Preservation Virginia

Consolidated Financial Statements

June 30, 2019 and 2018

Keiter
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PRESERVATION VIRGINIA

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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, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related consolidated statement of functional expenses for the year ended June 30, 2019, 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, 2019 and 2018 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.

Emphasis of Matter – Prior Period Restatement

As described in Note 14, the Organization determined that it had not been properly accounting for its inventory reserve. The required accounting is reflected as a prior period adjustment in the accompanying consolidated financial statements. Our opinion is not modified with respect to this matter.

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 27, 2019
Glen Allen, Virginia

PRESERVATION VIRGINIA

Consolidated Statements of Financial Position
June 30, 2019 and 2018

Assets	2019	2018
Current assets:		
Cash and cash equivalents	$ 1,358,441	$ 1,792,526
Contributions receivable (Note 2)	38,499	149,024
Other receivables	520,918	126,491
Museum shop inventory, net (Note 14)	371,411	363,664
Prepaid expenses and other assets	41,716	8,000
Revolving fund held in trust for the Commonwealth of Virginia	778,740	764,488
Total current assets	3,109,725	3,204,193
Investments (Note 3)	12,588,998	12,301,342
Property and equipment:		
Property and equipment, net of accumulated depreciation (Note 5)	6,861,605	6,412,153
Historic properties	3,083,192	3,083,192
Property and equipment, net	9,944,797	9,495,345
Other assets:		
Contributions receivable, long-term (Note 2)	50,959	88,400
Property held for resale	123,480	-
Total other assets	174,439	88,400
Total assets	$ 25,817,959	$ 25,089,280

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statements of Financial Position, Continued
June 30, 2019 and 2018

Liabilities and Net Assets	2019	2018
Current liabilities:		
Loan payable (Note 6)	$ 105,437	$ 102,180
Accounts payable	256,698	219,374
Accrued expenses	144,789	136,320
Deferred revenue	102,260	-
Annuity liabilities on split-interest agreements (Note 9)	12,000	12,000
Liability under revolving fund held in trust for the Commonwealth of Virginia	778,740	764,488
Total current liabilities	1,399,924	1,234,362
Annuity liabilities on split-interest agreements, long-term (Note 9)	50,892	56,941
Loan payable, long-term (Note 6)	137,724	243,161
Total liabilities	1,588,540	1,534,464
Net assets:		
Without donor restrictions:		
Board-designated	1,471,157	1,538,522
Undesignated	13,947,362	13,290,471
Total net assets without donor restrictions	15,418,519	14,828,993
With donor restrictions	8,810,900	8,725,823
Total net assets (Note 7)	24,229,419	23,554,816
Total liabilities and net assets	$ 25,817,959	$ 25,089,280

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statement of Activities
Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Revenues, gains (losses), and other support:			
Admissions	$ 1,170,250	$ -	$ 1,170,250
Museum shop sales, shown net of cost of sales of $408,543	421,260	-	421,260
Contributions	1,043,596	1,411,515	2,455,111
Grants and appropriations	1,445,270	246,509	1,691,779
Property rentals	37,700	-	37,700
Change in value of split-interest agreements (Note 9)	(5,951)	-	(5,951)
Interest and dividends, net	288,028	99,517	387,545
Unrealized gain on investments, net	200,234	59,572	259,806
Earned income	217,342	-	217,342
Miscellaneous	22,824	-	22,824
Total revenues, gains (losses), and other support	4,840,553	1,817,113	6,657,666
Net assets released from restriction	1,732,036	(1,732,036)	-
Expenses:			
Program services:			
Historic Jamestowne	3,035,505	-	3,035,505
Programs	620,207	-	620,207
Other properties	898,780	-	898,780
Total program services	4,554,492	-	4,554,492
Support services:			
Administration	548,251	-	548,251
Fundraising	560,395	-	560,395
Total support services	1,108,646	-	1,108,646
Total expenses	5,663,138	-	5,663,138
Change in estimate of proceeds from trust	(319,925)	-	(319,925)
Change in net assets	589,526	85,077	674,603
Net assets, beginning of year, as restated (Note 14)	14,828,993	8,725,823	23,554,816
Net assets, end of year	$ 15,418,519	$ 8,810,900	$ 24,229,419

