Preservation Virginia

Consolidated Financial Statements

June 30, 2018 and 2017

Keiter
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PRESERVATION VIRGINIA

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Keiter
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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 Subsidiary (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, 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 Subsidiary as of June 30, 2018 and 2017, 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 28, 2018
Glen Allen, Virginia

PRESERVATION VIRGINIA

Consolidated Statements of Financial Position
June 30, 2018 and 2017

Assets	2018	2017
Current assets:		
Cash and cash equivalents	$ 1,792,526	$ 998,933
Contributions receivable (Note 2)	149,024	189,250
Other receivables, net	126,491	189,146
Museum shop inventory, net	662,190	592,115
Prepaid expenses and other assets	8,000	27,700
Revolving fund held in trust for the Commonwealth of Virginia	764,488	747,087
Total current assets	3,502,719	2,744,231
Investments (Note 3)	12,301,342	11,564,211
Property and equipment:		
Property and equipment, net of accumulated depreciation (Note 5)	6,412,153	6,558,106
Historic properties	3,083,192	3,393,635
Property and equipment, net	9,495,345	9,951,741
Contributions receivable, long-term (Note 2)	88,400	110,150
Total assets	$ 25,387,806	$ 24,370,333

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statements of Financial Position, Continued
June 30, 2018 and 2017

Liabilities and Net Assets	2018	2017
Current liabilities:		
Loan payable (Note 6)	$ 102,180	$ 74,558
Accounts payable	219,374	308,458
Accrued expenses	136,320	106,958
Annuity liabilities on split-interest agreements (Note 10)	12,000	26,750
Liability under revolving fund held in trust for the Commonwealth of Virginia	764,488	747,054
Total current liabilities	1,234,362	1,263,778
Annuity liabilities on split-interest agreements, long-term (Note 10)	56,941	75,396
Loan payable, long-term (Note 6)	243,161	345,164
Total liabilities	1,534,464	1,684,338
Net assets:		
Unrestricted:		
Board designated	1,538,522	215,610
Undesignated	13,588,997	13,744,241
Total unrestricted	15,127,519	13,959,851
Temporarily restricted (Note 7)	6,327,994	6,333,315
Permanently restricted (Note 8)	2,397,829	2,392,829
Total net assets	23,853,342	22,685,995
Total liabilities and net assets	$ 25,387,806	$ 24,370,333

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statements of Activities
Year Ended June 30, 2018 with Comparative Totals for 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Revenues, gains (losses), and other support:					
Admissions	$ 1,223,666	$ -	$ -	$ 1,223,666	$ 1,227,031
Museum shop sales, shown net of cost of sales of $427,445	468,594	-	-	468,594	506,837
Contributions	1,916,627	1,666,896	5,000	3,588,523	2,150,581
Grants and appropriations	-	188,643	-	188,643	346,068
Property rentals	36,550	-	-	36,550	41,285
Change in value of split-interest agreements (Note 10)	9,905	-	-	9,905	(3,288)
Interest and dividends	241,875	79,718	-	321,593	285,737
Unrealized gain on investments, net	122,509	55,403	-	177,912	546,491
Realized gain on investments, net	20,808	-	-	20,808	272,874
Earned income	227,866	-	-	227,866	238,472
Total revenues, gains (losses), and other support	4,268,400	1,990,660	5,000	6,264,060	5,612,088
Net assets released from restriction	1,995,981	(1,995,981)	-	-	-
Expenses:					
Program services:					
Historic Jamestowne	2,373,355	-	-	2,373,355	2,318,333
Programs	410,614	-	-	410,614	561,562
Other properties	1,234,347	-	-	1,234,347	967,206
Total program services	4,018,316	-	-	4,018,316	3,847,101
Support services:					
Administration	577,530	-	-	577,530	368,820
Fundraising	500,867	-	-	500,867	482,596
Total support services	1,078,397	-	-	1,078,397	851,416
Total expenses	5,096,713	-	-	5,096,713	4,698,517
Change in net assets	1,167,668	(5,321)	5,000	1,167,347	913,571
Net assets, beginning of year	13,959,851	6,333,315	2,392,829	22,685,995	21,772,424
Net assets, end of year	$ 15,127,519	$ 6,327,994	$ 2,397,829	$ 23,853,342	$ 22,685,995

