

Jamestown-Yorktown Foundation, Inc.

Financial Statements

Years Ended June 30, 2016 and 2015

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Independent Auditors' Report

Board of Directors
Jamestown-Yorktown Foundation, Inc.
Williamsburg, Virginia

We have audited the accompanying financial statements of Jamestown-Yorktown Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jamestown-Yorktown Foundation, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

**Newport News, Virginia
January 4, 2017**

Jamestown-Yorktown Foundation, Inc.
Statements of Financial Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 2,561,056	\$ 230,688
Investments	14,933,292	17,331,799
Unconditional promises to give, net	609,785	1,028,290
Prepaid expenses	<u>1,788</u>	<u>1,788</u>
Total current assets	18,105,921	18,592,565
Unconditional promises to give, net, less current portion	<u>798,871</u>	<u>1,183,956</u>
Total assets	<u>\$ 18,904,792</u>	<u>\$ 19,776,521</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 795,565	\$ 358,724
Agency cash held for others	<u>71,911</u>	<u>-</u>
Total liabilities	<u>867,476</u>	<u>358,724</u>
Net assets:		
Unrestricted:		
Undesignated	2,829,490	2,885,986
Board designated	<u>6,202,789</u>	<u>6,740,038</u>
Total unrestricted	9,032,279	9,626,024
Temporarily restricted	4,419,420	5,206,156
Permanently restricted	<u>4,585,617</u>	<u>4,585,617</u>
Total net assets	<u>18,037,316</u>	<u>19,417,797</u>
	<u>\$ 18,904,792</u>	<u>\$ 19,776,521</u>

See accompanying notes.

Jamestown-Yorktown Foundation, Inc.
Statement of Activities
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Annual fund support	\$ 774,314	\$ -	\$ -	\$ 774,314
Contributions	-	451,957	-	451,957
Interest and dividends	114,801	69,218	-	184,019
Net unrealized and realized losses on investments	(398,812)	(239,964)	-	(638,776)
Program service revenue	12,154	-	-	12,154
Net assets released from restrictions	867,947	(867,947)	-	-
	<u>1,370,404</u>	<u>(586,736)</u>	<u>-</u>	<u>783,668</u>
Total support and revenue				
Expenses and losses:				
Program services	1,169,676	-	-	1,169,676
Support services:				
Management and general	373,645	-	-	373,645
Fundraising	420,828	-	-	420,828
Loss on uncollectable promises to give	-	200,000	-	200,000
	<u>1,964,149</u>	<u>200,000</u>	<u>-</u>	<u>2,164,149</u>
Total expenses and losses				
Change in net assets	(593,745)	(786,736)	-	(1,380,481)
Net assets, beginning of year	<u>9,626,024</u>	<u>5,206,156</u>	<u>4,585,617</u>	<u>19,417,797</u>
Net assets, end of year	<u>\$ 9,032,279</u>	<u>\$ 4,419,420</u>	<u>\$ 4,585,617</u>	<u>\$ 18,037,316</u>

See accompanying notes.

Jamestown-Yorktown Foundation, Inc.
Statement of Activities
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Annual fund support	\$ 857,436	\$ -	\$ -	\$ 857,436
Contributions	-	1,604,197	-	1,604,197
Interest and dividends	114,371	73,391	-	187,762
Net unrealized and realized losses on investments	(165,521)	(109,985)	-	(275,506)
Program service revenue	12,012	-	-	12,012
Net assets released from restrictions	<u>1,553,484</u>	<u>(1,553,484)</u>	-	<u>-</u>
Total support and revenue	<u>2,371,782</u>	<u>14,119</u>	<u>-</u>	<u>2,385,901</u>
Expenses:				
Program services	1,633,387	-	-	1,633,387
Support services:				
Management and general	430,412	-	-	430,412
Fundraising	<u>419,729</u>	<u>-</u>	<u>-</u>	<u>419,729</u>
Total expenses	<u>2,483,528</u>	<u>-</u>	<u>-</u>	<u>2,483,528</u>
Change in net assets	(111,746)	14,119	-	(97,627)
Net assets, beginning of year	<u>9,737,770</u>	<u>5,192,037</u>	<u>4,585,617</u>	<u>19,515,424</u>
Net assets, end of year	<u>\$ 9,626,024</u>	<u>\$ 5,206,156</u>	<u>\$ 4,585,617</u>	<u>\$ 19,417,797</u>

See accompanying notes.

