

The Valentine and Subsidiary

Consolidated Financial Statements

June 30, 2025
(with comparative totals for 2024)



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THE VALENTINE AND SUBSIDIARY

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	6
Consolidated Statement of Functional Expenses	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	10

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Valentine
Richmond, Virginia

Opinion

We have audited the accompanying consolidated financial statements of The Valentine and Subsidiary (collectively, "The Valentine"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Valentine as of June 30, 2025, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of The Valentine and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As discussed in Note 18 to the consolidated financial statements, subsequent to the issuance of The Valentine's 2024 consolidated financial statements, management became aware that the 2024 consolidated financial statements overstated accumulated depreciation due to a regulation related to the state historic tax credits (see Note 1) requiring a change to the estimated useful life of certain property and equipment. This resulted in a restatement to 2024 accumulated depreciation, change in net assets and net assets. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Consolidated Financial Statements, Continued

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Valentine's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Valentine's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Valentine's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the 2024 consolidated financial statements of The Valentine and Subsidiary, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 22, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 as restated, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Keita", with a stylized flourish at the end.

December 3, 2025
Glen Allen, Virginia

THE VALENTINE AND SUBSIDIARY

Consolidated Statement of Financial Position June 30, 2025 with Summarized Totals as of June 30, 2024

<u>Assets</u>	2025			2024 (as restated)
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Current assets:				
Cash and cash equivalents	\$ 76,105	\$ -	\$ 76,105	\$ 142,196
Investments	-	699,967	699,967	1,011,379
Accounts receivable	11,257	-	11,257	25,231
Promises to give	-	102,013	102,013	650,210
Inventory	36,874	-	36,874	41,931
Prepaid expenses	38,906	-	38,906	15,175
Total current assets	163,142	801,980	965,122	1,886,122
Promises to give, net	-	836,547	836,547	856,063
Investments	3,832,892	16,994,371	20,827,263	19,486,304
Beneficial interest in perpetual trust	-	1,484,770	1,484,770	1,372,536
Beneficial interest in charitable remainder trusts	-	314,145	314,145	298,221
Historic properties, net	1,432,168	-	1,432,168	1,666,070
Property and equipment, net	16,196,853	-	16,196,853	16,756,702
Intangible asset	20,606	-	20,606	20,606
Right-of-use operating lease assets, net	120,575	-	120,575	194,091
Total assets	\$ 21,766,236	\$ 20,431,813	\$ 42,198,049	\$ 42,536,715

See accompanying notes to consolidated financial statements.

THE VALENTINE AND SUBSIDIARY

Consolidated Statement of Financial Position, Continued
June 30, 2025 with Summarized Totals as of June 30, 2024

<u>Liabilities and Net Assets</u>	2025			2024 (as restated)
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Current liabilities:				
Accounts payable	\$ 42,050	\$ -	\$ 42,050	\$ 108,931
Accrued expenses	173,684	-	173,684	157,527
Fiduciary liability (Note 17)	35,402	-	35,402	40,402
Annuity payable	15,320	-	15,320	15,273
Operating lease liabilities	74,544	-	74,544	73,768
Due (from) to	(1,679)	1,679	-	-
Total current liabilities	339,321	1,679	341,000	395,901
Long-term liabilities:				
Operating lease liabilities	51,664	-	51,664	126,208
Note payable	1,099,000	-	1,099,000	2,799,908
Total long-term liabilities	1,150,664	-	1,150,664	2,926,116
Total liabilities	1,489,985	1,679	1,491,664	3,322,017
Net assets	20,276,251	20,430,134	40,706,385	39,214,698
Total liabilities and net assets	\$ 21,766,236	\$ 20,431,813	\$ 42,198,049	\$ 42,536,715

See accompanying notes to consolidated financial statements.

THE VALENTINE AND SUBSIDIARY

Consolidated Statement of Activities Year Ended June 30, 2025 with Summarized Totals for Year Ended June 30, 2024

