	Nature Shop			
<u>2014</u>					
Salaries	\$ -	\$ 30,010	\$ 30,010	\$ 33,993	\$ 64,003
Operating expense	-	-	-	13,997	13,997
Cost of goods sold	-	5,524	5,524	-	5,524
Repairs and maintenance	-	-	-	938	938
Other expenses	<u>2,567</u>	<u>-</u>	<u>2,567</u>	<u>6,442</u>	<u>9,009</u>
Total	<u>\$ 2,567</u>	<u>\$ 35,534</u>	<u>\$ 38,101</u>	<u>\$ 55,370</u>	<u>\$ 93,471</u>

	Program Services		Total Program Services	Management and General	Total Expenses
	Museum	Nature Shop			
<u>2013</u>					
Salaries	\$ -	\$ 28,310	\$ 28,310	\$ 24,659	\$ 52,969
Operating expense	-	-	-	25,031	25,031
Cost of goods sold	-	6,362	6,362	-	6,362
Repairs and maintenance	-	-	-	725	725
Other expenses	<u>2,120</u>	<u>-</u>	<u>2,120</u>	<u>353</u>	<u>2,473</u>
Total	<u>\$ 2,120</u>	<u>\$ 34,672</u>	<u>\$ 36,792</u>	<u>\$ 50,768</u>	<u>\$ 87,560</u>

See accompanying notes to the financial statements.

GREAT VALLEY MUSEUM FOUNDATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,897	\$ 121,902
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) on investments	(18,710)	(6,022)
Changes in:		
Accounts receivable	5,157	(20,202)
Contributions receivable	-	38,833
Inventory	799	445
Accounts payable	4,359	1,868
Due to Yosemite Community College District	39,016	63,756
Amounts held in trust for others	<u>(12,955)</u>	<u>7,455</u>
Net cash provided by operating activities	<u>20,563</u>	<u>208,035</u>
Cash flows from investing activities:		
Purchase of investments	(167,938)	(67,843)
Proceeds from sale of investments	<u>78,410</u>	<u>66,742</u>
Net cash used in investing activities	<u>(89,528)</u>	<u>(1,101)</u>
Net change in cash and cash equivalents	(68,965)	206,934
Cash and cash equivalents, beginning of year	<u>313,030</u>	<u>106,096</u>
Cash and cash equivalents, end of year	<u>\$ 244,065</u>	<u>\$ 313,030</u>

See accompanying notes to the financial statements.

GREAT VALLEY MUSEUM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013

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.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

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, 2014, 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.

Net Assets: The Foundation accounts for its endowments in accordance with Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to and Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds (Codification Topic 958-205). The Foundation's endowment currently consists of one individual fund established for the purpose of supporting education at the District. The endowment is donor-restricted. There are no funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

(Continued)

GREAT VALLEY MUSEUM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013

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

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.

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. Endowment assets are those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specific period(s).

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.

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, 2014 and 2013.

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.

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.

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.

(Continued)

GREAT VALLEY MUSEUM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013

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

Management Fee Income: The Foundation assessed a management fee on all restricted and temporarily restricted endowments, unless there are restrictions from the donor specific to management fees, based on the fund balances in each endowment. Income from this fee is unrestricted and is used to support the Foundation's operations and mission.

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.

Reclassifications: Certain reclassifications have been made to the prior year's balances to confirm to classifications used in 2014. Reclassifications had no impact on prior year changes in total net assets or net assets.

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 2010 and beyond, and the California returns for tax years 2009 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.

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 years ended June 30, 2014 and 2013, the Foundation did not incur any interest or penalties.

Subsequent Events: Management has evaluated subsequent events through December 1, 2014, the date on which the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

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

	<u>2014</u>	<u>2013</u>
Investments:		
Equity securities	\$ 141,915	\$ 81,800
Debt and fixed income securities	<u>110,602</u>	<u>62,479</u>
Total investments	<u>\$ 252,517</u>	<u>\$ 144,279</u>

(Continued)

GREAT VALLEY MUSEUM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 2 - INVESTMENTS (Continued)

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, 2014 and 2013.

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.

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, 2014.

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

	<u>June 30, 2014</u>			
<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities:				
Equity securities	\$ 141,915	\$ 141,915	\$ -	\$ -
Debt and fixed income securities	<u>110,602</u>	<u>110,602</u>	<u>-</u>	<u>-</u>
Total investment securities	<u>\$ 252,517</u>	<u>\$ 252,517</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>June 30, 2013</u>			
<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment securities:				
Equity securities	\$ 81,800	\$ 81,800	\$ -	\$ -
Debt and fixed income securities	<u>62,479</u>	<u>62,479</u>	<u>-</u>	<u>-</u>
Total investment securities	<u>\$ 144,279</u>	<u>\$ 144,279</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

GREAT VALLEY MUSEUM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 2 - INVESTMENTS (Continued)

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 generally valued by a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated market value.

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

	<u>2014</u>	<u>2013</u>
Dividends, interest and fees	\$ 4,020	\$ 3,203
Net realized/unrealized gain	<u>18,710</u>	<u>6,022</u>
Total	<u>\$ 22,730</u>	<u>\$ 9,225</u>

NOTE 3 - ENDOWMENTS

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

The endowment net asset composition as of June 30, 2014, consists of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 117,167	\$ 117,167
Income	-	1,260	-	-
Net appreciation (depreciation) (realized and unrealized)	-	5,360	-	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(6,620)</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,167</u>	<u>\$ 117,167</u>

(Continued)

GREAT VALLEY MUSEUM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 3 - ENDOWMENTS (Continued)

The endowment net asset composition by type of fund as of June 30, 2013, consists of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 117,167	\$ 117,167
Income	-	1,056	-	-
Net appreciation (depreciation) (realized and unrealized)	-	2,290	-	-
Appropriation of endowment assets for expenditure	-	(3,346)	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,167</u>	<u>\$ 117,167</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no individual endowment funds with such deficiencies at June 30, 2014 or June 30, 2013.

NOTE 4 - RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2014 and 2013, consisted of the following:

	<u>2014</u>	<u>2013</u>
Capital projects	\$ 62,996	\$ 62,455
Collections	24,000	24,000
Periodic Table	<u>18,454</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 105,450</u>	<u>\$ 86,455</u>

Permanently restricted net assets consisted of endowment funds of \$117,167 at June 30, 2014 and 2013, respectively.

NOTE 5 - ADMINISTRATIVE EXPENSES

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

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. For the fiscal year ending June 30, 2015, the Foundation will reimburse \$128,000 to the District to cover operating costs of the Museum under the revised financial agreement.