Preservation Virginia

Consolidated Financial Statements

June 30, 2017 and 2016

Keiter
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PRESERVATION VIRGINIA

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Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees of
Preservation Virginia
Richmond, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Preservation Virginia and Subsidiaries (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Preservation Virginia and Subsidiaries as of June 30, 2017, and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information as detailed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Keiter

November 14, 2017
Glen Allen, Virginia

PRESERVATION VIRGINIA

Consolidated Statements of Financial Position
June 30, 2017 and 2016

Assets	2017	2016
Current assets:		
Cash and cash equivalents	$ 998,933	$ 936,257
Contributions receivable (Note 2)	189,250	15,000
Other receivables, net	189,146	131,550
Museum shop inventory, net	592,115	562,859
Prepaid expenses and other assets	27,700	14,777
Revolving fund held in trust for the Commonwealth of Virginia	747,087	736,327
Total current assets	2,744,231	2,396,770
Investments (Note 3)	11,564,211	11,159,916
Property and equipment:		
Property and equipment, net of accumulated depreciation (Note 5)	6,558,106	6,447,000
Historic properties	3,393,635	3,393,635
Property and equipment, net	9,951,741	9,840,635
Contributions receivable, long-term (Note 2)	110,150	30,000
Total assets	$ 24,370,333	$ 23,427,321

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statements of Financial Position, Continued
June 30, 2017 and 2016

Liabilities and Net Assets	2017	2016
Current liabilities:		
Loan payable (Note 6)	$ 74,558	$ 72,255
Accounts payable	308,458	211,567
Accrued expenses	106,958	89,253
Annuity liabilities on split-interest agreements (Note 10)	26,750	18,100
Liability under revolving fund held in trust for the Commonwealth of Virginia	747,054	730,809
Total current liabilities	1,263,778	1,121,984
Annuity liabilities on split-interest agreements, long-term (Note 10)	75,396	87,208
Loan payable, long-term (Note 6)	345,164	445,705
Total liabilities	1,684,338	1,654,897
Net assets:		
Unrestricted:		
Board designated	215,610	109,460
Undesignated	13,744,241	13,318,105
Total unrestricted	13,959,851	13,427,565
Temporarily restricted (Note 7)	6,333,315	5,953,530
Permanently restricted (Note 8)	2,392,829	2,391,329
Total net assets	22,685,995	21,772,424
Total liabilities and net assets	$ 24,370,333	$ 23,427,321

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statements of Activities
Year Ended June 30, 2017 with Comparative Totals for 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Revenues, gains (losses), and other support:					
Admissions	$ 1,227,031	$ -	$ -	$ 1,227,031	$ 1,236,482
Museum shop sales, shown net of cost of sales of $456,270	506,837	-	-	506,837	524,504
Contributions	649,009	1,500,072	1,500	2,150,581	1,518,157
Grants and appropriations	-	346,068	-	346,068	100,000
Property rentals	41,285	-	-	41,285	65,375
Change in value of split-interest agreements (Note 10)	(3,288)	-	-	(3,288)	(12,638)
Interest and dividends	212,895	72,842	-	285,737	289,274
Unrealized gain (loss) on investments, net	333,682	212,809	-	546,491	(273,434)
Realized gain on investments, net	272,874	-	-	272,874	59,432
Earned income	236,783	-	-	236,783	184,814
Loss on sale of historic properties	-	-	-	-	(29,938)
Miscellaneous	1,689	-	-	1,689	8,351
Total revenues, gains (losses), and other support	3,478,797	2,131,791	1,500	5,612,088	3,670,379
Net assets released from restriction	1,752,006	(1,752,006)	-	-	-