Jamestown-Yorktown Foundation, Inc.
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,380,481)	\$ (97,627)
Adjustments to reconcile to net cash from operating activities:		
Reinvested interest and dividends	(184,019)	(187,762)
Unrealized and realized losses on sale of investments	638,776	275,506
Loss on uncollectable promises to give	200,000	-
Change in:		
Unconditional promises to give, net	603,590	(226,902)
Prepaid expenses	-	654
Accounts payable	436,841	(225,632)
Agency cash held for others	71,911	-
	<u>386,618</u>	<u>(461,763)</u>
Net cash from operating activities		
Cash flows from investing activities:		
Proceeds from sale of investments	1,943,750	1,659,349
Purchases of investments	-	(3,577,133)
	<u>1,943,750</u>	<u>(1,917,784)</u>
Net cash from investing activities		
Change in cash and cash equivalents	2,330,368	(2,379,547)
Cash and cash equivalents, beginning of year	<u>230,688</u>	<u>2,610,235</u>
Cash and cash equivalents, end of year	<u>\$ 2,561,056</u>	<u>\$ 230,688</u>

See accompanying notes.

Notes to Financial Statements

1. Nature of Organization

Jamestown-Yorktown Foundation, Inc. (Foundation) is a Virginia non-stock, nonprofit corporation founded in 1999. The purpose of the Foundation is to supplement the activities of the Jamestown-Yorktown Foundation, an agency of the Commonwealth of Virginia (Commonwealth), which promotes and operates Jamestown Settlement and Yorktown Victory Center. The Foundation's basic activities consist of soliciting and collecting contributions, purchasing artifacts, sponsoring events and exhibits, and overseeing investments.

2. Summary of Significant Accounting Policies

Financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Cash and cash equivalents

The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments with readily determinable fair values are stated at fair value. Net unrealized gains and losses and all gains and losses arising from the sale or other disposition of investments are accounted for in the statements of activities.

Promises to give

Promises to give are recognized by the Foundation when a donor makes a promise to give that is in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become 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 Foundation considers whether an allowance for promises to give is necessary based on historical and economic factors and other relevant information.

Property and equipment

Property and equipment are carried at cost. The Foundation reports gifts of property and equipment at fair value at the date of donation. These gifts are recorded as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used are reported as restricted support unless there are explicit donor stipulations about how those long-lived assets are placed in service. Repairs and maintenance are expensed as incurred. Depreciation is calculated by the straight-line method over the estimated useful lives of three to seven years. At June 30, 2016 and 2015, the Foundation had fully depreciated property and equipment at a cost of \$118,861.

Net assets classification

The classes of net assets are described as follows:

Unrestricted - amounts that are not subject to donor-imposed restrictions and that are currently available, at the discretion of the Board of Directors, for use in the Foundation's operations.

Jamestown-Yorktown Foundation, Inc.
Notes to Financial Statements

Temporarily restricted - amounts that are stipulated by donors for specific purposes or time periods. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently restricted - amounts that are subject to donor-imposed stipulations and restricted to investments in perpetuity; the income from which is expendable in accordance with the conditions of each specific donation.

Contributions

Contributions and support are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the fiscal year in which the contribution is recognized. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted. Amounts required to be maintained in perpetuity by the donor are reported as permanently restricted in the period received. A donor restriction expires when a time restriction ends or when the purpose for which it was intended is attained. Upon expirations, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

Budgeting of unrestricted funds

Revenue sources for the adopted, unrestricted budget shall be primarily comprised of, but not limited to, two sources: prior year annual fund collections and a draw on the board-designated endowment. The draw on the endowment is calculated in accordance with adopted procedures described under the investment policy.