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	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	649,009	1,500,072	1,500	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	212,895	72,842	-	285,737
Unrealized gain on investments, net	333,682	212,809	-	546,491
Realized gain on investments, net	272,874	-	-	272,874
Earned income	238,472	-	-	238,472
Total revenues, gains (losses), and other support	3,478,797	2,131,791	1,500	5,612,088
Net assets released from restriction	1,752,006	(1,752,006)	-	-
Expenses:				
Program services:				
Historic Jamestowne	2,318,333	-	-	2,318,333
Programs	561,562	-	-	561,562
Other properties	967,206	-	-	967,206
Total program services	3,847,101	-	-	3,847,101
Support services:				
Administration	368,820	-	-	368,820
Fundraising	482,596	-	-	482,596
Total support services	851,416	-	-	851,416
Total expenses	4,698,517	-	-	4,698,517
Change in net assets	532,286	379,785	1,500	913,571
Net assets, beginning of year	13,427,565	5,953,530	2,391,329	21,772,424
Net assets, end of year	$ 13,959,851	$ 6,333,315	$ 2,392,829	$ 22,685,995

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 1,167,347	$ 913,571
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	309,250	351,364
Contribution of historic properties	310,443	-
Contributions restricted for endowment	(5,000)	(1,500)
Contributions board-designated for long-term purposes	(1,173,255)	-
Investment income reinvested	(321,593)	(285,737)
Net unrealized and realized gain on investments	(198,720)	(819,365)
Change in value of split-interest agreements	(9,905)	3,288
Changes in operating assets and liabilities:		
Contributions receivable, net	61,976	(254,400)
Other receivables, net	62,655	(57,596)
Museum shop inventory, net	(70,075)	(29,256)
Prepaid expenses	19,700	(12,923)
Due from revolving fund held in trust for the Commonwealth of Virginia	33	5,485
Accounts payable	(89,084)	96,891
Accrued expenses	29,362	17,705
Net cash provided by (used in) operating activities	93,134	(72,473)
Cash flows from investing activities:		
Purchases of property and equipment	(163,297)	(462,470)
Purchases of investments	(1,206,905)	(245,005)
Proceeds from sale of investments	990,087	945,812
Net cash (used in) provided by investing activities	(380,115)	238,337

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statements of Cash Flows, Continued
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from financing activities:		
Payments on loan payable	$ (74,381)	$ (98,238)
Contributions restricted for endowment	5,000	1,500
Contributions board-designated for long-term purposes	1,173,255	-
Payments on split-interest agreements	(23,300)	(6,450)
Net cash provided by (used in) financing activities	1,080,574	(103,188)
Net change in cash and cash equivalents	793,593	62,676
Cash and cash equivalents, beginning of year	998,933	936,257
Cash and cash equivalents, end of year	$ 1,792,526	$ 998,933
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 9,485	$ 13,628

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 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 six core properties—Historic Jamestowne, Cape Henry Lighthouse, Bacon's Castle, Smith's Fort Plantation, 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 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, 2018 and 2017. 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, 2018 and 2017, 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. The Organization has a conditional pledge of $100,000 to be received in four annual donations of $25,000, subject to annual approval of the donor as a condition. 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, 2018, management determined that other receivables was fully collectible and that no allowance for uncollectible accounts was considered necessary. At June 30, 2017, the loan receivable was for $50,000. Management had doubts about the debtor's ability to pay the loan and recorded an allowance for doubtful accounts of $50,000 to offset the loan balance. During 2018, this loan receivable and associated allowance were written off.

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, 2018 and 2017.

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 done 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. During 2018, the Organization transferred ownership of two historic properties totaling $310,443 to other organizations whose mission is partly to preserve these historical properties. These transfers are recorded within expenses as part of other properties on the accompanying consolidated statements of activities.

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.

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 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 $1,538,522 at June 30, 2018 and $215,610 at June 30, 2017. At June 30, 2018 and 2017, $365,267 and $215,610, respectively, is to be used as an operating reserve at Historic Jamestowne. At June 30, 2018, Board designated net assets include $1,173,255 in funds that the Board has allocated for a purpose to be determined.
>
> 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.

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

Non-cash 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.

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, 2018 and 2017. The Organization is not currently under audit by any tax jurisdiction.

Reclassifications: Certain prior year balances have been reclassified to conform to current year presentation.

2. Contributions Receivable:

Contributions receivable consisted of unconditional promises to give at June 30, 2018 and 2017. At June 30, 2018 and 2017, 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: 2019 - $149,024; 2020 - $41,400; 2021 - $36,000; and 2022 - $11,000.

3. Investments:

As of June 30, 2018 and 2017, the cost of investments and their fair values were as follows:

	2018		
	Cost	Fair Value	Unrealized Gain (Loss), Net
Money market funds	$ 1,232,936	$ 1,232,936	$ -
Corporate bonds	1,169,974	1,153,847	(16,127)
Mutual funds	2,583,609	2,518,084	(65,525)
Equities	6,187,224	7,396,475	1,209,251
	$ 11,173,743	$ 12,301,342	$ 1,127,599

	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

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, 2018 and 2017.