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statements of Activities, Continued
Year Ended June 30, 2017 with Comparative Totals for 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Expenses:					
Program services:					
Historic Jamestowne	$ 2,318,333	$ -	$ -	$ 2,318,333	$ 2,155,081
Programs	561,562	-	-	561,562	541,095
Other properties	967,206	-	-	967,206	918,329
Total program services	3,847,101	-	-	3,847,101	3,614,505
Support services:					
Administration	368,820	-	-	368,820	322,417
Fundraising	482,596	-	-	482,596	312,209
Total support services	851,416	-	-	851,416	634,626
Total expenses	4,698,517	-	-	4,698,517	4,249,131
Change in net assets	532,286	379,785	1,500	913,571	(578,752)
Net assets, beginning of year	13,427,565	5,953,530	2,391,329	21,772,424	22,351,176
Net assets, end of year	$ 13,959,851	$ 6,333,315	$ 2,392,829	$ 22,685,995	$ 21,772,424

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains (losses), and other support:				
Admissions	$ 1,236,482	$ -	$ -	$ 1,236,482
Museum shop sales, shown net of cost of sales of $475,813	524,504	-	-	524,504
Contributions	500,484	737,173	280,500	1,518,157
Grants and appropriations	-	100,000	-	100,000
Property rentals	65,375	-	-	65,375
Change in value of split-interest agreements (Note 10)	(12,638)	-	-	(12,638)
Interest and dividends	212,029	77,245	-	289,274
Unrealized loss on investments, net	(228,736)	(44,698)	-	(273,434)
Realized gain on investments, net	59,432	-	-	59,432
Earned income	184,814	-	-	184,814
Loss on sale of historic properties	(29,938)	-	-	(29,938)
Miscellaneous	8,351	-	-	8,351
Total revenues, gains (losses), and other support	2,520,159	869,720	280,500	3,670,379
Net assets released from restriction	1,476,141	(1,476,141)	-	-

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statement of Activities, Continued
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:				
Program services:				
Historic Jamestowne	$ 2,155,081	$ -	$ -	$ 2,155,081
Programs	541,095	-	-	541,095
Other properties	918,329	-	-	918,329
Total program services	3,614,505	-	-	3,614,505
Support services:				
Administration	322,417	-	-	322,417
Fundraising	312,209	-	-	312,209
Total support services	634,626	-	-	634,626
Total expenses	4,249,131	-	-	4,249,131
Change in net assets	(252,831)	(606,421)	280,500	(578,752)
Net assets, beginning of year	13,680,396	6,559,951	2,110,829	22,351,176
Net assets, end of year	$13,427,565	$ 5,953,530	$ 2,391,329	$21,772,424

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 913,571	$ (578,752)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	351,364	329,460
Loss on sale of historic properties	-	29,938
Contribution of historic properties	-	4,576
Contributions restricted for endowment	(1,500)	(280,500)
Investment income reinvested	(285,737)	(289,374)
Net unrealized and realized (gain) loss on investments	(819,365)	214,002
Change in value of split-interest agreements	3,288	12,638
Changes in operating assets and liabilities:		
Contributions receivable, net	(254,400)	(45,000)
Other receivables, net	(57,596)	(63,752)
Museum shop inventory, net	(29,256)	(1,357)
Prepaid expenses	(12,923)	27,847
Due from revolving fund held in trust for the Commonwealth of Virginia	5,485	(2,846)
Accounts payable	96,891	(54,848)
Accrued expenses	17,705	(3,812)
Net cash used in operating activities	(72,473)	(701,780)
Cash flows from investing activities:		
Purchases of property and equipment	(462,470)	(44,513)
Proceeds from sale of historic properties	-	372,395
Purchases of investments	(245,005)	(972,027)
Proceeds from sale of investments	945,812	711,073
Net cash provided by investing activities	238,337	66,928

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statements of Cash Flows, Continued
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from financing activities:		
Payments on loan payable	$ (98,238)	$ (91,675)
Contributions restricted for endowment	1,500	280,500
Payments on split-interest agreements	(6,450)	(18,100)
Net cash (used in) provided by financing activities	(103,188)	170,725
Net change in cash and cash equivalents	62,676	(464,127)
Cash and cash equivalents, beginning of year	936,257	1,400,384
Cash and cash equivalents, end of year	$ 998,933	$ 936,257
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 13,628	$ 20,147

See accompanying notes to consolidated financial statements.

