PRESERVATION VIRGINIA

Consolidated Financial Statements

June 30, 2015

Keiter
Your Opportunity Advisors

Certified Public
Accountants & Consultants
4401 Dominion Boulevard, 2nd Floor
Glen Allen, VA 23060

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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 statement of financial position of Preservation Virginia and subsidiary (collectively, the "Organization") as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit 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 subsidiary as of June 30, 2015, 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The statement of financial position of the revolving fund held in trust for the Commonwealth of Virginia as of June 30, 2015 and the related statement of activities for the year then ended are presented for purposes of additional analysis and are not a required part of the 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 audit 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 10, 2015
Glen Allen, Virginia

PRESERVATION VIRGINIA

Consolidated Statement of Financial Position
June 30, 2015

Assets

Current assets:		
Cash and cash equivalents	$	1,400,384
Accounts receivable		67,798
Museum shop inventory, net		561,502
Prepaid expenses and other assets		42,624
Revolving fund held in trust for the Commonwealth of Virginia		733,675
Total current assets		2,805,983
Investments (Note 2)		10,823,590
Property and equipment:		
Property and equipment, net of accumulated depreciation (Note 4)		6,731,949
Historic properties		3,800,542
Property and equipment, net		10,532,491
Total assets	$	24,162,064

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statement of Financial Position, Continued
June 30, 2015

Liabilities and Net Assets

Current liabilities:		
Accounts payable	$	266,415
Accrued expenses		93,065
Loan payable (Note 5)		70,023
Annuity liabilities on split-interest agreements (Note 9)		18,100
Liability under revolving fund held in trust for the Commonwealth of Virginia		731,003
Total current liabilities		1,178,606
Annuity liabilities on split-interest agreements, long-term (Note 9)		92,670
Loan payable, long-term (Note 5)		539,612
Total liabilities		1,810,888
Net assets:		
Unrestricted		13,680,396
Temporarily restricted (Note 6)		6,559,951
Permanently restricted (Note 7)		2,110,829
Total net assets		22,351,176
Total liabilities and net assets	$	24,162,064

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains (losses), and other support:				
Admissions	$ 1,165,140	$ -	$ -	$ 1,165,140
Museum shop sales	943,589	-	-	943,589
Contributions	712,804	1,244,059	1,500	1,958,363
Property rentals	80,921	-	-	80,921
Change in value of split-interest agreements (Note 9)	(12,323)	-	-	(12,323)
Interest and dividends	246,570	72,286	-	318,856
Unrealized loss on investments, net	(883,869)	(30,421)	-	(914,290)
Realized gain on investments, net	770,350	-	-	770,350
Earned income	232,694	-	-	232,694
Miscellaneous	7,879	-	-	7,879
Total revenues, gains (losses), and other support	3,263,755	1,285,924	1,500	4,551,179
Net assets released from restriction	706,031	(706,031)	-	-

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statement of Activities, Continued
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:				
Program services:				
Historic Jamestowne	$ 2,713,324	$ -	$ -	$ 2,713,324
Programs	353,768	-	-	353,768
Other properties	1,134,253	-	-	1,134,253
Total program services	4,201,345	-	-	4,201,345
Support services:				
Administration	450,201	-	-	450,201
Fundraising	204,206	-	-	204,206
Total support services	654,407	-	-	654,407
Total expenses	4,855,752	-	-	4,855,752
Change in net assets	(885,966)	579,893	1,500	(304,573)
Net assets, beginning of year	14,566,362	5,980,058	2,109,329	22,655,749
Net assets, end of year	$13,680,396	$ 6,559,951	$ 2,110,829	$22,351,176

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statement of Cash Flows
Year Ended June 30, 2015

Cash flows from operating activities:		
Change in net assets	$	(304,573)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization		409,881
Contributions restricted for endowment		(1,500)
Investment income reinvested		(318,856)
Net unrealized and realized loss on investments		143,940
Change in value of split-interest agreements		12,323
Changes in operating assets and liabilities:		
Accounts receivable		(16,009)
Museum shop inventory		842
Prepaid expenses		(15,040)
Due from revolving fund held in trust for the Commonwealth of Virginia		11,966
Accounts payable		42,311
Accrued expenses		(16,635)
Net cash used in operating activities		(51,646)
Cash flows from investing activities:		
Purchases of property and equipment		(45,643)
Purchases of investments		(3,187,030)
Proceeds from sale of investments		4,084,308
Net cash provided by investing activities		851,635
Cash flows from financing activities:		
Payments on bond payable		(2,215,000)
Payments on loan payable		(90,365)
Contributions restricted for endowment		1,500
Payments on split-interest agreements		(18,100)
Net cash used in financing activities		(2,321,965)
Net change in cash and cash equivalents	$	(1,521,976)

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statement of Cash Flows, Continued
Year Ended June 30, 2015

Net change in cash and cash equivalents, brought forward	$	(1,521,976)
Cash and cash equivalents, beginning of year		2,922,360
Cash and cash equivalents, end of year	$	1,400,384
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$	23,260

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.