	2025			2024 (as restated)
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, gains and other support:				
Contributions and grants	\$ 1,974,447	\$ 1,341,793	\$ 3,316,240	\$ 2,808,402
Gifts in-kind	-	-	-	148,530
Sale of deaccessioned collections	-	248,946	248,946	202,245
Special events revenue, net of \$157,648 in 2025 and \$384,446 in 2024	(49,019)	-	(49,019)	(104,304)
Admissions	73,390	-	73,390	65,457
Investment income, net	151,581	257,674	409,255	452,557
Net realized and unrealized investment gain	332,555	1,474,214	1,806,769	2,247,742
Net unrealized gain, value of split-interest agreements	-	128,158	128,158	128,071
Gift shop, net of \$22,928 in 2025 and \$27,764 in 2024	15,707	-	15,707	16,323
Miscellaneous income (expense), net	7,140	-	7,140	(1,488)
Total revenues, gains and support	<u>2,505,801</u>	<u>3,450,785</u>	<u>5,956,586</u>	<u>5,963,535</u>
Net assets released from restrictions	3,234,496	(3,234,496)	-	-
Total revenues, gains, support, and other changes	<u>5,740,297</u>	<u>216,289</u>	<u>5,956,586</u>	<u>5,963,535</u>
Expenses				
Program services:				
Curatorial	1,120,237	-	1,120,237	860,862
Occupancy	1,391,353	-	1,391,353	1,243,601
Museum administration	463,020	-	463,020	513,566
Education and outreach	659,802	-	659,802	688,630
Supporting services:				
Management and general	481,014	-	481,014	474,538
Fundraising	349,473	-	349,473	277,073
Total expenses	<u>4,464,899</u>	<u>-</u>	<u>4,464,899</u>	<u>4,058,270</u>
Change in net assets before other losses	<u>1,275,398</u>	<u>216,289</u>	<u>1,491,687</u>	<u>1,905,265</u>
Other losses:				
Loss on unenforceable charitable remainder unitrust (Note 6)	-	-	-	(49,611)
Change in net assets	1,275,398	216,289	1,491,687	1,855,654
Net assets at beginning of year	19,000,853	20,213,845	39,214,698	36,152,044
Partners' capital contributions	-	-	-	1,207,000
Net assets at end of year	<u>\$ 20,276,251</u>	<u>\$ 20,430,134</u>	<u>\$ 40,706,385</u>	<u>\$ 39,214,698</u>

See accompanying notes to consolidated financial statements.

THE VALENTINE AND SUBSIDIARY

Consolidated Statement of Functional Expenses Year Ended June 30, 2025 with Summarized Totals for Year Ended June 30, 2024

	2025						2024	
	Program Services			Supporting Services			Total	(as restated)
	Curatorial	Occupancy	Museum Administration	Education & Outreach	Management & General	Fundraising	Total	Total
Salaries and wages	\$ 545,726	\$ 104,170	\$ 258,237	\$ 478,576	\$ 281,840	\$ 148,017	\$ 1,816,566	\$ 1,588,730
Depreciation	236,090	578,024	-	-	-	-	814,114	581,549
Facilities maintenance	-	258,873	446	1,118	698	-	261,135	280,820
Equipment maintenance	52,480	10,217	28,028	34,961	12,055	9,102	146,843	101,622
Professional fees	83,092	126,289	39,760	28,125	48,053	31,121	356,440	521,201
Employee benefits	62,354	7,401	29,587	21,870	47,568	11,826	180,606	150,494
Payroll taxes	39,020	9,019	19,274	34,795	20,557	10,541	133,206	109,185
Insurance	32,945	3,889	-	-	24,399	-	61,233	62,229
Collections expense	46,405	79,720	-	500	500	-	127,125	74,289
Advertising	-	3,270	19,129	299	2,188	250	25,136	71,963
Printing	99	1,887	26,906	4,028	304	26,581	59,805	50,683
Supplies	14,519	13,298	2,869	4,004	4,253	2,887	41,830	45,199
Dues and subscriptions	1,470	4,924	12,674	8,993	19,537	27,952	75,550	59,786
Travel and entertainment	1,960	2,731	9,218	5,488	5,194	8,380	32,971	41,265
Design and production	-	-	3,000	-	3,000	-	6,000	7,175
Other facility rental expense	-	-	-	-	2,719	-	2,719	3,887
Interest and fees	43	178,520	1,896	2,138	2,056	7,653	192,306	177,420
Postage and shipping	3,141	270	7,889	1,070	1,521	10,213	24,104	31,793
Conferences, conventions, and meetings	534	143	1,373	2,341	966	13,091	18,448	32,573
Telephone	357	6,975	2,732	3,630	2,774	1,228	17,696	13,616
Casual labor	2	301	2	17,925	832	-	19,062	24,184
Tours expense	-	-	-	5,443	-	500	5,943	11,264
Credit losses	-	-	-	4,418	-	40,131	44,549	14,710
Other	-	1,432	-	80	-	-	1,512	2,633
	<u>\$ 1,120,237</u>	<u>\$ 1,391,353</u>	<u>\$ 463,020</u>	<u>\$ 659,802</u>	<u>\$ 481,014</u>	<u>\$ 349,473</u>	<u>\$ 4,464,899</u>	<u>\$ 4,058,270</u>

See accompanying notes to consolidated financial statements.