1. Nature of Activities and Significant Accounting Policies:

Nature of Activities: The Association for the Preservation of Virginia Antiquities, doing business as Preservation Virginia, (the "Association") is a non-profit organization involved in preserving and restoring historic real and personal property within the Commonwealth of Virginia (the "Commonwealth"). In re-engineering this century old organization, resources and attention are being focused in two areas—1) serving as a statewide resource to local organizations for strategies, best practices and networking and 2) concentration of five core properties—Historic Jamestowne, Cape Henry Lighthouse, Bacon's Castle, Patrick Henry's Scotchtown and John Marshall House. Expanding the participation with all types of local organizations will help Preservation Virginia be more effective in achieving its mission and in partnerships across the Commonwealth.

Jamestown Rediscovery Foundation (the "Foundation") was established to raise support for the ongoing success of archaeological projects, collections and educational programs at Historic Jamestowne. The Association controls the Foundation through appointments to its Board of Directors.

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").

Principles of Consolidation: The consolidated financial statements include the accounts of the Association, Tucker Brothers, and the Foundation (collectively, the "Organization"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect 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 public support and revenue, and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents: For the purposes of cash flows, cash equivalents include two certificates of deposit with a total value of approximately $6,000 at June 30, 2017 and 2016. The certificates are redeemable on demand and are subject to certain early withdrawal penalties based on simple interest calculations.

1. Nature of Activities and Significant Accounting Policies, Continued:

Contributions Receivable, Net: Promises to give are recognized by the Organization when a donor makes a promise to give that is in substance, unconditional. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received. The Organization considers whether an allowance for promises to give is necessary based management's estimate of the amount that will actually be collected. At June 30, 2017 and 2016, management determined the promises to give were fully collectible and that no allowance was necessary.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. During 2016, the Organization received a pledge of $125,000 to be received in five annual donations of $25,000, subject to annual approval of the donor as a condition. No payments were received on this pledge in 2017. Management is uncertain as to the annual approval of this pledge, and in accordance with GAAP, this pledge is not recorded in the consolidated financial statements.

Other Receivables, Net: Other receivables includes accounts receivable and a loan receivable reported net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amounts that will actually be collected. At June 30, 2017, the loan receivable was for $50,000. Management has doubt about the debtor's ability to repay the loan, and has recorded an allowance for doubtful accounts of $50,000 to offset the loan balance. At June 30, 2016, management determined that other receivables was fully collectible and that no allowance for uncollectible accounts was considered necessary.

Museum Shop Inventory: Museum shops are located at various historical properties. Inventories are stated at the lower of cost or market value, with cost determined on an average cost basis. Management evaluates inventory levels and expected usage on a periodic basis and has recorded an inventory reserve of $54,247 as of June 30, 2017 and 2016.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value with gains and losses included in operations (see Note 3). Unrealized gains and losses are included in the consolidated statements of activities.

1. Nature of Activities and Significant Accounting Policies, Continued:

Revolving Fund Held in Trust for the Commonwealth of Virginia: As a result of the privatization of the Virginia Historic Preservation Trust Fund (the "Revolving Fund"), the Organization is the trustee and maintains a revolving fund for the purchase, restoration, and sale of properties. Costs of restoration, as well as costs of ownership while properties are held, are included in the carrying value of the properties. The properties are not subject to depreciation. The corresponding asset and liability, for the Organization's role as trustee, are shown on the consolidated statements of financial position. The activities of the revolving fund are not included on the Organization's consolidated statements of activities.

Property and Equipment: Property and equipment are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the respective assets, generally three to 39 years. The cost of routine maintenance and repairs is expensed when incurred.

Historic Properties: Historic properties donated to the Organization are recorded at the fair value established by the donee at the date of the deed of gift. All subsequent restoration costs are capitalized and added to the cost of the historic property. Historic properties are not subject to provisions for depreciation. Improvements (such as modernized mechanical systems) and additions to historic properties are recorded as building improvements in property and equipment, and are subject to depreciation. Repairs and maintenance costs related to historic properties are expensed as incurred. The Organization classifies historic properties as temporarily restricted net assets as the properties are subject to legal and functional restrictions, and classifies any sales proceeds as unrestricted net assets as the restriction is satisfied upon sale.