Gifts-in-kind

Gifts-in-kind items received by the Foundation are recorded as contributions along with a corresponding charge to expense or capitalized cost. During the years ended June 30, 2016 and 2015, \$29,478 and \$33,133, respectively, were received as gifts-in-kind.

Payroll

The Foundation's functions are performed by state employees of the Jamestown-Yorktown Foundation, a state agency. The Foundation reimburses the Commonwealth of Virginia (Commonwealth) for a portion of the payroll costs incurred in the performance of Foundation activities. These activities are comprised predominantly of accounting and management functions.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Foundation to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates and assumptions.

Income taxes

The Foundation is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Functional expenses

The Foundation allocates its expenses on a functional basis among its various programs and supporting services in the statement of activities. Therefore, certain expenses have been allocated to programs and supporting services benefited. Currently, fundraising activities pertain to a major gift campaign, and represent an investment to generate cash in future years that is not yet measureable for purposes of determining rate of return on investment.

Concentrations of credit risk

Financial instruments which potentially expose the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents, investments and promises to give. The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Foundation from time to time may have amounts on deposit in excess of the insured deposits.

Promises to give are from individuals, families, and other entities. The Foundation believes its credit risk related to these promises to give is limited due to the nature of its donor. However, the ability to collect receivables is affected by the general economic conditions. At June 30, 2016, two donors comprised 43% of the unconditional promises to give. At June 30, 2015, three donors comprised 57% of unconditional promises to give.

The Foundation invests in various investment securities, which are exposed to various risks, such as interest rate, credit, and overall volatility risks. 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 balances and the amount reported in the financial statements.

Subsequent events

Management has evaluated subsequent events through January 4, 2017, the date the financial statements were available for issuance, and has determined that no additional disclosures are necessary.

3. Fair Value Measurements

The Foundation follows FASB guidance on fair value measurements. The provisions of the guidance provides a framework for measuring fair value under generally accepted accounting principles and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation 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 and significant to the fair value measurement.

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

Jamestown-Yorktown Foundation, Inc.
Notes to Financial Statements

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis. There have been no changes in the methodologies used at June 30, 2016 and 2015, and there are no assets or liabilities measured at fair value on a nonrecurring basis.

Valuation of Investments

Multi-Asset Mutual Funds

Valued at the net asset value (NAV) of shares held at year end or at the price per share depending upon the mutual fund. At June 30, 2016 and 2015, there are no unfunded commitments and these funds can be redeemed immediately upon notice with no other redemption restrictions.

Certain funds invest in private investment funds that pursue certain alternative investment strategies. Private investment fund interests held by the funds are generally not securities for which market quotations are readily available. Rather, such interests generally can be sold back to the private investment fund only at specified intervals or on specified dates. The TIFF Invested Program (TIP) board of directors has approved valuation procedures pursuant to which the funds value their interests in private investment funds at "fair value". If a private investment fund does not provide a value to a fund on a timely basis, the fund determines the fair value of that private investment fund based on the most recent estimated value provided by the management of the private investment fund, as well as any other relevant information reasonably available at the time the fund values its portfolio including, for example, total returns of indices or exchange-traded funds that track markets to which the private investment fund may be exposed. The fair value of the private investment funds are based on available information and do not necessarily represent the amounts that might ultimately be realized, which depend on future circumstances and cannot be reasonably determined until the investment is actually liquidated. Fair value is intended to represent a good faith approximation of the amount that a fund could reasonably expect to receive from the private investment fund if the fund's interest in the private investment fund was sold at the time of valuation, based on information reasonably available at the time valuation is made and that the fund believes is reliable. Securities for which market quotations are not readily available or for which available prices are deemed unreliable are valued at their fair value as determined in good faith under procedures established by TIP's board of directors. Such procedures use fundamental valuation methods, which may include, but are not limited to, the analysis of the effect of any restrictions on the resale of the security, industry analysis and trends, significant changes in the issuer's financial position, and any other event which could have a significant impact on the value of the security. Determination of fair value involves subjective judgment as the actual market value of a particular security can be established only by negotiations between the parties in a sales transaction, and the difference between the recorded fair value and the value that would be received in a sale could be significant.