THE VALENTINE AND SUBSIDIARY

Consolidated Statement of Cash Flows
Year Ended June 30, 2025 with Summarized Totals for Year Ended June 30, 2024

	2025	2024 (as restated)
Cash flows from operating activities:		
Change in net assets	\$ 1,491,687	\$ 1,855,654
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized and unrealized investment gain	(1,806,769)	(2,247,742)
Net unrealized gain, value of split-interest agreements	(128,158)	(128,071)
Credit loss on split interest agreement	-	49,611
Depreciation	814,114	581,549
Contributions restricted for long-term purposes	(705,000)	(344,958)
Changes in operating assets and liabilities:		
Accounts receivable	13,974	(1,795)
Promises to give, net	301,268	333,124
Inventories	5,057	(6,995)
Prepaid expenses	(23,731)	10,932
Accounts payable	(66,881)	(963,097)
Accrued expenses	16,157	19,258
Fiduciary liability (Note 17)	(5,000)	40,402
Operating lease assets and liabilities, net	(252)	1,838
Annuity payable	262	-
Net cash used in operating activities	(93,272)	(800,290)
Cash flows from investing activities:		
Purchases of property and equipment	(20,363)	(3,490,045)
Purchases of investments	(3,280,052)	(3,712,766)
Proceeds from sales of investments	4,057,059	5,377,139
Net cash provided by (used in) investing activities	756,644	(1,825,672)
Cash flows from financing activities:		
Collections of contributions restricted for long-term purposes:		
Capital projects	929,746	664,370
Endowment funds	41,699	108,980
Proceeds from note payable	-	2,350,969
Payments on note payable	(1,700,908)	(1,611,061)
Partners' capital contributions	-	1,207,000
Net cash (used in) provided by financing activities	(729,463)	2,720,258
Net change in cash and cash equivalents	(66,091)	94,296

See accompanying notes to consolidated financial statements.

THE VALENTINE AND SUBSIDIARY

Consolidated Statement of Cash Flows, Continued
Year Ended June 30, 2025 with Summarized Totals for Year Ended June 30, 2024

	2025	2024 (as restated)
Net change in cash and cash equivalents	\$ (66,091)	\$ 94,296
Cash and cash equivalents, beginning of year	142,196	47,900
Cash and cash equivalents, end of year	\$ 76,105	\$ 142,196
Supplemental disclosure of cash flow information:		
Cash paid for interest (capitalized \$0 for 2025 and \$125,095 for 2024)	\$ 178,465	\$ 290,141
Cash paid for amounts included in the measurement of lease liability:		
Operating cash flows from operating leases	\$ 4,717	\$ 8,106
Investing cash flows from operating leases	\$ 73,839	\$ 71,688
Non-cash transactions:		
Property and equipment purchased through accounts payable	\$ -	\$ 43,128

See accompanying notes to consolidated financial statements.

THE VALENTINE AND SUBSIDIARY

Notes to Consolidated Financial Statements

1. Nature of Organization:

The Valentine is a non-for-profit Virginia nonstock corporation founded in 1898. The mission is to collect, preserve and interpret the materials of the life and history of Richmond, Virginia. A combination research library and museum of Richmond history, The Valentine uses the city as a case study to interpret important issues in American urban social history. The Valentine receives the majority of its resources through contributions and grants. 1009 East Clay Street, LLC was formed in 2013 for the primary purpose of renovating a historic property. In January 2015, The Valentine assumed responsibility for the First Freedom Center where the Statute for Religious Freedom was drafted. The Valentine uses the First Freedom Center as a forum for discussing the values reflected in the Statute.

During 2024, 1009 East Clay Street, LLC raised capital from existing and newly admitted partners, who will receive state historic tax credits for its partners' contributions.

2. Summary of Significant Accounting Policies:

Principles of Consolidation: The consolidated financial statements include the accounts of The Valentine and its 99.8% owned subsidiary, 1009 East Clay Street, LLC, (collectively, the "The Valentine"). All intercompany balances have been eliminated in consolidation.

Basis of Accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Basis of Presentation: The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with The Valentine's consolidated financial statements for the year ended June 30, 2024, from which the summarized information was derived.

The Valentine is required to report information regarding its financial position and activities according to two classes of net assets – net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets that are currently available at the discretion of The Valentine's Board of Trustees for use in operations.

THE VALENTINE AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued: *Net assets with donor restrictions* – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some net assets with donor restrictions include donor-imposed stipulations for specific operating purposes. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Other donor-imposed restrictions are perpetual in nature, whereby the donor stipulates that they must be maintained permanently by The Valentine to use all or part of the income earned on any related investments for general or specific purposes, in accordance with the conditions of each specific donation.

Use of Estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenues and expenses during the periods reported. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Valentine considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable: In June 2016, the FASB issued Accounting Standard Update (“ASU”) 2016-13, Financial Instruments – Credit Losses (Topic 326), which replaced the incurred loss methodology for estimating credit losses with the current expected credit loss (“CECL”) model to estimate credit losses for most financial assets held at amortized cost, including accounts receivable. The model requires entities to consider a wide range of information when estimating credit losses, including historical loss information, current conditions, and reasonable and supportable forecasts. Under the CECL model, the allowance for credit losses on financial assets reflects management’s estimate of credit losses over the remaining expected life of the assets.