Collections, Furnishings, and Artifacts: The Organization does not capitalize collection items. However, the Organization has a policy whereby any de-accessioning proceeds may only be spent on the acquisition of collection items. The collection is insured by an all-risk fine arts policy for an approximate value of $3,500,000.

Financial Statement Presentation: Net assets of the Organization and changes thereto are classified as follows:

> Unrestricted net assets include funds that impose no restrictions on the Organization as to their use or purpose. Such funds are expended for charitable purposes as deemed appropriate by the Board of Trustees and for operating purposes. If the Board of Trustees specifies a purpose where none has been stated by the original donor, such assets are classified as Board designated within unrestricted net assets. Board designated assets totaled $215,610 at June 30, 2017 and $109,460 at June 30, 2016, and are to be used as an operating reserve at Historic Jamestowne.

1. Nature of Activities and Significant Accounting Policies, Continued:

Financial Statement Presentation, Continued:

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

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Contributions: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recorded once an unconditional promise to give has been received by the Organization. Amounts received that are designated for future periods or temporarily restricted by the donor for specific purposes are reported as temporarily restricted support, which increases that net asset class. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. Amounts received that are restricted for perpetuity are reported as permanently restricted support, which increases that net asset class. The donor can permanently restrict endowment contributions.

Gifts of property and equipment are reported as unrestricted support, unless donor stipulations specify how the donated assets must be used, and are recorded at fair value. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market value in the period received.

The Organization receives a significant amount of contributed services from unpaid volunteers who assist the Organization on many projects. No amounts have been recognized in the consolidated statements of activities because the criteria for accounting recognition have not been satisfied.

Beneficial Interest in Assets Held in Trust: The Organization receives contributions in which it is the trustee of the irrevocable trusts. For the charitable gift annuities and charitable unitrusts, the assets are recorded at fair value on the date of gift and a liability is recorded equal to the amount of the expected future distributions. The difference between the assets received and the liability recorded is the amount of contributions revenue recognized. These values are re-evaluated annually using appropriate discount rates and actuarial assumptions.

1. Nature of Activities and Significant Accounting Policies, Continued:

Beneficial Interest in Assets Held in Trust, Continued:

The Organization has been named as the beneficiary in several trusts in which the Organization is not the trustee. When the Organization is notified of the existence of the trust, asset and contribution revenue are recorded at the fair market value of the contributed assets. In some cases, the Organization has been unable to obtain certain information from the trustee in order to reasonably estimate the present value of the accounts. Should the Organization obtain such information, the present value of the accounts will be recognized in the consolidated financial statements.

Earned Revenue: The Organization generates its revenues from its historic properties through admissions, rentals, and museum shop sales. Program fees are recognized as revenue when earned.

Income Taxes: The Association and the Foundation are not-for-profit corporations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Organization has no significant financial statement exposure to uncertain income tax positions at June 30, 2017 and 2016. The Organization is not currently under audit by any tax jurisdiction.

Reclassifications: Certain prior year balances have been reclassified to conform with current year presentation. This includes the re-allocation of functional expenses to allocate a larger percentage of expenses incurred by Jamestowne Rediscovery Foundation as fundraising and administrative expenses.

Subsequent Events: Management has evaluated subsequent events for potential recognition and/or other disclosure through November 14, 2017, the date the consolidated financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying consolidated financial statements.

2. Contributions Receivable:

Contributions receivable consisted of unconditional promises to give at June 30, 2017 and 2016. At June 30, 2017 and 2016, the Organization determined a discount to present value on unconditional promises to give was immaterial and not necessary to record. The Organization expects to receive payments on these contributions receivable as follows: 2018 - $189,250; 2019 - $41,550; 2020 - $36,700; and 2021 - $31,900.

