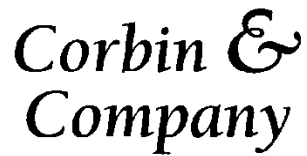


**VIRGINIA MUSEUM OF CONTEMPORARY ART**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Virginia Museum of Contemporary Art  
Virginia Beach, Virginia

We have audited the accompanying financial statements of Virginia Museum of Contemporary Art (the Museum), which comprise the statement of financial position as of June 30, 2020, 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.

### Auditors' 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 controls. 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accounting principles generally accepted in the United States of America.

### Prior Period Adjustment

As described in Note 14 of the financial statements, the Museum recorded a prior period adjustment upon recording accrued estimated compensated absences. Our opinion is not modified with respect to this matter.

April 21, 2021

CORBIN & COMPANY, P.C. • CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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# VIRGINIA MUSEUM OF CONTEMPORARY ART

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

### ASSETS

#### Current assets:

Cash and cash equivalents	\$	378,284
Investments		683,191
Accounts receivable		104,473
Inventory		16,316
Prepaid expenses		49,801
Total current assets		<u>1,232,065</u>

#### Property and equipment:

Leasehold improvements		2,083,885
Equipment		434,981
		<u>2,518,866</u>
Less accumulated depreciation		1,709,173
Net property and equipment		<u>809,693</u>

TOTAL ASSETS \$ 2,041,758

### LIABILITIES AND NET ASSETS

#### Current liabilities:

Accounts payable	\$	40,711
Refundable advance - PPP loan		234,900
Accrued expenses		90,727
Deferred income, advance payments		237,042
Total current liabilities		<u>603,380</u>

#### Net assets:

Without donor restrictions:		
Undesignated		1,200,282
Invested in property and equipment		809,693
Board designated operating reserve		171,567
		<u>1,371,849</u>
With donor restrictions		66,529
Total net assets		<u>1,438,378</u>

TOTAL LIABILITIES  
AND NET ASSETS \$ 2,041,758

See accompanying notes to financial statements.

# VIRGINIA MUSEUM OF CONTEMPORARY ART

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating activities</b>			
Public support and revenues:			
Public support:			
Contributions	\$ 821,306	\$ 37,925	\$ 859,231
Grant awards	184,890	-	184,890
Membership dues	39,083	-	39,083
Revenues:			
Facility rentals	227,216	-	227,216
Event fees	35,998	-	35,998
Class and material fees	193,131	-	193,131
Merchandise and concession sales	128,586	-	128,586
Exhibition admission income	33,339	-	33,339
Other revenues, net	301	-	301
Net assets released from restrictions	30,000	(30,000)	-
Total revenue and public support	<u>1,693,850</u>	<u>7,925</u>	<u>1,701,775</u>
Functional expenses:			
Program services	1,532,387	-	1,532,387
Management and general	379,317	-	379,317
Fundraising	289,658	-	289,658
Total functional expenses	<u>2,201,362</u>	<u>-</u>	<u>2,201,362</u>
Change in net assets from operations	(507,512)	7,925	(499,587)
<b>Nonoperating revenue</b>			
Investment income, net	<u>7,874</u>	<u>12</u>	<u>7,886</u>
Change in net assets	<u>(499,638)</u>	<u>7,937</u>	<u>(491,701)</u>
<b>Net assets - beginning of year</b>	1,977,089	58,592	2,035,681
<b>Prior period adjustment</b>	<u>(105,602)</u>	<u>-</u>	<u>(105,602)</u>
<b>Net assets - beginning of year as adjusted</b>	<u>1,871,487</u>	<u>58,592</u>	<u>1,930,079</u>
Net assets - end of year	<u>\$ 1,371,849</u>	<u>\$ 66,529</u>	<u>\$ 1,438,378</u>

See accompanying notes to financial statements.

# VIRGINIA MUSEUM OF CONTEMPORARY ART

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs:				
Salaries	\$ 711,034	\$ 169,799	\$ 180,412	\$1,061,245
Payroll taxes	55,967	13,365	14,200	83,532
Teachers and casual labor	70,010	10,752	10,310	91,072
Employee benefits	65,516	15,646	16,623	97,785
Total personnel costs	902,527	209,562	221,545	1,333,634
Advertising and printing	43,171	-	5,915	49,086
Artists, judges, lecture fees	3,200	-	5,475	8,675
Bank fees	4,360	11,048	3,286	18,694
Depreciation expense	53,977	6,825	1,241	62,043
Dues and subscriptions	6,809	5,739	570	13,118
Exhibitions and programs	186,297	345	17,419	204,061
Insurance	35,593	2,936	534	39,063
Maintenance and repairs	19,639	2,926	280	22,845
Marketing analysis research	-	71,000	-	71,000
Merchandise and concession cost	27,728	-	-	27,728
Miscellaneous	-	250	-	250
Postage and express mail	475	6,668	-	7,143
Prizes and awards	750	-	107	857
Professional development and training	236	595	999	1,830
Professional services	51,828	10,251	11,916	73,995
Supplies	19,170	15,481	1,029	35,680
Taxes and licenses	7,230	1,285	49	8,564
Technology	44,571	10,349	10,941	65,861
Travel and hospitality	18,914	10,666	5,917	35,497
Utilities	105,912	13,391	2,435	121,738
Total functional expenses	<u>\$ 1,532,387</u>	<u>\$ 379,317</u>	<u>\$ 289,658</u>	<u>\$2,201,362</u>