Tucker Brothers Store, LLC ("Tucker Brothers") was established to own, develop, redevelop, lease, operate and sell real estate in Charlotte Court House, Virginia. The Association is the controlling member of Tucker Brothers, whose primary asset is the building and related improvements commonly known as Tucker Brothers Store.

Jamestown Rediscovery Foundation (the "Foundation") was established during 2015 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. There was no activity in the Foundation during 2015.

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.

Cash and Cash Equivalents: For the purposes of cash flows, cash equivalents include one certificate of deposit with an original maturity of three months or less.

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.

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

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 2). Unrealized gains and losses are included in the consolidated statement of activities.

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 statement of financial position. The activities of the revolving fund are not included on the Organization’s consolidated statement 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. Permanently restricted properties are such that any sales proceeds are restricted by the donor to the repurchase of similar property or the preservation, restoration and improvement of existing properties.

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.

Bond Issuance Costs: Bond issuance costs are amortized over the period from the year of issuance to the original stated maturity date using the straight-line method, which approximates the interest method. On July 1, 2014, the bond was paid in full and the associated unamortized bond issuance costs of $83,175 at June 30, 2014 were charged to amortization expense.

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

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

> Unrestricted net assets are net assets that are not subject to donor-imposed stipulations.
>
> 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 statement 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 statement of activities as net assets released from restrictions. 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 statement of activities because the criteria for accounting recognition have not been satisfied.

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

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.

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.

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.

Concentration of Credit Risks: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and investments. The Organization maintains its cash in several financial institutions. Average amounts on deposit in these institutions occasionally exceed insured limits. The Organization has not experienced any losses in such amounts and believes it is not exposed to any significant credit risk on cash and temporary cash investments.

The Organization invests in a professionally-managed portfolio that contains common stocks and bonds of publicly-traded companies, U.S. obligations, mutual funds, certificates of deposit, trusts, and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the uncertainly related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported 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.

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

Income Taxes: The Organization is a not-for-profit corporation 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, 2015. The Organization's informational returns (Form 990) for years since 2012 remain open for examination by tax authorities. The Organization is not currently under audit by any tax jurisdiction.

Subsequent Events: Management has evaluated subsequent events for potential recognition and/or other disclosure through November 10, 2015, 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. Investments:

As of June 30, 2015, the cost of investments and their fair values were as follows:

	Cost	Fair Value	Unrealized Gain (Loss), Net
Money market funds	$ 845,198	$ 847,723	$ 2,525
Corporate bonds	594,768	596,271	1,503
Mutual funds	812,601	805,261	(7,340)
Equities	7,894,393	8,574,335	679,942
	$ 10,146,960	$ 10,823,590	$ 676,630

3. 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.

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.

3. Fair Value Measurements, Continued:

Assets and liabilities measured at fair value on a recurring basis at June 30, 2015, include the following:

	Fair Value Using			Assets/ Liabilities at
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Money market funds	$ 847,723	$ -	$ -	$ 847,723
Corporate bonds	-	596,271	-	596,271
Mutual funds	805,261	-	-	805,261
Equities:				
Energy	796,891	-	-	796,891
Consumer staples	1,026,205	-	-	1,026,205
Financials	2,634,844	-	-	2,634,844
Healthcare	780,337	-	-	780,337
Consumer discretionary	895,863	-	-	895,863
Materials	218,185	-	-	218,185
Industrials	512,100	-	-	512,100
Information technology	705,175	-	-	705,175
Real estate investment trusts	611,314	-	-	611,314
Other	393,421	-	-	393,421
Total equities	8,574,335	-	-	8,574,335
Total assets	$10,227,319	$ 596,271	$ -	$10,823,590
Liabilities:				
Annuity liabilities on split-interest agreements	$ -	$ 110,770	$ -	$ 110,770

3. 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, 2015, the redemption periods and related amounts were as follows:

Year Ended June 30:	Corporate Bonds
2016	$ 144,925
2017	102,023
2018	262,039
2019	59,854
2020	27,430
	$ 596,271

The Organization has no unfunded commitments at June 30, 2015.

4. Property and Equipment:

Property and equipment at June 30, 2015 consisted of:

Buildings and improvements	$ 8,481,301
Furniture and equipment	677,971
Vehicles	31,574
	9,190,846
Less accumulated depreciation	2,458,897
	$ 6,731,949

The Organization recorded depreciation expense of $326,706 for 2015.