3. Investments:

As of June 30, 2017 and 2016, the cost of investments and their fair values were as follows:

	2017		
	Cost	Fair Value	Unrealized Gain (Loss), Net
Money market funds	$ 1,105,846	$ 1,109,156	$ 3,310
Corporate bonds	1,632,281	1,628,414	(3,867)
Mutual funds	1,289,725	1,244,514	(45,211)
Equities	6,586,672	7,582,127	995,455
	$ 10,614,524	$ 11,564,211	$ 949,687

	2016		
	Cost	Fair Value	Unrealized Gain (Loss), Net
Money market funds	$ 1,225,545	$ 1,228,090	$ 2,545
Corporate bonds	819,205	825,960	6,755
Mutual funds	1,030,452	998,402	(32,050)
Equities	7,681,518	8,107,464	425,946
	$ 10,756,720	$ 11,159,916	$ 403,196

4. Fair Value Measurements:

The FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

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

Level 2 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 for the instrument and significant to the fair value measurement. The Organization did not have any assets or liabilities valued using Level 3 criteria at June 30, 2017 and 2016.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for investments carried or disclosed at fair value:

Money market funds: Valued at the realizable cash value equivalent to the specific sum of money held by the Organization at year end.

Corporate bonds: Valued at original cost adjusted for any premium or coupon.

Mutual funds: Valued at the net asset value ("NAV") of shares held by the Organization at year end.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Annuity liabilities on split-interest agreements: Valued at present value of the future payment obligations under the annuity agreement.

4. Fair Value Measurements, Continued:

Assets and liabilities measured at fair value on a recurring basis at June 30, 2017, include the following:

	Fair Value Using			Assets/ Liabilities at
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Money market funds	$ 1,109,156	$ -	$ -	$ 1,109,156
Corporate bonds	-	1,628,414	-	1,628,414
Mutual funds	1,244,514	-	-	1,244,514
Equities:				
Energy	688,917	-	-	688,917
Consumer staples	886,838	-	-	886,838
Financials	1,534,902	-	-	1,534,902
Healthcare	1,048,273	-	-	1,048,273
Consumer discretionary	1,101,667	-	-	1,101,667
Materials	183,901	-	-	183,901
Industrials	757,573	-	-	757,573
Information technology	622,154	-	-	622,154
Real estate investment trusts	576,830	-	-	576,830
Other	181,072	-	-	181,072
Total equities	7,582,127	-	-	7,582,127
Total assets	$ 9,935,797	$ 1,628,414	$ -	$11,564,211
Liabilities:				
Annuity liabilities on split-interest agreements	$ -	$ 102,146	$ -	$ 102,146

4. Fair Value Measurements, Continued:

Assets and liabilities measured at fair value on a recurring basis at June 30, 2016, include the following:

	Fair Value Using			Assets/ liabilities at
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Money market funds	$ 1,228,090	$ -	$ -	$ 1,228,090
Corporate bonds	-	825,960	-	825,960
Mutual funds	998,402	-	-	998,402
Equities:				
Energy	694,424	-	-	694,424
Consumer staples	869,441	-	-	869,441
Financials	2,256,497	-	-	2,256,497
Healthcare	967,666	-	-	967,666
Consumer discretionary	951,567	-	-	951,567
Materials	145,124	-	-	145,124
Industrials	602,828	-	-	602,828
Information technology	537,594	-	-	537,594
Real estate investment trusts	546,241	-	-	546,241
Other	536,082	-	-	536,082
Total equities	8,107,464	-	-	8,107,464
Total assets	$10,333,956	$ 825,960	$ -	$11,159,916
Liabilities:				
Annuity liabilities on split-interest agreements	$ -	$ 105,308	$ -	$ 105,308

4. Fair Value Measurements, Continued:

The Organization's investments in corporate bonds are subject to restrictions on the frequency of redemptions without penalty. At June 30, 2017, the redemption periods and related amounts were as follows:

Year Ended June 30:	Corporate Bonds
2018	$ 620,091
2019	768,318
2020	137,908
Thereafter	102,097
	$ 1,628,414

The Organization has no unfunded commitments at June 30, 2017 and 2016.

5. Property and Equipment:

Property and equipment at June 30, 2017 and 2016 consisted of:

	2017	2016
Buildings and improvements	$ 8,630,243	$ 8,481,300
Furniture and equipment	820,369	506,842
Vehicles	31,574	31,574
	9,482,186	9,019,716
Less accumulated depreciation	2,924,080	2,572,716
	$ 6,558,106	$ 6,447,000

The Organization recorded depreciation expense of $351,364 for 2017 and $329,460 for 2016.