See accompanying notes to financial statements.

# VIRGINIA MUSEUM OF CONTEMPORARY ART

## STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

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### Cash flows from operating activities:

Change in net assets	\$ (491,701)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	62,043
Donated securities	(73,522)
Loss on disposal of property and equipment	456
Net unrealized gains on investments	(203,481)
Net realized gains on sale of investments	(5,096)
Interest and dividends reinvested	(10,459)
(Increase) decrease in:	
Accounts receivable	40,618
Inventory	7,495
Prepaid expenses	(5,559)
Increase (decrease) in:	
Accounts payable	(31,110)
Refundable advance - PPP loan	234,900
Accrued expenses	(29,484)
Deferred income, advance payments	42,276
Net cash from operating activities	<u>(462,624)</u>

### Cash flows from investing activities:

Acquisition of property and equipment	(50,123)
Proceeds from distributions and sales of investments	675,375
Purchase of investments	(144,327)
Net cash from investing activities	<u>480,925</u>

Net change in cash, cash equivalents, and restricted cash 18,301

**Cash, cash equivalents, and restricted cash - beginning of year** 359,983

Cash, cash equivalents, and restricted cash - end of year \$ 378,284

See accompanying notes to financial statements.

# VIRGINIA MUSEUM OF CONTEMPORARY ART

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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### NOTE 1 - NATURE OF ORGANIZATION

Virginia Museum of Contemporary Art (the Museum) is a charitable not-for-profit organization that was formed in 1952 in the state of Virginia. The purpose of the Museum is to provide a broad range of art and art-related services and activities to the Hampton Roads, Virginia area. Included in the scope of the Museum's activities are studio classes, gallery exhibitions, tours and lectures on art subjects, and public art shows. Revenue of the Museum is provided by public contributions and support, municipal grants, admission and class fees, facilities rental and special event fees.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting and Presentation

The financial statements of the Museum have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Net assets, revenues, gains and losses are presented based on the existence or absence of any donor-imposed restrictions. Accordingly, the Museum report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Museum. These net assets may be used at the discretion of the Museum's management and the board of trustees.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Museum or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

#### Cash and Cash Equivalents

The Museum considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Included in cash and cash equivalents on the statement of financial position is \$66,529 of donor restricted net assets.

#### 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 considered necessary as of June 30, 2020.

#### Inventory

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

#### Investments

The Museum records investments at fair value based on quoted prices in active markets. Realized gains and losses on sales of investments, if any, are determined based on the actual cost of the securities sold and are included in the change in net assets. Unrealized gains and losses are also included in the change in net assets.



# VIRGINIA MUSEUM OF CONTEMPORARY ART

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Collections

The Museum has a small collection of legacy artwork that is currently not on display which is protected and preserved by the Museum. The collection, which has been acquired through purchases and contributions, are not recognized as an asset on the statement of financial position. Purchases of collection items are recorded in the year in which the items are acquired as decreases in net assets with donor restrictions or without donor restrictions, depending on the source of the assets used to purchase the items and whether those assets were restricted by donors. in the year in which the item is acquired or as net assets with donor restrictions if restricted by the donor. It is the policy of the Museum that proceeds from the sale of any collection items are to be used to purchase additional collection items or for the direct care of existing collections. Direct care expenses include salary and benefits and costs related to items to ensure the preservation of the collection.

#### 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 expense amounted to \$62,043 for the year ended June 30, 3020 and is calculated using the straight-line method based on the following useful lives:

Leasehold improvements	5 - 39 years
Furniture and equipment	5 - 7 years

#### Impairment of Long-Lived Assets

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified.

#### Revenue Recognition

Revenue for exhibition admissions, merchandise sales, facilities rentals, class and material fees and other revenues are recorded when the services are provided or goods exchanged. Deferred revenue consists primarily of tuition, facility rental deposits and other exchange transactions, which were received in advance, but relate to services to be provided at future dates. These items are deferred and recognized in revenue as the services are provided.