Accounts receivable is stated at cost less an allowance for credit losses. The Valentine provides an allowance for credit losses based on an annual analysis of historical loss experience, current receivables aging, and management’s assessment of current conditions and supportable expectations of future conditions. There was no credit loss expense related to trade accounts receivable for 2025 or 2024. As of June 30, 2025 and 2024, management determined an allowance for credit losses was not necessary. Accounts receivable was \$23,436 at July 1, 2023.

THE VALENTINE AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Inventory: The inventory consists of products for sale and is stated at the lower of cost (specific identification method) or net realizable value.

Beneficial Interest in Assets Held in Trust by Others: The Valentine has been named as a beneficiary in several charitable remainder trusts in which The Valentine is not the trustee. When The Valentine is notified of the existence of the trust, an asset and contribution revenue are recorded at the present value of the estimated future cash receipts. In accordance with GAAP, The Valentine does not record contributions receivable from remainder trusts if the trust is revocable or if the donor retains the unilateral right to change beneficiaries.

Historic Properties and Collections: Historic properties consist principally of the Wickham-Valentine House, the Edward Valentine Studio, the Davis House, and the Gray-Valentine Buildings. Except for the Wickham-Valentine House and Davis House restorations, which are stated at cost less accumulated depreciation, such properties, in conformity with the practice followed by many museums, are stated at a nominal value. Depreciation of the historic properties is computed by the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years. Accumulated depreciation on the historic properties was \$3,239,020 and \$3,005,118 as of June 30, 2025 and June 30, 2024, respectively. Depreciation expense for historic properties was \$233,902 for 2025 and \$174,653 for 2024.

The Valentine's consolidated financial statements exclude the value of the collection objects and library holdings, and no determination has been made as to aggregate value of such items. Purchases of collections items are recorded as decreases in net assets with donor restrictions if the assets used to purchase collection items are restricted by the donor.

The Valentine requires that proceeds from sales of collection items be used for the acquisition of other items for collections and direct care of existing collections. The Valentine defines direct care as those activities that enhance the life, usefulness or quality of the collections.

Property and Equipment: Property and equipment are stated at cost or, if donated, appraised value at date of gift. Major repairs and betterments are capitalized, and normal maintenance and repairs are charged to expense as incurred. Depreciation of the buildings and equipment is computed by the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years.

Intangible Asset: Costs of indefinite-lived intangible assets will not be amortized. The Valentine's intangible asset consists of an indefinite-lived trademark with a cost of \$20,606 as of June 30, 2025 and 2024.

THE VALENTINE AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Valuation of Long-Lived Assets: The Valentine accounts for the valuation of long-lived assets under GAAP, which require that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of carrying amount or fair value, less cost to sell. There were no impairments identified during 2025 or 2024.

Leases: The Valentine accounts for leases in accordance with ASC 842, Leases. ASC 842 requires lessees to recognize a right-of-use asset and a lease liability on the consolidated statement of financial position for substantially all leases with a term of 12 months or greater. Leases are classified as either finance or operating, with classification affecting expense recognition in The Valentine's operations.

The lease liabilities are initially measured at the present value of future lease payments, measured on a discounted basis, as of the lease commencement date or the adoption date, whichever is later. The right-of-use assets are initially measured at the value of the lease liability, adjusted for initial direct lease costs, lease incentives, and prepaid or deferred rent. The Valentine elected to use the risk-free discount rate for any leases for which the rate implicit in the lease was not readily determinable and to account for lease and non-lease components as a single lease component. The right-of-use assets and lease liabilities are calculated to include options to extend or terminate the lease when The Valentine determines that it is reasonably certain it will exercise those options. In making those determinations, The Valentine considers various existing economic and market factors, business strategies as well as the nature, length, and terms of the lease agreements.

Investments: The Valentine invests in a professionally managed portfolio that contains common shares and bonds of publicly traded companies, mutual funds and money market funds (see Notes 3 and 8).

Contributions: Contributions received are recorded as support without donor restrictions or with donor restrictions depending on the nature of donor restrictions, if any. When a restriction expires, net assets are reclassified to net assets without donor restrictions. Endowment contributions are reported as net assets with donor restrictions. Unconditional promises to give are recorded when the promise is made. Unconditional promises to give due in the next year are reflected as current promises to give and long-term unconditional promises to give are recorded at their net realizable value, using risk-free interest rates to discount the amounts. Conditional promises to give are recognized when the specific condition is met. The Valentine had no conditional pledges at June 30, 2025 and 2024. Contributions of assets other than cash are recorded at their estimated fair market value at the time of donation.

THE VALENTINE AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Contributions of Services, Materials, and Facilities: The value of contributed materials and the value of contributed services that either: (a) created or enhanced a nonfinancial asset, or (b) required specialized skills, was provided by individuals possessing those skills, and would have been purchased if not contributed, was valued at the estimated fair value and separately stated as gifts in-kind on the consolidated statement of activities.