6. Loan Payable:

The Organization has in place a term loan agreement with Wells Fargo Bank for $700,000. The term loan bears interest at a fixed rate of 3.15% and payments of principal and interest totaling $27,955, due quarterly through July 1, 2021.

Scheduled maturities of the loan payable at June 30, 2017 are as follows:

Year Ended June 30:	Amount
2018	$ 74,558
2019	102,180
2020	105,437
2021	108,797
2022	28,750
	$ 419,722

Interest expense and fees on the term loan amounted to $13,628 for 2017 and $20,147 for 2016. The Organization is subject to certain financial and operating covenants under the term loan agreement. The Organization was in compliance with the covenants at June 30, 2017.

PRESERVATION VIRGINIA

Notes to Consolidated Financial Statements, Continued

7. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes as of June 30:

	2017		
	Cash and Investments	Property and Other Assets	Total
Historic Properties	$ -	$ 3,393,635	$ 3,393,635
Endowment Income	872,447	-	872,447
Historic Jamestowne Grants	499,540	-	499,540
Collections Fund	365,743	-	365,743
Preservation Initiatives & Engagement	320,714	-	320,714
Murphy Fund	276,035	-	276,035
Property Preservation Grants	167,886	-	167,886
Vision 2020 Campaign	165,384	-	165,384
Bacon's Castle Capitol Project	27,267	-	27,267
Tobacco Barn Project	119,380	-	119,380
Seawall Fund	46,241	-	46,241
Other	79,043	-	79,043
	$ 2,939,680	$ 3,393,635	$ 6,333,315

	2016		
	Cash and Investments	Property and Other Assets	Total
Historic Properties	$ -	$ 3,393,635	$ 3,393,635
Endowment Income	722,042	-	722,042
Historic Jamestowne Grants	362,166	-	362,166
Collections Fund	364,191	-	364,191
Preservation Initiatives & Engagement	56,460	-	56,460
Murphy Fund	276,035	-	276,035
Preservation Services Grants	211,557	-	211,557
Bacon's Castle Capitol Project	133,241	-	133,241
Tobacco Barn Project	108,016	-	108,016
Seawall Fund	87,452	-	87,452
Other	238,735	-	238,735
	$ 2,559,895	$ 3,393,635	$ 5,953,530

7. Temporarily Restricted Net Assets, Continued:

Temporarily restricted funds consist of net assets held for subsequent years' activities or for a specific purpose. For the years ended June 30, 2017 and 2016, the Organization released temporarily restricted net assets as follows:

	2017	2016
Historic Jamestowne Grants	$ 1,062,087	$ 582,108
Other	171,298	19,195
Endowment Income	135,246	126,898
Preservation Initiatives & Engagement	113,839	100,298
Bacon's Castle Capitol Project	107,223	-
Tobacco Barn Project	88,636	63,257
Seawall Fund	53,468	3,593
Property Preservation Grants	19,309	156,778
Collections Fund	900	17,107
Historic Properties	-	406,907
	$ 1,752,006	$ 1,476,141

8. Permanently Restricted Net Assets:

Permanently restricted net assets were restricted to investment in perpetuity, income from which is expendable for general support or restricted to a particular use (see Note 13). The permanently restricted net assets were as follows at June 30:

	2017	2016
Cash and cash equivalents and investments:		
Hopkins Bros.	$ 50,000	$ 50,000
General endowment	296,911	296,411
Beville endowment for Bacon's Castle	10,000	10,000
Bacon's Castle Garden endowment	75,658	75,658
Historic Jamestowne endowment	1,617,130	1,617,130
Jamestowne Rediscovery Foundation	1,000	-
Property:		
Historic property - Hollybrook	342,130	342,130
	$ 2,392,829	$ 2,391,329

9. Commitments and Contingencies:

The Organization leases office equipment under lease agreements expiring through 2021. Rent expense was $9,112 for 2017 and $9,012 for 2016. Future minimum lease payments are as follows for the years ended June 30: 2018 - $7,898; 2019 - $6,391; 2020 - $6,391; and 2021 - $533.