#### Contributions

Contributions are recognized when received or when the donor makes a promise to give that is, in substance, unconditional. Contributions received are recorded as increases in net asset with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions. Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases net assets depending with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the statement of activities.

# VIRGINIA MUSEUM OF CONTEMPORARY ART

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Contributed Materials and Services

The Museum recognizes contributed materials and services at fair value when received. The Museum recognizes contributed services if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contributors. Contributions of noncash goods and services for June 30, 2020 amounted to \$7,320 and are included in contributions on the accompanying statement of activities. Amounts reflected in the accompanying financial statements as contributions are offset by like amounts included in expenses or assets.

A substantial number of unpaid volunteers make significant contributions of their time to develop and implement the Museum's activities. The fair value of these volunteer hours has not been determined or recognized as revenue in the accompanying statement of activities.

#### Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be specifically identified to a functional area are allocated directly. Expenses that are common to more than one function are allocated by various means and by use of management's estimates. Salaries, payroll taxes, employee benefits, certain professional services and technology contracts are allocated based on time and effort allocations. Depreciation, liability insurance, janitorial services and utilities are allocated based on square footage of facility space used for the functions.

#### Income Taxes

The Museum is exempt from income taxes under the provisions of section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Currently, the Museum has no obligation for any unrelated business income tax. As such, no provision for income taxes is reflected in the financial statements.

As of June 30, 2020, fiscal years ending on or after June 30, 2017 remain subject to examination by taxing authorities. The Museum believes it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

#### Advertising

Advertising costs are expensed as incurred. Advertising and printing costs expensed for the year ended June 30, 2020 amounted to \$49,086.

#### Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Museum's ongoing services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

# VIRGINIA MUSEUM OF CONTEMPORARY ART

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Adopted Accounting Pronouncement

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The adoption of this standard effective as of July 1, 2019, did not have a material impact on the Museum's financial position or changes in its net assets.

### NOTE 3 - AVAILABILITY AND LIQUIDITY

The Museum's goal is generally to maintain financial assets to meet 90 days of operating expenses.

The following table reflects the Museum's financial assets as of June 30, 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions or internal board designations. In the event the need arises to utilize the board designated funds for liquidity purposes, the funds could be utilized through board resolution.

#### Financial assets at year end:

Cash and cash equivalents	\$ 378,284
Investments	683,191
Accounts receivable	104,473
	<u>1,165,948</u>

#### Less amounts not available to be used within one year:

Board designated operating reserve	(171,567)
Purpose restricted net assets with donor restrictions	(62,529)
	<u>(234,096)</u>

#### Financial assets available to meet general expenditures over the next twelve months

\$ 931,852

# VIRGINIA MUSEUM OF CONTEMPORARY ART

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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### NOTE 4 - INVESTMENTS

The Museum holds investments in marketable fixed income and exchange traded funds with readily determinable fair values. Unrealized gains and losses are included in investment income in the accompanying statement of activities. Investments consist of the following at June 30, 2020:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Gains (Losses)</u>
Equities	\$ 476,135	\$ 465,713	\$ (10,422)
Fixed income funds	200,920	217,478	16,558
	<u>\$ 677,055</u>	<u>\$ 683,191</u>	<u>\$ 6,136</u>

### NOTE 5 - FAIR VALUE MEASUREMENTS

Fair value measurements and disclosure standards provide the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (observable inputs) for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels under fair value measurements and disclosure standards are described below:

Level 1: Valuation based on unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2: Valuation based on other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3: Valuation based on unobservable inputs that cannot be corroborated by observable market data.

The assets or liability's fair value measurement within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. All assets have been valued using a market approach. Fair value assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. There have been no changes in methodologies used at June 30, 2019.

#### *Mutual Funds:*

Valued at the net asset value of shares held by the Museum at year end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Museum believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# VIRGINIA MUSEUM OF CONTEMPORARY ART

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

### NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

The following table set forth by level, within the fair value hierarchy, the Museum's assets at fair value on a recurring basis as of June 30, 2020:

<b>Fair Value Measurements on a Recurring Basis</b>				
<b>as of June 30, 2020</b>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 465,713	\$ -	\$ -	\$ 465,713
Fixed income funds	<u>217,478</u>	<u>-</u>	<u>-</u>	<u>217,478</u>
Total investments	<u>\$ 683,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 683,191</u>

### NOTE 6 - REFUNDABLE ADVANCE - PPP LOAN

During the year ended June 30, 2020, the Museum received a Paycheck Protection Program (PPP) loan of \$234,900 from the Small Business Administration under the Coronavirus Aid, Relief and Economic Securities Act (CARES Act). The PPP loan is considered a conditional contribution, with right of return in the form of an obligation to be repaid if the barriers to entitlement are not met. The barriers are that the PPP loan funds must be used to for compensation and other specified costs and to maintain employee headcount. The Museum selected ASC 958-605 as the applicable standard for not-for-profit entities, and recorded no grant revenue for the year ended June 30, 2020. The Museum expects the loan to be forgiven in full during the year ended June 30, 2021, at which time, the barriers will be met and the grant revenue recorded.