5. Bond and Loan Payable:

In 2004, the Organization entered into an agreement with Wells Fargo Bank (the "Bank") and the Economic Development Authority of James City County, Virginia (the "Issuer") to issue $6,000,000 of Variable Rate Demand Revenue Bonds, Series 2004 ("Series 2004 Bonds"). The Series 2004 Bonds were issued for the (1) construction, equipping and development of a 7,500 square foot building to be called the "Archaearium," (2) the renovation, equipping and development of an existing building known as the "Dale House," and (3) the acquisition, construction and equipping of mobile units for exhibit space and other improvements at Historic Jamestowne.

On July 1, 2014, the Organization repaid the remaining balance on Series 2004 Bonds amounting to $2,215,000 using the proceeds received from a term loan and proceeds from the sale of investments.

On May 21, 2014, the Organization entered into a term loan agreement with the 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, 2015 are as follows:

Year Ended June 30:	Amount
2016	$ 70,023
2017	95,965
2018	99,024
2019	102,180
2020	105,437
Thereafter	137,006
	$ 609,635

Interest expense and fees on the term loan amounted to $23,260 for 2015.

PRESERVATION VIRGINIA

Notes to Consolidated Financial Statements, Continued

6. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes as of June 30, 2015:

	Cash and Investments	Property and Other Assets	Total
Historic Properties	$ -	$ 3,800,542	$ 3,800,542
Endowment Income	816,392	-	816,392
Historic Jamestowne Grants	631,037	-	631,037
Collections Fund	363,798	-	363,798
Murphy Fund	276,035	-	276,035
Preservation Initiatives & Engagement	163,316	-	163,316
Other	128,531	-	128,531
Preservation Services Grants	93,680	-	93,680
Seawall Fund	91,046	-	91,046
Lych Gate Project	75,000	-	75,000
Tobacco Barn Project	71,273	-	71,273
Scotchtown Grants	49,301	-	49,301
	$ 2,759,409	$ 3,800,542	$ 6,559,951

Other temporarily restricted funds consist of net assets held for subsequent years' activities or for a specific purpose. The Organization released $706,031 from temporarily restricted net assets during 2015.

7. 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 12). The permanently restricted net assets were as follows at June 30, 2015:

Cash and cash equivalents and investments:	
Hopkins Bros.	$ 50,000
General endowment	15,911
Beville endowment for Bacon's Castle	10,000
Bacon's Castle Garden endowment	75,658
Historic Jamestowne endowment	1,617,130
Property:	
Historic property - Hollybrook	342,130
	$ 2,110,829

8. Commitments and Contingencies:

The Organization leases office equipment under non-cancelable operating leases. As of June 30, 2015, the Organization is obligated to future equipment lease payments of $4,880 during the year ended June 30, 2016. Rent expense was $7,511 for 2015.

9. 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 statement of financial position. The fair market value of the gift annuities is included in investments in the consolidated statement of financial position. Changes in the value of the annuity obligation are recorded on the consolidated statement 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 2.0% as of June 30, 2015, per Internal Revenue Code Section 7520(a).

10. Pension Plan:

The Organization established a 403(b) retirement plan in 1990. The Organization suspended the employer match in 2010 and there were no employer contributions to the plan during 2015.

11. 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.

12. Endowment Funds:

The Organization's endowment consists of seven individual funds and one property established for a variety of purposes. The endowment funds include both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, 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

12. Endowment Funds, Continued:

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. 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, 2015.

Endowment net asset composition by type of fund was as follows as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 816,392	$2,110,829	$ 2,927,221

12. Endowment Funds, Continued:

Changes in endowment net assets were as follows for the year ended June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ -	$ 888,151	$2,109,329	$ 2,997,480
Investment return:				
Investment income	-	74,641	-	74,641
Unrealized and realized loss on investments, net	-	(30,421)	-	(30,421)
Total investment return	-	44,220	-	44,220
New gifts	-	-	1,500	1,500
Appropriation of endowment assets for expenditure	-	(115,979)	-	(115,979)
Net assets, end of year	$ -	$ 816,392	$2,110,829	$ 2,927,221

SUPPLEMENTAL INFORMATION

PRESERVATION VIRGINIA

Statement of Financial Position for the Revolving Fund
June 30, 2015

Assets		
Cash and cash equivalents	$	238,749
Investments		371,031
Note receivable		123,895
Total assets	$	733,675
Liabilities and Net Assets		
Due to Preservation Virginia	$	2,672
Total liabilities		2,672
Temporarily restricted net assets		731,003
Total liabilities and net assets	$	733,675

See report of independent accountants.

PRESERVATION VIRGINIA

Statement of Activities for the Revolving Fund
Year Ended June 30, 2015

Revenues, gains (losses) and other support:	
Interest and dividends	$ 12,749
Unrealized loss on investments	(14,740)
Realized gains on investments	6,606
Other investment loss	(864)
Total revenues, gains (losses), and other support	3,751
Expenses:	
Maintenance and restoration	100
Total expenses	100
Change in net assets	3,651
Temporarily restricted net assets, beginning of year	727,352
Temporarily restricted net assets, end of year	$ 731,003

See report of independent accountants.