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, 2018, include the following:

	Fair Value Using			Assets/ Liabilities at
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Money market funds	$ 1,232,936	$ -	$ -	$ 1,232,936
Corporate bonds	-	1,153,847	-	1,153,847
Mutual funds	2,518,084	-	-	2,518,084
Equities:				
Energy	541,359	-	-	541,359
Consumer staples	882,821	-	-	882,821
Financials	1,229,609	-	-	1,229,609
Healthcare	1,036,770	-	-	1,036,770
Consumer discretionary	903,688	-	-	903,688
Materials	183,223	-	-	183,223
Industrials	776,416	-	-	776,416
Information technology	1,098,036	-	-	1,098,036
Real estate investment trusts	540,492	-	-	540,492
Other	204,061	-	-	204,061
Total equities	7,396,475	-	-	7,396,475
Total assets	$ 11,147,495	$ 1,153,847	$ -	$ 12,301,342
Liabilities:				
Annuity liabilities on split-interest agreements	$ -	$ 68,941	$ -	$ 68,941

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:

The Organization's investments in corporate bonds are subject to restrictions on the frequency of redemptions without penalty. At June 30, 2018, the redemption periods and related amounts were as follows:

Year Ended June 30:	Corporate Bonds
2019	$ 702,535
2020	278,562
2021	-
2022	172,750
	$ 1,153,847

The Organization has no unfunded commitments at June 30, 2018 and 2017.

5. Property and Equipment:

Property and equipment at June 30, 2018 and 2017 consisted of:

	2018	2017
Buildings and improvements	$ 8,643,349	$ 8,630,243
Furniture and equipment	942,609	820,369
Vehicles	31,574	31,574
	9,617,532	9,482,186
Less accumulated depreciation	3,205,379	2,924,080
	$ 6,412,153	$ 6,558,106

The Organization recorded depreciation expense of $309,250 for 2018 and $351,364 for 2017.

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, 2018 are as follows:

Year Ended June 30:	Amount
2019	$ 102,180
2020	105,437
2021	108,797
2022	28,927
	$ 345,341

Interest expense and fees on the term loan amounted to $9,485 for 2018 and $13,628 for 2017. 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, 2018.

7. Temporarily Restricted Net Assets:

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

	2018		
	Cash and Investments	Property and Other Assets	Total
Historic Properties	$ -	$ 3,083,192	$ 3,083,192
Endowment Income	867,074	-	867,074
Historic Jamestowne Grants	552,772	-	552,772
Property Preservation Grants	457,645	-	457,645
Collections Fund	365,802	-	365,802
Preservation Initiatives & Engagement	286,670	-	286,670
Murphy Fund	276,035	-	276,035
Vision 2020 Campaign	194,671	-	194,671
Tobacco Barn Project	144,365	-	144,365
Other	51,624	-	51,624
Seawall Fund	48,144	-	48,144
	$ 3,244,802	$ 3,083,192	$ 6,327,994

	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
Property Preservation Grants	167,886	-	167,886
Collections Fund	365,743	-	365,743
Preservation Initiatives & Engagement	320,714	-	320,714
Murphy Fund	276,035	-	276,035
Vision 2020 Campaign	165,384	-	165,384
Tobacco Barn Project	119,380	-	119,380
Other	79,043	-	79,043
Seawall Fund	46,241	-	46,241
Bacon's Castle Capitol Project	27,267	-	27,267
	$ 2,939,680	$ 3,393,635	$ 6,333,315

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, 2018 and 2017, the Organization released temporarily restricted net assets as follows:

	2018	2017
Historic Jamestowne Grants	$ 1,120,737	$ 1,062,087
Historic Properties	310,443	-
Preservation Initiatives & Engagement	180,746	113,839
Endowment Income	140,494	135,246
Property Preservation Grants	104,798	19,309
Tobacco Barn Project	75,015	88,636
Other	28,683	171,298
Bacon's Castle Capitol Project	27,267	107,223
Collections Fund	6,001	900
Seawall Fund	1,797	53,468
	$ 1,995,981	$ 1,752,006

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:

	2018	2017
Cash and cash equivalents and investments:		
Hopkins Bros.	$ 50,000	$ 50,000
General endowment	299,911	296,911
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	3,000	1,000
Property:		
Historic property - Hollybrook	342,130	342,130
	$ 2,397,829	$ 2,392,829

9. Commitments and Contingencies:

The Organization leases office equipment under lease agreements expiring through 2021. Rent expense was $9,372 for 2018 and $9,112 for 2017. Future minimum lease payments are as follows for the years ended June 30: 2019 - $8,431; 2020 - $6,391; and 2021 - $533.