Unconditional promises to give: reported at net realizable value if at the time the promise is made payment is to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods. Fair value is calculated as the present value of the expected future promise to be received using a discount rate.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its 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.

Jamestown-Yorktown Foundation, Inc.
Notes to Financial Statements

The following sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value:

	Assets at Fair Value as of June 30, 2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Multi-asset mutual fund	\$ -	\$ 14,933,292	\$ -	\$ 14,933,292
Unconditional promises to give	-	-	1,408,656	1,408,656
	<u>\$ -</u>	<u>\$ 14,933,292</u>	<u>\$ 1,408,656</u>	<u>\$ 16,341,948</u>

	Assets at Fair Value as of June 30, 2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term bond fund	\$ 1,938,358	\$ -	\$ -	\$ 1,938,358
Multi-asset mutual fund	-	15,393,441	-	15,393,441
Unconditional promises to give	-	-	2,212,246	2,212,246
	<u>\$ 1,938,358</u>	<u>\$ 15,393,441</u>	<u>\$ 2,212,246</u>	<u>\$ 19,544,045</u>

The components of net investment income consisted of the following:

	<u>2016</u>	<u>2015</u>
Realized gain on investments	\$ 594,481	\$ 863,898
Interest and dividends	184,019	187,762
Unrealized loss on investments	<u>(1,233,257)</u>	<u>(1,139,404)</u>
Balance, end of year	<u>\$ (454,757)</u>	<u>\$ (87,744)</u>

The following table summarizes the changes to Level 3 instruments for the years ending June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Fair value, beginning of year	\$ 2,212,246	\$ 1,985,344
New promises to give	207,480	1,221,934
Promises to give payments	(821,725)	(987,349)
Change in fair value and adjustments	<u>(189,345)</u>	<u>(7,683)</u>
Fair value, end of year	<u>\$ 1,408,656</u>	<u>\$ 2,212,246</u>

Jamestown-Yorktown Foundation, Inc.
Notes to Financial Statements

4. Investments

Investments are as follows:

<u>June 30, 2016</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Losses</u>
Multi-asset mutual fund	<u>\$ 16,941,328</u>	<u>\$ 14,933,292</u>	<u>\$ (2,008,036)</u>
Investment balance, June 30, 2016	<u>\$ 16,941,328</u>	<u>\$ 14,933,292</u>	<u>\$ (2,008,036)</u>
<u>June 30, 2015</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Losses</u>
Multi-asset mutual fund	\$ 16,278,100	\$ 15,393,441	\$ (884,659)
Short-term bond fund	<u>1,950,765</u>	<u>1,938,358</u>	<u>(12,407)</u>
Investment balance, June 30, 2015	<u>\$ 18,228,865</u>	<u>\$ 17,331,799</u>	<u>\$ (897,066)</u>

5. Collections

The Foundation does not include collections of art and historical treasures in the financial statements since they are assets of the Commonwealth, not the Foundation. These collections are comprised primarily of fine art and artifacts at both the Jamestown Settlement and the Yorktown Victory Center. Insurance coverage on collection items is included under the Commonwealth's blanket insurance program at no expense to the Foundation. The Foundation has a policy that has been approved by the Commonwealth whereby, proceeds generated from the sale of collection items are to be used to acquire new items. During 2016 and 2015, collections in the amount of \$284,680 and \$211,832, respectively, were purchased by the Foundation and included in program services expense. There were no sales during 2016 and 2015.