### NOTE 7 - BOARD DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

Board designated net assets without donor restrictions amounted to \$171,567 as of June 30, 2020 and provide a reserve for the Museum for future operations.

### NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available as of June 30, 2020 for the following purposes:

Cohen fund	\$ 24,604
Exhibition underwriting	35,000
Artist prizes	<u>2,925</u>
Net assets with donor restrictions	<u>\$ 62,529</u>

Net assets of the Museum were released from donor restrictions by incurring expenses satisfying the purpose specified by donors, or by donor approval, for the year ended June 30, 2020 as follows:

Cohen fund - released by donor for operations	<u>\$ 30,000</u>
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# VIRGINIA MUSEUM OF CONTEMPORARY ART

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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### NOTE 9 - RELATED PARTY TRANSACTIONS

Members of the Museum's Board of Trustees donated \$80,082 to the Museum for the year ended June 30, 2020.

### NOTE 10 - LEASE COMMITMENTS

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 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 fair market value of the lease is not readily determinable. The initial term of the lease was for five years and allowed for unlimited five-year renewals thereafter. The City is responsible for long-term maintenance and repair of the building and surrounding grounds.

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

The Museum leases office equipment under various lease agreements expiring in fiscal years ranging dates through fiscal year ending June 30, 2024. Lease expense under these leases was \$23,107 for the year ending June 30, 2020.

Future operating lease commitments as of June 30, 2020 are as follows:

Year ended:	
2021	\$ 22,573
2022	14,851
2023	2,940
2024	1,281
2025	<u>1</u>
	<u>\$ 41,646</u>

### NOTE 11 - DEFINED CONTRIBUTION PLAN

The Museum maintains a 401(k) plan covering substantially all salaried, permanent employees that are at least 21 years of age and have been employed for over one year. The plan allows eligible employees to defer a percentage of their compensation up to an allowable maximum deferral. Matching contributions made by the Museum to the plan are based on employee contributions to the plan. The Museum matches employee contributions up to 3%. The Museum contributed \$25,970 to the plan for the year ended June 30, 2020.

### NOTE 12 - PRIOR PERIOD ADJUSTMENT

Net assets without donor restrictions at the beginning of the fiscal year have been adjusted to record accrued compensated absences which the Museum had not recorded in the past. Due to changes in compensated absences policies, the Museum corrected its beginning balances to record the liability incurred in prior periods. The effect of the change was to decrease beginning net assets without donor restrictions by \$105,602. There was no effect to current year activities.

# **VIRGINIA MUSEUM OF CONTEMPORARY ART**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020**

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### **NOTE 13 - CONCENTRATION OF CREDIT RISK**

The Museum is required to disclose significant concentration of credit risk, regardless of the degree of such risk. Financial instruments which potentially subject the Museum to a concentration of credit risk consist principally of temporary cash investments, such as certificate of deposits. The Museum maintains its cash investments in high credit quality financial institutions that participate in Federal Deposit Insurance Corporation (FDIC) programs. At times, account balances may exceed federally insured limits. The Museum has not experienced any losses on such accounts. Cash in excess of FDIC programs amounted to \$46,067 at June 30, 2020.

During the year ended June 30, 2020, revenues from the City of Virginia Beach accounted for 28% of total revenues and public support and 57% of accounts receivable.

### **NOTE 14 - UNCERTAINTIES**

In March 2020, the COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of many businesses and organizations. As a result of the outbreak, the Museum cancelled its Boardwalk Art Show major event and its spring semester of classes. In addition, other events and facility rentals were postponed to later dates. The Museum has taken steps to reduce cost and provide services in socially distant ways. There is considerable uncertainty around the duration of business disruption due to COVID-19. The Museum expects continued negative impact its operating results. However, the total financial impact and duration of the COVID-19 outbreak business disruption cannot be reasonably estimated at this time.

### **NOTE 15 - SUBSEQUENT EVENTS**

In preparing the financial statements, the Museum has evaluated events and transactions for potential recognition or disclosure through April 21, 2021, the date that the financial statements were available to be issued.

In August 2020, the Museum entered into an agreement for rebranding and website redesign initiative. The agreement amounted to \$103,250. In March 2021, additional rebranding services were added for \$59,200.

In January 2021, the Museum received notification that its PPP loan of \$234,900 was forgiven in full by the SBA. On January 28, 2021, the Museum also received a second PPP loan from the SBA in the amount of \$213,890. The loan is subject to forgiveness upon meeting certain spending requirement barriers.