The total value of in-kind contributions recorded for 2024 was \$148,530. These contributions included a speaker stipend for an event valued at \$1,000, exhibit signage removal and installation services valued at \$4,900 and website-based advertising design services valued at \$68,000. These contributions also included gifts in support of The Valentine's special events including a special character appearance valued at \$2,500 and advertising services for the Richmond History Makers nomination valued at \$72,130. These services were provided by professionals in their respective fields and would have been purchased if not contributed. There were no such contributions in 2025.

A substantial number of unpaid volunteers have made significant contributions of their time to develop The Valentine's programs; however, the value of this contributed time is not reflected in accompanying consolidated financial statements since it is not subject to objective measurement or valuation.

Revenue Recognition: Revenues for admissions and the gift shop are recognized at a point in time. As of June 30, 2025 and 2024, there were no contract assets or contract liabilities.

Advertising: The Valentine expenses advertising costs as they are incurred. Advertising costs amounted to \$25,136 in 2025 and \$71,963 in 2024.

Functional Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Expenses have been summarized based on function and natural classification in the consolidated statement of functional expenses. The Valentine directly allocates costs to functions based on the nature of the cost. Any costs which have a nature that may benefit more than one function are included as Management & General.

Income Taxes: The Valentine is exempt from income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code. 1009 East Clay Street, LLC is a limited liability company, and in lieu of corporate income taxes, the partners are taxed on their proportionate share of the company's taxable income.

THE VALENTINE AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Income Tax Uncertainties: The Valentine follows the FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing The Valentine's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management has evaluated The Valentine's tax position and concluded that The Valentine had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provision of this guidance. The Valentine is not currently under audit by any tax jurisdiction.

Concentration of Credit Risk: Financial instruments that potentially subject The Valentine to concentrations of credit risk consist principally of cash and cash equivalents, promises to give, and investments.

The Valentine maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Valentine has not experienced any losses in such accounts and believes it is not exposed to any significant financial credit risk on cash.

Promises to give are from individuals, corporations and foundations located primarily in Virginia. The Valentine believes its credit risk related to these promises to give is limited due to the nature of its donors. The ability to collect receivables is affected by the general economic conditions. As of June 30, 2025, three donors composed 64% of promises to give. As of June 30, 2024, three donors composed 41% of promises to give.

The Valentine invests in various investments securities, which are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would affect the investment balance and the amount reported in the accompanying consolidated financial statements.

Subsequent Events: Management has evaluated subsequent events through December 3, 2025, the date the consolidated financial statements were available to be issued, and has determined that, there are no subsequent events to be reported in the accompanying consolidated financial statements.

THE VALENTINE AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

3. Investments:

Investments in marketable securities at June 30, 2025 and 2024, consist of the following:

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Common stocks	\$ 9,502,258	\$ 12,465,580	\$ 4,340,419	\$ 6,450,262
Money market funds	1,075,690	1,075,690	2,071,472	2,086,649
Corporate bonds	4,871,085	4,884,364	2,393,936	2,356,419
Mutual funds	2,150,150	3,101,596	7,587,376	9,604,353
	\$ 17,599,183	\$ 21,527,230	\$ 16,393,203	\$ 20,497,683

4. Promises to Give:

Promises to give at June 30, 2025 and 2024, consist of the following:

	2025	2024
Promises to give due in less than one year	\$ 102,013	\$ 650,210
Promises to give due in one to five years	922,326	937,543
	1,024,339	1,587,753
Less unamortized discount	(85,779)	(81,480)
Promises to give, net	\$ 938,560	\$ 1,506,273

The Valentine used a rate of 5.0% at June 30, 2025, and 5.6% at June 30, 2024, to discount to present value its promises to give. All promises to give are considered collectible.

Promises to give from board members are approximately 3% of the total balance as of June 30, 2025, and approximately 3% of the total balance as of June 30, 2024. As of June 30, 2025, \$17,922 of net promises to give has been earmarked for adding to the principal of endowment funds upon collection. As of June 30, 2024, \$86,873 of the net promises to give had been earmarked for adding to the principal of endowment funds upon collection.

THE VALENTINE AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

5. **Beneficial Interest in Perpetual Trust:**

The Valentine is the beneficiary of a portion of the annual income earned from the Coons Trust held by a commercial bank. The assets of the Coons Trust are not in the possession or under control of The Valentine.

The Coons Trust had a market value of \$1,593,933 and \$1,474,621 at June 30, 2025 and 2024, respectively. The present value of the expected future cash flows to The Valentine from the Coons Trust was \$1,484,770 and \$1,372,536 at June 30, 2025 and 2024, respectively, and is recorded in the consolidated statement of financial position as an asset with donor restrictions. The change in valuation during fiscal years 2025 and 2024 is included in the consolidated statement of activities as an unrealized gain in the valuation of split-interest agreements.