6. Promises to Give

Unconditional promises to give are reflected at the present value of estimated future cash flows using discount rates of 1.01% at June 30, 2016 and 1.63% at June 30, 2015.

	<u>2016</u>	<u>2015</u>
Unconditional promises to give:		
Within one year	\$ 817,965	\$ 1,050,636
In one to five years	<u>821,680</u>	<u>1,203,254</u>
Total promises to give	<u>1,639,645</u>	<u>2,253,890</u>
Discount to net present value	<u>(14,740)</u>	<u>(19,298)</u>
Allowance for uncollectible promises	<u>(216,249)</u>	<u>(22,346)</u>
	<u>1,408,656</u>	<u>2,212,246</u>
Current portion	<u>(609,785)</u>	<u>1,028,290</u>
	<u>\$ 798,871</u>	<u>\$ 1,183,956</u>

Jamestown-Yorktown Foundation, Inc.
Notes to Financial Statements

The Foundation provides an allowance for unconditional promises to give equal to the estimated collection losses that may be incurred in the collection of the unconditional promises to give. The estimated losses are based on prior year experience and management's analysis of specific promises made.

At June 30, 2016, the Foundation had estimated conditional promises to give of up to \$170,462. This balance includes a \$150,000 challenge grant that will result in a dollar for dollar match, up to \$150,000, on the funds raised by the Foundation, if satisfied by its due date of December 31, 2016. As of June 30, 2016, the Foundation had collected \$84,162 towards this requirement. At June 30, 2015, the Foundation had estimated conditional promises to give of up to \$16,100. Since these amounts represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met.

7. Due to the Commonwealth

In 2006, the Commonwealth contracted with the Foundation to provide national and international artifacts loans, an exhibit catalog and exhibit fabrication in the estimated amount of \$3,944,155. The World of 1607 Special Exhibit was completed and all costs and artifacts reverted to the Commonwealth in accordance with Note 5. Under the terms of the contract with the Commonwealth, \$3,894,155 has been provided to the Foundation, of which \$3,601,296 has been spent in accordance with the contract. The unexpended balance of \$292,859 at June 30, 2014, was refunded to the Commonwealth during 2015.

As discussed in Note 2, the Foundation reimburses the Commonwealth for a portion of the payroll costs incurred in the performance of accounting and management functions. At June 30, 2016 and 2015, the Foundation owes the Commonwealth \$689,429 and \$290,454, respectively, in reimbursements, which are included in the statements of financial position in accounts payable.

8. Agency Transactions

During 2015, the Board entered into a fiscal agency agreement with an unrelated party until a separate and private affiliate becomes operational. Under this agreement, the Foundation shall receive donations, invest and track the funds received as well as other administrative functions on behalf of the organization. As of June 30, 2016, the Foundation held \$71,911 of cash and cash equivalents, which is included on the statements of financial position as agency cash held for others.

9. Transfers to the Commonwealth

During 2016 and 2015, the Foundation released from restriction certain temporarily restricted net assets and transferred the funds to the Commonwealth for certain projects they were overseeing. The funds released were for the following projects and were recorded as program services expenses on the statements of activities:

	<u>2016</u>	<u>2015</u>
Educational Programs	\$ 218,144	\$ 47,277
Exhibits	<u>125,846</u>	<u>292,859</u>
	<u>\$ 343,990</u>	<u>\$ 340,136</u>

Jamestown-Yorktown Foundation, Inc.
Notes to Financial Statements

10. Program Services

During 2016 and 2015, the Foundation expended resources for the following programs:

	<u>2016</u>	<u>2015</u>
Events and exhibits	\$ 498,969	\$ 1,106,380
Acquisitions	287,680	211,832
Grants and other assistance	227,117	235,152
Other program expenditures	<u>155,911</u>	<u>80,023</u>
	<u>\$ 1,169,676</u>	<u>\$ 1,633,387</u>