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statement of Activities
Year Ended June 30, 2018

	Without Donor Restriction	With Donor Restriction	Total
Revenues, gains (losses), 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	1,916,627	1,671,896	3,583,523
Grants and appropriations	-	188,643	188,643
Property rentals	36,550	-	36,550
Change in value of split-interest agreements (Note 9)	9,905	-	9,905
Interest and dividends, net	262,683	79,718	342,401
Unrealized gain on investments, net	122,509	55,403	177,912
Earned income	227,866	-	227,866
Total revenues, gains (losses), and other support	4,268,400	1,995,660	6,259,060
Net assets released from restriction	1,995,981	(1,995,981)	-
Expenses, allocated by function:			
Program services:			
Historic Jamestowne	2,373,355	-	2,373,355
Programs	410,614	-	410,614
Other properties	1,234,347	-	1,234,347
Total program services	4,018,316	-	4,018,316
Support services:			
Administration	577,530	-	577,530
Fundraising	500,867	-	500,867
Total support services	1,078,397	-	1,078,397
Total expenses	5,096,713	-	5,096,713
Change in net assets	1,167,668	(321)	1,167,347
Net assets, beginning of year, as restated (Note 14)	13,661,325	8,726,144	22,387,469
Net assets, end of year, as restated (Note 14)	$ 14,828,993	$ 8,725,823	$ 23,554,816

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services				Support Services			
	Historic Jamestowne	Programs	Other Properties	Total Program Services	Administration	Fundraising	Total Support Services	Total Expenses
Personnel expenses	$1,861,562	$ 369,766	$ 572,125	$ 2,803,453	$ 438,069	$ 373,918	$ 811,987	$ 3,615,440
Professional services	83,035	15,959	10,209	109,203	36,290	68,788	105,078	214,281
Office expenses	43,240	11,090	20,654	74,984	29,678	43,672	73,350	148,334
Utilities	66,971	3,626	60,240	130,837	3,271	1,495	4,766	135,603
Other operating expenses	122,549	889	44,370	167,808	6,041	5,587	11,628	179,436
Automobile expense	11,137	11,660	14,591	37,388	6,862	6,007	12,869	50,257
Meeting and travel expenses	30,632	48,606	6,979	86,217	15,147	44,114	59,261	145,478
Professional development	3,613	2,128	4,288	10,029	2,341	5,019	7,360	17,389
Technology expenses	43,314	2,660	17,194	63,168	8,769	11,503	20,272	83,440
Museum operations/exhibitions	149,287	108,200	48,140	305,627	1,114	112	1,226	306,853
Maintenance and restoration	275,238	45,623	51,427	372,288	669	180	849	373,137
Archaeology	23,519	-	-	23,519	-	-	-	23,519
Total expenses before depreciation	2,714,097	620,207	850,217	4,184,521	548,251	560,395	1,108,646	5,293,167
Depreciation	321,408	-	48,563	369,971	-	-	-	369,971
Total expenses	$3,035,505	$ 620,207	$ 898,780	$ 4,554,492	$ 548,251	$ 560,395	$ 1,108,646	$ 5,663,138

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 674,603	$ 1,167,347
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	369,971	309,250
Contribution of historic properties	-	310,443
Contributions restricted for endowment	(500)	(5,000)
Contributions board-designated for long-term purposes	(20,000)	(1,173,255)
Contribution of property held for resale	(123,480)	-
Investment income reinvested	(415,001)	(321,593)
Net unrealized and realized gain on investments	(232,350)	(198,720)
Change in value of split-interest agreements	5,951	(9,905)
Changes in operating assets and liabilities:		
Contributions receivable, net	147,966	61,976
Other receivables, net	(394,427)	62,655
Museum shop inventory, net	(7,747)	(70,075)
Prepaid expenses	(33,716)	19,700
Due from revolving fund held in trust for the Commonwealth of Virginia	-	33
Accounts payable	37,324	(89,084)
Accrued expenses	8,469	29,362
Deferred revenue	102,260	-
Net cash provided by operating activities	119,323	93,134
Cash flows from investing activities:		
Purchases of property and equipment	(819,423)	(163,297)
Purchases of investments	(391,347)	(1,206,905)
Proceeds from sale of investments	751,042	990,087
Net cash used in investing activities	(459,728)	(380,115)