10. Irrevocable Split-Interest Agreements:

The Organization is the trustee for three charitable gift annuity agreements with donors. Under the gift annuity agreements, the Organization pays a benefit to the beneficiaries throughout their lives based on a fixed amount defined in the gift annuity agreement. The present value of the annuity obligation is recorded as a liability on the consolidated statements of financial position. The fair market value of the gift annuities is included in investments in the consolidated statements of financial position. Changes in the value of the annuity obligation are recorded on the consolidated statements of activities.

The present value of the future payments to the annuity beneficiaries is based on expected life span, actuarial factors derived from IRS Publication 1458, and a discount rate of 2.4% and 1.8% as of June 30, 2017 and 2016, respectively, per Internal Revenue Code Section 7520(a).

11. Pension Plan:

The Organization established a 403(b) retirement plan in 1990. The Organization made contributions to the plan of $29,085 and $20,746 during 2017 and 2016, respectively.

12. Indemnification:

The Organization has certain obligations to indemnify its current and former officers and trustees for certain events or occurrences while the officer or trustee is, or was serving, at the Organization's request in such capacities. The maximum liability under these obligations is limited by the Code of Virginia. The Organization's insurance policies serve to limit its exposure. The Organization believes that the estimated fair value of these indemnification obligations is minimal.

13. Endowment Funds:

The Organization's endowment consists of seven individual funds and one property established for a variety of purposes. The endowment funds include donor restricted endowment funds. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted Uniform Prudent Management of Institutional Funds Act ("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 Organization 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 of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment Investing and Spending Policies: The Organization 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. Under this policy, as approved by the Board of Trustees, the endowment funds are invested in a manner that is intended to produce stated investment results while assuming a moderate level of investment risk. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective return through diversification of asset classes. The current long-term return objective is to earn a total investment return in excess of inflation over five-year periods.

13. Endowment Funds, Continued:

Additionally, the overall returns should be comparable to other professionally managed endowments with diversified endowments and similar objectives. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Organization 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 Organization targets a diversified asset allocation of equity securities, fixed-income securities, and short-term investments to achieve its long-term return objectives within prudent risk parameters. The spending policy calculates the amount of money annually distributed from the Organization's various endowed funds for support. The current spending policy is to distribute an amount up to 5% of a moving three-year average. This is consistent with the Organization's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

Funds with Deficits: 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 Organization to retain as a fund of perpetual duration. There were no funds with deficits as of June 30, 2017 and 2016.

Endowment net asset composition by type of fund was as follows as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 872,447	$2,392,829	$ 3,265,276

Endowment net asset composition by type of fund was as follows as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 722,042	$2,391,329	$ 3,113,371

13. Endowment Funds, Continued:

Changes in endowment net assets were as follows for the year ended June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ -	$ 722,042	$2,391,329	$ 3,113,371
Investment return:				
Investment income	-	72,842	-	72,842
Unrealized gain on investments, net	-	212,809	-	212,809
Total investment return	-	285,651	-	285,651
New gifts	-	-	1,500	1,500
Appropriation of endowment assets for expenditure	-	(135,246)	-	(135,246)
Net assets, end of year	$ -	$ 872,447	$2,392,829	$ 3,265,276

13. Endowment Funds, Continued:

Changes in endowment net assets were as follows for the year ended June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ -	$ 816,392	$2,110,829	$ 2,927,221
Investment return:				
Investment income	-	77,245	-	77,245
Unrealized loss on investments, net	-	(44,698)	-	(44,698)
Total investment return	-	32,547	-	32,547
New gifts	-	-	280,500	280,500
Appropriation of endowment assets for expenditure	-	(126,897)	-	(126,897)
Net assets, end of year	$ -	$ 722,042	$2,391,329	$ 3,113,371

14. New Accounting Guidance:

In August 2016, FASB issued ASU No. 2016-14, "Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities", which both simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to the various stakeholders, including management, directors, lenders, and donors. Key changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets—net assets with donor restrictions and net assets without donor restrictions

- Changes the net asset classification of the underwater amounts of donor-restricted endowment funds to be shown as a component of *net assets with donor restrictions* and requires additional disclosures for underwater endowment funds

- Requires all not-for-profits to provide expenses by nature and function

14. New Accounting Guidance, Continued:

- Requires expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources

The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Organization has elected not to early adopt this ASU and intends to adopt it prior to the required transition date.