6. **Assets Held in Charitable Remainder Trusts:**

The Valentine is the beneficiary of an irrevocable charitable remainder unitrust held by a third party. The market value of the trust shared with The Valentine was \$392,818 and \$372,451 at June 30, 2025 and 2024, respectively. The discounted present value of the trust was \$314,145 and \$298,221 at June 30, 2025 and 2024, respectively, and is recorded in the consolidated statement of financial position as an asset with donor restriction.

The Valentine is the beneficiary of an irrevocable charitable remainder unitrust held by a third party. In 2024, the agreement was deemed unenforceable, and the discounted present value of \$49,611 was written off to other losses.

The present value of the estimated future benefits was calculated using a discount rate of 5.0% at June 30, 2025 and 5.6% at June 30, 2024.

The change in valuation of the charitable remainder trusts during fiscal year 2025 and 2024 is included in the consolidated statement of activities as an unrealized gain in the valuation of split-interest agreements.

THE VALENTINE AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

7. Property and Equipment:

Property and equipment at June 30, 2025 and 2024, consist of the following:

	2025	2024 (as restated)
Land	\$ 161,255	\$ 161,255
Buildings and improvements	8,060,260	8,039,898
Collection care and access	13,754,164	13,754,164
Vehicles, furniture and equipment	59,794	59,794
	<u>22,035,473</u>	<u>22,015,111</u>
Less accumulated depreciation	<u>(5,838,620)</u>	<u>(5,258,409)</u>
Property and equipment, net	<u>\$ 16,196,853</u>	<u>\$ 16,756,702</u>

Depreciation expense for property and equipment was \$580,212 for 2025 and \$406,896 for 2024 (as restated).

During 2024, The Valentine completed construction projects related to the design and development of collection care and access systems, as well as renovations of the Edward Valentine Studio and collection spaces. The total cost of construction was placed in service during 2024.

Collection care and access consists of buildings, furniture and fixtures, and capitalized collections care labor. Collection care and access ("CCA") assets are depreciated over their estimated useful lives in a manner consistent with The Valentine's other property and equipment.

8. Fair Value Measurements:

The Valentine follows FASB guidance with respect to fair value measurements. This guidance provides a framework for measuring fair value under generally accepted accounting principles, for all financial assets and liabilities measured at fair value on a recurring basis.

The guidance establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level that is significant to the fair value measurement of the asset or liability.

THE VALENTINE AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

8. Fair Value Measurements, Continued:

Classification of assets and liabilities within the hierarchy considers the market in which the assets or liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy are defined as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that The Valentine has the ability to access.

Level 2 – Inputs to the valuation methodology are quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value:

Common stocks: Valued at the closing price as reported on the active market on which stocks are traded.

Mutual funds: Valued at the net asset value (“NAV”) of shares held in the fund at the end of the trading day.

Money market funds: Valued at the cash balance.

Corporate bonds: Valued at the closing price as reported on the active market on which bonds are traded.

Promises to give, net: Valued at the sum of future contributions adjusted to the present value using a discount rate.

Beneficial interest in perpetual trust: Valued using the fair value of the underlying assets of the trust as an estimate for the present value of the expected future cash flows.

Charitable remainder trusts: Valued using the fair value of the underlying assets of the trust as an estimate for the present value of the expected future cash flows.

Annuity Payable: Valued based on the present value of expected future cash outflows to beneficiaries. The valuation is calculated using actuarial assumptions and life expectancy tables for the annuitants, along with a discount rate that reflects the risk associated with the liability.

THE VALENTINE AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

8. Fair Value Measurements, Continued:

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while The Valentine believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets and liabilities measured at fair value at June 30, 2025, include the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments:				
Common stocks	\$ 12,465,580	\$ -	\$ -	\$ 12,465,580
Money market funds	1,075,690	-	-	1,075,690
Corporate bonds	-	4,884,364	-	4,884,364
Mutual funds	3,101,596	-	-	3,101,596
Total investments at fair value				<u>21,527,230</u>
Promises to give, net	-	-	938,560	938,560
Beneficial interest in perpetual trust	-	-	1,484,770	1,484,770
Charitable remainder trusts	-	-	314,145	314,145
Total assets at fair value	<u>\$ 16,642,866</u>	<u>\$ 4,884,364</u>	<u>\$ 2,737,475</u>	<u>\$ 24,264,705</u>
Liabilities:				
Annuity payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,320</u>	<u>\$ 15,320</u>
Total liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,320</u>	<u>\$ 15,320</u>

Assets and liabilities measured at fair value at June 30, 2024, include the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments:				
Common stocks	\$ 6,450,262	\$ -	\$ -	\$ 6,450,262
Money market funds	2,086,649	-	-	2,086,649
Corporate bonds	-	2,356,419	-	2,356,419
Mutual funds	9,604,353	-	-	9,604,353
Total investments at fair value				<u>20,497,683</u>
Promises to give, net	-	-	1,506,273	1,506,273
Beneficial interest in perpetual trust	-	-	1,372,536	1,372,536
Charitable remainder trusts	-	-	298,221	298,221
Total assets at fair value	<u>\$ 18,141,264</u>	<u>\$ 2,356,419</u>	<u>\$ 3,177,030</u>	<u>\$ 23,674,713</u>
Liabilities:				
Annuity payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,273</u>	<u>\$ 15,273</u>
Total liabilities at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,273</u>	<u>\$ 15,273</u>