10. Irrevocable Split-Interest Agreement:

The Organization is the trustee for one charitable gift annuity agreement with a donor at June 30, 2018. Under the gift annuity agreement, the Organization pays a benefit to the beneficiary throughout over the life expectancy 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 annuity 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 beneficiary is based on expected life span, actuarial factors derived from IRS Publication 1458, and a discount rate of 3.4% and 2.4% as of June 30, 2018 and 2017, 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 $33,376 for 2018 and $29,085 for 2017.

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, 2018 and 2017.

Endowment net asset composition by type of fund was as follows as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 867,074	$ 2,397,829	$ 3,264,903

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

13. Endowment Funds, Continued:

Changes in endowment net assets were as follows for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ -	$ 872,447	$ 2,392,829	$ 3,265,276
Investment return:				
Investment income	-	79,718	-	79,718
Unrealized and realized gain on investments, net	-	55,403	-	55,403
Total investment return	-	135,121	-	135,121
New gifts	-	-	5,000	5,000
Appropriation of endowment assets for expenditure	-	(140,494)	-	(140,494)
Net assets, end of year	$ -	$ 867,074	$ 2,397,829	$ 3,264,903

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

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

- 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.

15. Subsequent Events:

Management has evaluated subsequent events for potential recognition and/or other disclosure through November 28, 2018, the date the consolidated financial statements were available to be issued.

The Organization executed a Recipient Agreement dated June 29, 2018 (the "Agreement") that will provide $8,850,000 in funds over a ten year period that shall be used to complete certain projects as outlined in the Agreement. Based on the terms and conditions described in the Agreement, the Organization believes that the funds received will be required to be recognized as revenue and support when expenditures are made for the designated projects.

SUPPLEMENTAL INFORMATION

PRESERVATION VIRGINIA

Statements of Financial Position for the Revolving Fund
June 30, 2018 and 2017

Assets	2018	2017
Cash and cash equivalents	$ 323,925	$ 325,369
Investments	404,984	387,961
Note receivable	27,512	33,757
Due from Preservation Virginia	8,067	-
Total assets	$ 764,488	$ 747,087
Liabilities and Net Assets		
Due to Preservation Virginia	$ -	$ 33
Total liabilities	-	33
Temporarily restricted net assets	764,488	747,054
Total liabilities and net assets	$ 764,488	$ 747,087

See report of independent accountants.

PRESERVATION VIRGINIA

Statements of Activities for the Revolving Fund
Years Ended June 30, 2018 and 2017

	2018	2017
Revenues, gains (losses) and other support:		
Interest and dividends	$ 13,723	$ 12,233
Unrealized gain on investments	3,605	4,933
Other investment gain (loss)	106	(921)
Total revenues, gains (losses), and other support	17,434	16,245
Change in net assets	17,434	16,245
Temporarily restricted net assets, beginning of year	747,054	730,809
Temporarily restricted net assets, end of year	$ 764,488	$ 747,054

See report of independent accountants.

PRESERVATION VIRGINIA

Consolidating Statement of Activities
Year Ended June 30, 2018

	Preservation Virginia	Jamestown Rediscovery Foundation	Total
Revenues, gains and other support:			
Admissions	$ 1,223,666	$ -	$ 1,223,666
Museum shop sales, shown net of cost of sales of $427,445	468,594	-	468,594
Contributions	2,143,516	1,445,007	3,588,523
Grants and appropriations	27,917	160,726	188,643
Property rentals	36,550	-	36,550
Change in value of split-interest agreements (Note 10)	9,905	-	9,905
Interest and dividends	321,503	90	321,593
Unrealized gain on investments, net	177,912	-	177,912
Realized gain on investments, net	20,808	-	20,808
Earned income	227,866	-	227,866
Total revenues, gains, and other support	4,658,237	1,605,823	6,264,060

See report of independent accountants.

PRESERVATION VIRGINIA

Consolidating Statement of Activities, Continued
Year Ended June 30, 2018

	Preservation Virginia	Jamestown Rediscovery Foundation	Total
Expenses:			
Program services:			
Historic Jamestowne	$ 1,323,071	$ 1,050,284	$ 2,373,355
Programs	410,614	-	410,614
Other properties	1,234,347	-	1,234,347
Total program services	2,968,032	1,050,284	4,018,316
Support services:			
Administration	424,249	153,281	577,530
Fundraising	259,992	240,875	500,867
Total support services	684,241	394,156	1,078,397
Total expenses	3,652,273	1,444,440	5,096,713
Change in net assets	1,005,964	161,383	1,167,347
Net assets, beginning of year	22,075,995	610,000	22,685,995
Net assets, end of year	$ 23,081,959	$ 771,383	$ 23,853,342

See report of independent accountants.