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

Consolidated Statements of Cash Flows, Continued
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from financing activities:		
Payments on loan payable	$ (102,180)	$ (74,381)
Contributions restricted for endowment	500	5,000
Contributions board-designated for long-term purposes	20,000	1,173,255
Payments on split-interest agreements	(12,000)	(23,300)
Net cash (used in) provided by financing activities	(93,680)	1,080,574
Net change in cash and cash equivalents	(434,085)	793,593
Cash and cash equivalents, beginning of year	1,792,526	998,933
Cash and cash equivalents, end of year	$ 1,358,441	$ 1,792,526
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 9,826	$ 9,485

See accompanying notes to consolidated financial statements.

PRESERVATION VIRGINIA

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.

New Accounting Guidance: In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit (Topic 958): *Presentation of Financial Statements of Not-for-Profit-Entities*. The main changes of the guidance include: (i) replacing of the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets (net assets without donor restrictions and net assets with donor restrictions), (ii) changing the net assets classification of underwater donor-restrictions with additional required disclosure, (iii) requiring all not-for-profits to provide expenses by nature and function as well as an analysis of expenses by nature and function, (iv) removing the requirement to present an indirect cash flow reconciliation when electing the direct method of cash flows, and (v) requiring expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources. The Organization adopted this ASU as of and for the year ended June 30, 2019 with retrospective application for the 2018 consolidated financial statements. The Organization opted to disclose liquidity and availability information and an analysis of expenses by nature and function for 2019 only as permitted under the ASU in the year of adoption.

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

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.

During 2019, the Organization was informed that it was not the sole beneficiary of a trust that it had previously accounted for with the understanding that it was sole beneficiary. This required the Organization to adjust the value of the trust. The associated adjustment was $319,925 and is included as a loss on the 2019 Consolidated Statement of Activities.

Cash and Cash Equivalents: The Organization considers all highly liquid instruments with maturities of three months or less at date of acquisition to be cash equivalents.

Contributions Receivable: 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, 2019 and 2018, 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 $75,000 to be received in three 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: 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, 2019 and 2018, management determined that other receivables was fully collectible and that no allowance for uncollectible accounts was considered necessary.

Museum Shop Inventory: Museum shops are located at various historical properties. Inventories are stated at the lower of cost or market value, with cost determined on an average cost basis. Management evaluates inventory levels and expected usage on a periodic basis and has recorded an inventory reserve of $352,773 as of June 30, 2019 and 2018.

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 3). Unrealized gains and losses are included in the consolidated statements of activities.

Functional Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statement of functional expenses presents expenses by function and natural classification. Program services expenses represents the various costs associated with preservation, education, and advocacy. Fundraising expenses include the effort of development personnel. Administration expenses reflect a variety of overhead functions including accounting, human resources, professional services, and other business related expenses. Certain costs have been allocated among the program and supporting services. Allocations across the various functions relate primary to personnel and related expenses, which are allocated based on time estimates.

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.

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:

Historic Properties: Historic properties donated to the Organization are recorded at the fair value established by the donor 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 donor restricted net assets as the properties are subject to legal and functional restrictions, and classifies any sales proceeds as net assets without donor restriction as the restriction is satisfied upon sale. During 2019, the Organization did not transfer ownership of any historic properties. 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.

Contributions: All contributions are considered to be available for 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 restricted by the donor for specific purposes are reported as net assets with donor restrictions, which increases that net asset class. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restriction. The donor can restrict endowment contributions into perpetuity.