THE VALENTINE AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

8. Fair Value Measurements, Continued:

During 2025, The Valentine received \$926,080 of unconditional promises to give that were categorized as promises to give and collected \$1,489,495 of promises to give that were reclassified to cash or investments as appropriate. During 2024, The Valentine received \$491,567 of unconditional promises to give that were categorized as promises to give and collected \$1,290,751 of promises to give that were reclassified to cash or investments as appropriate.

9. Endowment Funds:

The Valentine has interpreted state law as requiring the preservation of the purchasing power (real value) of the permanent endowment funds unless explicit donor stipulations specify how net appreciation must be used. As a result, The Valentine has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Valentine's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 5%, net of investment fees. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, The Valentine relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Valentine targets a diversified asset allocation that places a great emphasis on equity-based investments to achieve its long-term return objectives with prudent risk parameters.

The spending policy calculates the amount of money annually distributed from The Valentine's endowment funds for administration. The current spending policy is to distribute an amount equal to 4% to 5% of the three-year rolling average market value of the portfolio at March 31.

THE VALENTINE AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

9. Endowment Funds, Continued:

Changes in endowment net assets with donor restriction for fiscal years ended June 30, 2025 and 2024, are as follows:

	2025	2024
Endowment net assets at beginning of year	\$ 15,046,579	\$ 13,388,400
Contributions	172,649	215,095
Payments received on promises to give	41,699	108,980
Investment return:		
Investment income	292,235	293,375
Net realized and unrealized gain	1,395,026	1,729,612
Investment fees	(71,120)	(38,730)
Amounts appropriated for expenditure	(778,800)	(650,153)
Endowment net assets at end of year	\$ 16,098,268	\$ 15,046,579

There were no endowment net assets without donor restriction for fiscal year ended June 30, 2025 and 2024. At June 30, 2025, endowment net assets consisted of \$4,401,737 of accumulated investment income and \$11,696,531 of original donor-restricted gifts required to be maintained in perpetuity by the donor. At June 30, 2024, endowment net assets consisted of \$3,564,397 of accumulated investment income and \$11,482,182 of original donor-restricted gifts required to be maintained in perpetuity by the donor.

10. Net Assets With Donor Restrictions:

Net assets were released from donor restrictions during fiscal years 2025 and 2024 by incurring expenses satisfying the restricted purposes, as follows:

	2025	2024
Capital	\$ 1,999,402	\$ 8,225,210
Special grants	982,531	1,282,676
Special events	218,205	300,119
Exhibits	34,358	53,835
	\$ 3,234,496	\$ 9,861,840

THE VALENTINE AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

10. Net Assets With Donor Restrictions, Continued:

At June 30, 2025 and 2024, net assets with donor restrictions are restricted for the following purposes:

	2025	2024
Endowment income	\$ 4,401,737	\$ 3,564,397
Museum collections	813,183	785,182
CCA capital campaign debt repayment	876,750	1,196,414
Special grants	441,933	968,525
Intern research	-	118,797
Time restricted	17,153	213,880
Deaccession fund	322,267	-
Special events	14,084	60,648
Publications	-	36,049
Exhibitions	29,914	29,939
Perpetual in nature - endowment	11,696,531	11,482,182
Perpetual in nature - promises to give, net	17,667	87,075
Perpetual in nature - split interest agreements	1,798,915	1,670,757
	\$ 20,430,134	\$ 20,213,845

Net assets with donor restrictions that are perpetual in nature consist of split-interest agreements and endowment fund investments to be held indefinitely. The income from these assets is used to support The Valentine's activities or as stipulated by the donor.

11. Non-Controlling Interests:

Each partner in 1009 East Clay Street LLC holds both put and call options regarding their ownership interests. After 24 months from the issuance of the final rehabilitation tax certification by the Commonwealth of Virginia Department of Historic Resources (the "Put Option Commencement Date"), each partner may exercise their put option at any time, requiring The Valentine to purchase their interest. Similarly, The Valentine holds a call option exercisable any time after the Put Option Commencement Date, which requires each partner to sell their interest to The Valentine. The purchase price for each partner's interest will be the lesser of \$100 or the fair market value, as determined by mutual agreement or an independent appraisal.

Non-controlling interest in 1009 East Clay Street LLC is deemed immaterial to the financial position and activities of The Valentine. As a result, it is not presented separately in these consolidated financial statements.