Leases: In February 2016, the FASB issued a new accounting standard for leases that will impact both lessees and lessors. While still subject to interpretation, the FASB expects that, under the new standard, lessees will recognize lease assets and lease liabilities on the balance sheet for all leases that extend beyond a one year time period and that lessors will recognize the majority of leases as sales type or direct financing leases for any lease that relinquishes control of the leased asset to the lessee. The new standard is not effective for the Organization until the year ending December 31, 2020. The Organization is currently evaluating the impact that this pronouncement will have on its financial statements.

SUPPLEMENTAL INFORMATION

PRESERVATION VIRGINIA

Statements of Financial Position for the Revolving Fund
June 30, 2017 and 2016

Assets	2017	2016
Cash and cash equivalents	$ 325,369	$ 255,919
Investments	387,961	370,264
Note receivable	33,757	110,144
Total assets	$ 747,087	$ 736,327
Liabilities and Net Assets		
Due to Preservation Virginia	$ 33	$ 5,518
Total liabilities	33	5,518
Temporarily restricted net assets	747,054	730,809
Total liabilities and net assets	$ 747,087	$ 736,327

See report of independent accountants.

PRESERVATION VIRGINIA

Statements of Activities for the Revolving Fund
Years Ended June 30, 2017 and 2016

	2017	2016
Revenues, gains (losses) and other support:		
Interest and dividends	$ 12,233	$ 14,588
Unrealized gain (loss) on investments	4,933	(6,970)
Other investment loss	(921)	(833)
Total revenues, gains (losses), and other support	16,245	6,785
Expenses:		
Maintenance and restoration	-	6,979
Total expenses	-	6,979
Change in net assets	16,245	(194)
Temporarily restricted net assets, beginning of year	730,809	731,003
Temporarily restricted net assets, end of year	$ 747,054	$ 730,809

See report of independent accountants.

PRESERVATION VIRGINIA

Consolidating Statement of Activities
Year Ended June 30, 2017

	Preservation Virginia	Jamestown Rediscovery Foundation	Total
Revenues, gains (losses), and other support:			
Admissions	$ 1,227,031	$ -	$ 1,227,031
Museum shop sales, shown net of cost of sales of $456,270	506,837	-	506,837
Contributions	978,102	1,172,479	2,150,581
Grants and appropriations	346,068	-	346,068
Property rentals	41,285	-	41,285
Change in value of split-interest agreements (Note 10)	(3,288)	-	(3,288)
Interest and dividends	285,324	413	285,737
Unrealized gain on investments, net	546,491	-	546,491
Realized gain on investments, net	272,874	-	272,874
Earned income	236,783	-	236,783
Miscellaneous	1,689	-	1,689
Total revenues, gains (losses), and other support	4,439,196	1,172,892	5,612,088

See report of independent accountants.

PRESERVATION VIRGINIA

Consolidating Statement of Activities, Continued
Year Ended June 30, 2017

	Preservation Virginia	Jamestown Rediscovery Foundation	Total
Expenses:			
Program services:			
Historic Jamestowne	$ 1,653,651	$ 664,682	$ 2,318,333
Programs	561,562	-	561,562
Other properties	967,206	-	967,206
Total program services	3,182,419	664,682	3,847,101
Support services:			
Administration	311,899	56,921	368,820
Fundraising	279,141	203,455	482,596
Total support services	591,040	260,376	851,416
Total expenses	3,773,459	925,058	4,698,517
Change in net assets	665,737	247,834	913,571
Net assets, beginning of year	21,410,258	362,166	21,772,424
Net assets, end of year	$ 22,075,995	$ 610,000	$ 22,685,995

See report of independent accountants.