Non-cash Contributions: Gifts of property and equipment are reported as net assets without donor restrictions, 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.

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

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

> Net assets without donor restrictions 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 net assets without donor restrictions. Board designated assets totaled $1,471,157 at June 30, 2019 and $1,538,522 at June 30, 2018. At June 30, 2019 and 2018, $623,867 and $365,267, respectively, is to be used as an operating reserve at Historic Jamestowne. At June 30, 2019 and 2018, Board-designated net assets include $847,290 and $1,173,255, respectively, in funds that the Board has allocated for a purpose to be determined.
>
> Net assets with donors restrictions are net assets which are stipulated by donors for specific purposes, use restrictions, or are restricted in perpetuity. For net assets restricted for specific actions or the passage of time, once a restriction expires, the net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. For net assets restricted in perpetuity, the original fair value of the gift will be maintained permanently by the Organization and use of all or part of the income earned on any related investments is for general or specific purposes.

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.

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

Property Held for Resale: Property held for resale is recorded at fair value. Management evaluates the property for impairment in accordance with GAAP. The Organization did not identify any impairments in 2019.

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, 2019 and 2018. The Organization is not currently under audit by any tax jurisdiction.

Reclassifications: Certain prior year balances were reclassified to conform with the current year presentation.

Subsequent Events: Management has evaluated subsequent events through November 27, 2019, the date the consolidated financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying consolidated financial statements.

2. Contributions Receivable:

Contributions receivable consisted of unconditional promises to give at June 30, 2019 and 2018. At June 30, 2019 and 2018, the Organization determined a discount to present value on unconditional promises to give was insignificant; therefore, no discounted is reflected in the accompanying consolidated financial statements. The Organization expects to receive payments on these contributions receivable as follows: 2020 - $38,499; 2021 - $37,184; 2022 - $5,375; and 2023 - $8,400.

3. Investments:

As of June 30, 2019 and 2018, the cost of investments and their fair values were as follows:

	2019		
	Cost	Fair Value	Unrealized Gain, Net
Money market funds	$ 1,251,733	$ 1,251,733	$ -
Corporate bonds	1,100,958	1,106,107	5,149
Mutual funds	1,391,287	1,403,786	12,499
Equities	7,457,615	8,827,372	1,369,757
	$ 11,201,593	$ 12,588,998	$ 1,387,405

	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

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.

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.

Property Held for Resale: Valued based on the sales price of similar property or appraisals.

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, 2019, include the following:

	Fair Value Using			Assets/ Liabilities at
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Investments:				
Money market funds	$ 1,251,733	$ -	$ -	$ 1,251,733
Corporate bonds	-	1,106,107	-	1,106,107
Mutual funds	1,403,786	-	-	1,403,786
Equities:				
Energy	670,429	-	-	670,429
Consumer staples	775,136	-	-	775,136
Financials	1,178,459	-	-	1,178,459
Healthcare	975,102	-	-	975,102
Consumer discretionary	913,846	-	-	913,846
Materials	328,847	-	-	328,847
Industrials	915,431	-	-	915,431
Information technology	594,481	-	-	594,481
Real estate investment trusts	369,365	-	-	369,365
Other	2,106,276	-	-	2,106,276
Total investments	11,482,891	1,106,107	-	12,588,998
Property held for resale	-	-	123,480	123,480
Total assets	$11,482,891	$ 1,106,107	$ 123,480	$12,712,478
Liabilities:				
Annuity liabilities on split-interest agreements	$ -	$ 62,892	$ -	$ 62,892

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 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:

The Organization's investments in corporate bonds are subject to restrictions on the frequency of redemptions without penalty. At June 30, 2019, the redemption periods and related amounts were as follows:

Year Ending June 30:	Corporate Bonds
2020	$ 276,089
2021	151,189
2022	226,052
2023	452,777
	$ 1,106,107

The table below sets forth a summary of changes in the fair value of Level 3 assets for 2019:

Balance, July 1, 2018	$ -
Contribution of Property Held for Resale	123,480
Balance, June 30, 2019	$ 123,480

The Organization has no unfunded commitments at June 30, 2019 and 2018.