THE VALENTINE AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

12. Note Payable:

In October 2022, The Valentine entered into a loan agreement with a commercial bank in support of funding construction of the collections care and access systems. The loan allows draws up to an aggregate of \$5 million. The loan matures in October 2027 and bears interest on the unpaid principal balance at the greater of 5% or Wall Street Journal Prime Rate (7.50% and 8.50% at June 30, 2025 and 2024, respectively). Interest only payments are due monthly, and principal and accrued interest is due in one final payment upon maturity. The loan is secured by pledge proceeds (see Note 10 for net assets restricted for CCA capital campaign debt repayment). The outstanding balance was \$1,099,000 and \$2,799,908 at June 30, 2025 and 2024, respectively.

Under the provisions of the loan agreement, The Valentine is subject to certain covenants, with which The Valentine was in compliance with or received a waiver of at June 30, 2025 and 2024.

13. Leases:

The Valentine has various operating lease agreements that expire through February 2027. Operating lease expense was \$4,717 and \$8,106 (excluding \$73,839 and \$71,688 of operating lease costs capitalized in construction in progress) for the years ended June 30, 2025 and 2024, respectively.

The weighted average remaining lease terms and discount rates at June 30, 2025 are 2.65 years and 2.88%, respectively. The weighted average remaining lease terms and discount rates at June 30, 2024 are 3.64 years and 2.88%, respectively.

Future minimum lease payments and reconciliation to the consolidated statement of financial position as of June 30, 2025, are as follows:

<u>Year</u>	<u>Amount</u>
2026	\$ 77,187
2027	<u>52,224</u>
Undiscounted lease payments	129,411
Less interest	<u>(3,203)</u>
	<u>\$ 126,208</u>

14. Commitments:

The Valentine has received various gifts which require annual annuity payments totaling \$3,284 to the designated beneficiaries. The present value of the annuity payments of \$15,320 and \$15,273 is included on the consolidated statements of financial position at June 30, 2025 and 2024, respectively.

THE VALENTINE AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

15. Retirement Plan:

The Valentine provides for a Simple IRA for all eligible full-time employees. Under the plan, employees contribute certain amounts through salary deferral in an amount not to exceed annual limitations imposed by the Internal Revenue Service. The Valentine matches the employee contributions dollar per dollar, not to exceed 3% of the employee's compensation. The Valentine contributions under plan vest immediately. The Valentine contributed \$27,518 for 2025 and \$27,440 for 2024 in retirement contributions under this plan.

16. Liquidity and Availability of Financial Assets:

For the purposes of analyzing resources available for general expenditures, The Valentine considers all expenditures related to its ongoing activities, such as collection curation and exhibition creation, and other administrative expenditures to be general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date of June 30, comprise the following:

	2025	2024
Financial assets available:		
Cash and cash equivalents	\$ 76,105	\$ 142,196
Accounts receivable	11,257	25,231
Promises to give, net	938,560	1,506,273
Investments	<u>21,527,230</u>	<u>20,497,683</u>
Total	<u>22,553,152</u>	<u>22,171,383</u>
Less net assets with donor restrictions included in financial assets	(18,631,219)	(18,543,088)
Plus current promises to give restricted only with respect to time	<u>45,391</u>	<u>144,862</u>
Total	<u>(18,585,828)</u>	<u>(18,398,226)</u>
Financial assets available in one year for general expenditure	<u>\$ 3,967,324</u>	<u>\$ 3,773,157</u>

As part of The Valentine's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, The Valentine invests cash in excess of daily requirements in short-term investments. The Valentine will have available a distribution from the endowment in accordance with the spending policy. Further, The Valentine has limited operating expenses with much of annual spending being variable and discretionary.

THE VALENTINE AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

17. Fiduciary Liability:

During 2024, The Valentine served as a fiduciary to two additional project applicants. The Valentine received \$30,000 on behalf of Regina Walker for the Historical Fulton Memorial Park project, which aims to establish a park honoring the 850 homes that were demolished in the 1970s, primarily impacting residents in the Black community under the urban renewal initiative. Additionally, the Valentine received \$10,000 on behalf of Friends of Forest View Cemetery for the Forest View Cemetery project, which seeks to preserve and protect the historically significant cemetery located in the Forest View neighborhood. This cemetery, registered with the Virginia Department of Historic Resources and potentially dating back to the 18th century, has been significantly overgrown for several decades. Restoration efforts are focused on uncovering its historical context, with local accounts suggesting it may have served as a burial site for enslaved individuals. As of June 30, 2025, the full balance remains outstanding for both projects and is presented as a fiduciary liability in the consolidated statement of financial position.

18. Restatement of Prior Year Financial Statements:

During fiscal year 2025, management identified an error in the previously reported accumulated depreciation balance that resulted in a material misstatement of property and equipment and related accumulated depreciation as of June 30, 2024. The error has been corrected by restating the 2024 comparative balances. The adjustment decreased accumulated depreciation by \$916,532 and resulted in a corresponding adjustment to beginning net assets as of July 1, 2024. This correction had no impact on 2025 operations or cash flows.