11. Temporarily Restricted Net Assets

At June 30, 2016 and 2015, temporarily restricted net assets are restricted for the following purposes:

	<u>2016</u>	<u>2015</u>
Endowment, with purpose restrictions	\$ 1,504,562	\$ 1,925,274
Yorktown Victory Center	1,324,587	1,197,409
Unconditional promises to give, with other purpose and time restrictions	757,026	1,440,515
Exhibits and artifacts	617,811	397,455
Educational programs	152,153	59,403
Technology	53,120	53,120
Other	7,092	131,817
General support	<u>3,069</u>	<u>1,163</u>
	<u>\$ 4,419,420</u>	<u>\$ 5,206,156</u>

At June 30, 2016 and 2015, temporarily restricted net assets were released from restriction for the following purposes:

	<u>2016</u>	<u>2015</u>
Yorktown Victory Center	\$ 478,257	\$ 1,137,119
Endowment, with purpose restrictions	249,966	236,476
Exhibits and artifacts	59,744	28,669
Educational programs	50,952	95,112
Other	18,904	23,181
General support	10,163	11,337
Reclassifications	<u>-</u>	<u>21,590</u>
	<u>\$ 867,947</u>	<u>\$ 1,553,484</u>

12. Endowments

The Endowment Fund of Jamestown-Yorktown Foundation, Inc. was established to support its mission. The Endowment Fund builds long-term stability for the future of the Foundation by adequate funding of current operations as well as for long-term financial security and growth and to plan for long-term financial needs.

Jamestown-Yorktown Foundation, Inc.
Notes to Financial Statements

The Foundation's endowment consists of eight individual funds established for a variety of purposes. In addition, the Foundation has established the Education Programs Fund to receive permanently restricted donor gifts to support educational programs including on-site educational programs; statewide and national outreach programming and future permanent and special exhibits. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Foundation has interpreted the State Uniform Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Funds are principally invested in equity and debt securities of U.S. institutions, corporations and government securities through mutual funds. Funds may also be invested in publicly traded securities of foreign corporations and in bank certificates of deposit. All funds may be pooled for investment purpose unless directed otherwise by a donor. The following represents the allocation of asset class:

	<u>2016</u>	<u>2015</u>
Mutual funds	100%	100%

Spending Policy. The Foundation has a policy of appropriating for distribution each year up to 4% of its endowment funds' average fair value based on a rolling 3-year period in the fiscal years prior to the fiscal year in which the distribution is planned. In establishing these policies, the Foundation considered the expected return on its endowment. Accordingly, the Foundation expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return. However, for 2016 and 2015, the Foundation did not take the full distribution due to the decline in market value of the Endowment. The distribution for 2016 and 2015 was \$312,891 and \$289,548, respectively.

Board Designated Endowments. The Foundation's Board of Directors has designated a portion of unrestricted net assets as funds functioning as endowments. Separate funds have been established for the Acquisitions Fund, Education Programs Fund and General Endowment.

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The purpose of the Acquisitions Fund is to provide an ongoing source of funding for purchasing and preserving artifacts relevant to the Jamestown Settlement and Yorktown Victory Center. The primary investment objective of this fund is to preserve and protect assets by focusing on conservation of principal and long-term growth of capital and income. This objective is generally attained by investing in a portfolio of high quality securities. During 2016 and 2015, the Foundation made no withdrawals from this fund. During 2016 and 2015, \$24,784 and \$23,941, respectively, were released to the General Endowment Fund.

The purpose of the Education Programs Fund is to provide an ongoing source of funding for supporting educational programs including on-site and outreach education; outdoor interpretive areas and related programming; and changing exhibitions. The primary investment objective of the fund is to preserve and protect its assets by focusing on conservation of principal and long-term growth of capital and income. This objective is generally attained by investing in a portfolio of high quality securities. During 2016 and 2015, \$62,925 and \$53,073, respectively, were withdrawn from the fund. During 2016 and 2015, \$59,250 and \$57,218, respectively, were released to the General Endowment Fund.