5. Property and Equipment:

Property and equipment at June 30, 2019 and 2018 consisted of:

	2019	2018
Buildings and improvements	$ 9,058,485	$ 8,643,349
Furniture and equipment	1,346,896	942,609
Vehicles	31,574	31,574
	10,436,955	9,617,532
Less accumulated depreciation	3,575,350	3,205,379
	$ 6,861,605	$ 6,412,153

The Organization recorded depreciation expense of $369,971 for 2019 and $309,250 for 2018.

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, 2019 are as follows:

Year Ending June 30:	Amount
2020	$ 105,437
2021	108,797
2022	28,927
	$ 243,161

Interest expense and fees on the term loan amounted to $9,826 for 2019 and $9,485 for 2018. 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, 2019.

7. Net Assets with Donor Restrictions:

Net assets with donor restrictions are available for the following purposes as of June 30, 2019:

	Cash and Investments	Property and Other Assets	Total
Donor-restricted for time and/or purpose:			
Historic Properties	$ -	$ 3,083,192	$ 3,083,192
Endowment Income	879,829	-	879,829
Historic Jamestowne Grants	669,123	-	669,123
Property Preservation Grants	399,973	-	399,973
Collections Fund	365,852	-	365,852
Preservation Initiatives & Engagement	363,529	-	363,529
Murphy Fund	276,035	-	276,035
Vision 2020 Campaign	150,130	-	150,130
Tobacco Barn Project	131,148	-	131,148
Seawall Fund	51,031	-	51,031
Other	42,729	-	42,729
Total	3,329,379	3,083,192	6,412,571
Donor-restricted into perpetuity:			
Hopkins Bros.	50,000	-	50,000
General endowment	300,411	-	300,411
Beville endowment for Bacon's Castle	10,000	-	10,000
Bacon's Castle Garden endowment	75,658	-	75,658
Historic Jamestowne endowment	1,617,130	-	1,617,130
Jamestowne Rediscovery Foundation	3,000	-	3,000
Hollybrook	-	342,130	342,130
Total	2,056,199	342,130	2,398,329
	$ 5,385,578	$ 3,425,322	$ 8,810,900

7. Net Assets with Donor Restrictions, Continued:

Net assets with donor restrictions are available for the following purposes as of June 30, 2018:

	Cash and Investments	Property and Other Assets	Total
Donor-restricted for time and/or purpose:			
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
Total	3,244,802	3,083,192	6,327,994
Donor-restricted into perpetuity:			
Hopkins Bros.	50,000	-	50,000
General endowment	299,911	-	299,911
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	-	3,000
Hollybrook	-	342,130	342,130
Total	2,055,699	342,130	2,397,829
	$ 5,300,501	$ 3,425,322	$ 8,725,823

7. Net Assets with Donor Restrictions, Continued:

Funds with donor restriction consist of net assets held for subsequent years' activities or for a specific purpose. For the years ended June 30, 2019 and 2018, the Organization released net assets with donor restrictions as follows:

	2019	2018
Historic Jamestowne Grants	$ 1,178,152	$ 1,120,737
Property Preservation Grants	205,868	104,798
Endowment Income	146,334	140,494
Tobacco Barn Project	98,217	75,015
Preservation Initiatives & Engagement	86,402	180,746
Other	9,163	28,683
Collections Fund	4,200	6,001
Seawall Fund	3,700	1,797
Historic Properties	-	310,443
Bacon's Castle Capitol Project	-	27,267
	$ 1,732,036	$ 1,995,981

8. Commitments and Contingencies:

The Organization leases office equipment under lease agreements expiring through 2021. Rent expense was $11,720 for 2019 and $9,372 for 2018. Future minimum lease payments are as follows for the years ending June 30: 2020 - $8,431 and 2021 - $533.