The General Endowment Fund was established to provide cash flow for Jamestown Yorktown Foundation, Inc. and Jamestown-Yorktown Foundation. The primary investment objective of the General Endowment fund is to preserve and protect the assets by focusing on conservation of principal and long-term growth of capital and income. This objective is generally attained by investing in a portfolio of high quality securities. During 2016 and 2015, \$190,313 and, \$177,718, respectively, were released from the General Endowment Fund to undesignated net assets.

Endowment net assets composite by type of fund was as follows:

	<u>June 30, 2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Fund Assets</u>
Board designated endowment funds	\$ 6,202,789	\$ -	\$ -	\$ 6,202,789
Donor restricted endowment funds	-	<u>1,504,562</u>	<u>4,585,617</u>	<u>6,090,179</u>
	<u>\$ 6,202,789</u>	<u>\$ 1,504,562</u>	<u>\$ 4,585,617</u>	<u>\$ 12,292,968</u>
	<u>June 30, 2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Fund Assets</u>
Board designated endowment funds	\$ 6,740,038	\$ -	\$ -	\$ 6,740,038
Donor restricted endowment funds	-	<u>1,925,274</u>	<u>4,585,617</u>	<u>6,510,891</u>
	<u>\$ 6,740,038</u>	<u>\$ 1,925,274</u>	<u>\$ 4,585,617</u>	<u>\$ 13,250,929</u>

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Changes in endowment net assets were as follows as:

	<u>June 30, 2016</u>			<u>Total Endowment Fund Assets</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	\$ 6,740,038	\$ 1,925,274	\$ 4,585,617	\$ 13,250,929
Investment income	114,801	69,218	-	184,019
Net realized (unrealized) losses	(398,812)	(239,964)	-	(638,776)
Amounts appropriated for expenditure	(62,925)	(249,966)	-	(312,891)
Transfers out of Board designated endowment	<u>(190,313)</u>	<u>-</u>	<u>-</u>	<u>(190,313)</u>
Endowment net assets, end of year	<u>\$ 6,202,789</u>	<u>\$ 1,504,562</u>	<u>\$ 4,585,617</u>	<u>\$ 12,292,968</u>
	<u>June 30, 2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Fund Assets</u>
Endowment net assets, beginning of year	\$ 7,021,980	\$ 2,204,864	\$ 4,585,617	\$ 13,812,461
Investment income	114,370	73,391	-	187,761
Net realized (unrealized) losses	(165,521)	(109,985)	-	(275,506)
Amounts appropriated for expenditure	(53,073)	(236,475)	-	(289,548)
Transfers out of Board designated endowment	<u>(177,718)</u>	<u>(6,521)</u>	<u>-</u>	<u>(184,239)</u>
Endowment net assets, end of year	<u>\$ 6,740,038</u>	<u>\$ 1,925,274</u>	<u>\$ 4,585,617</u>	<u>\$ 13,250,929</u>

13. Related Party Transactions

The Foundation received contribution revenue from Directors in the amount of \$88,132 and \$478,938 for 2016 and 2015, respectively. The amount of promises to give due from Directors was \$94,109 and \$402,009 for 2016 and 2015, respectively. Accordingly, the Foundation received payments of \$396,032 and \$160,465 from Directors during the years ended June 30, 2016 and 2015, respectively.

As discussed in Note 2, the Foundation reimburses the Commonwealth for payroll costs incurred in the performance of accounting and management functions of the Foundation. At June 30, 2016 and 2015, the Foundation owed the Commonwealth \$689,429 and \$290,454, respectively, in reimbursements, which are included in the statements of financial position as accounts payable. The Commonwealth is considered a related party to the Foundation.

14. Commitments

During 2016, the Foundation entered into a contract agreement with a production company to purchase a special exhibit for an agreed amount of \$210,100. The Foundation expects the exhibit to be completed by the end of fiscal year 2017.