The Organization executed a Recipient Agreement dated June 29, 2018 (the "Agreement") that will provide $8,850,000 in funds that shall be used to complete certain projects as outlined in the Agreement. The period of performance for the Agreement commenced on June 29, 2018 and will terminate on July 3, 2027. 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. Funds may only be received once adequate documentation of the expenditure has been provided to the funding agency. The expenditures are subject to further audit by the funding agency during the period of performance and the three-year period following the termination of the Agreement. If the funding agency questions the validity of an expenditure based on an audit, the agency and Organization will attempt in good faith to resolve promptly any dispute over the validity of the expenditure, but if the parties are unable to agree, the Organization must reimburse the granting agency the amount of any unresolved claim. The Organization cannot at this time estimate an amount that may be subject to dispute and may, as a result, require reimbursement to the funding agency. However, the Organization complies with all terms of the Agreement outlining the required documentation of expenditures to mitigate the possibility of dispute and future reimbursement.

9. Irrevocable Split-Interest Agreement:

The Organization is the trustee for one charitable gift annuity agreement with a donor at June 30, 2019. 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 2.8% and 3.4% as of June 30, 2019 and 2018, respectively, per Internal Revenue Code Section 7520(a).

10. Pension Plan:

The Organization established a 403(b) retirement plan in 1990. The Organization made contributions to the plan of $39,984 for 2019 and $33,376 for 2018.

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:

There are seven endowment funds at the Organization. These endowment funds were established for a variety of purposes. 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.

Interpretation of Relevant Law: 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 net assets with donor restrictions to be held in perpetuity (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 as restricted in perpetuity are only reclassified as net assets without donor restriction 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.

12. 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, 2019 and 2018.

Endowment net asset composition by type of fund was as follows as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment			
Original donor-restricted gift amount	$ -	$ 2,398,329	$ 2,398,329
Accumulated investment gains	-	879,829	879,829
	$ -	$ 3,278,158	$ 3,278,158

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment			
Original donor-restricted gift amount	$ -	$ 2,397,829	$ 2,397,829
Accumulated investment gains	-	867,074	867,074
	$ -	$ 3,264,903	$ 3,264,903

12. Endowment Funds, Continued:

Changes in donor-restricted endowment funds were as follows for the years ended June 30, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, July 1, 2017	$ -	$ 3,265,276	$ 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, June 30, 2018	-	3,264,903	3,264,903
Investment return:			
Investment income	-	99,517	99,517
Unrealized and realized gain on investments, net	-	59,572	59,572
Total investment return	-	159,089	159,089
New gifts	-	500	500
Appropriation of endowment assets for expenditure	-	(146,334)	(146,334)
Net assets, June 30, 2019	$ -	$ 3,278,158	$ 3,278,158

13. Liquidity and Availability of Financial Assets:

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, receivables, and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of preservation, education, and advocacy as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient support and revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows which identify the sources and uses of the Organization's cash and cash equivalents and shows positive cash generated by operating activities for 2019 and 2018.

At June 30, 2019, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year of the statement of financial position date to meet general expenditures.

Financial assets:	
Cash and cash equivalents	$ 1,358,441
Contributions receivable	89,458
Other receivables	520,918
Investments	12,588,998
Total financial assets	14,557,815
Less those unavailable for general expenditures within one year:	
Net assets with donor restrictions	5,532,480
Net assets with board-designations	1,471,157
Total amounts unavailable for general expenditures within one year	7,003,637
Financial assets available within one year for general expenditures	$ 7,554,178

Although there is no intention to spend from Board-designated funds for reasons unrelated to the designated purpose, these amounts could be made available by action of the Board if necessary

14. Prior Period Restatement:

During 2019, the Organization determined that it had not properly accounted for its inventory reserve in current and previous years. The Organization increased its inventory to correct the error. Accordingly, the previously reported net assets without donor restrictions (undesignated) as of June 30, 2018 of $13,588,997 were decreased by $298,526.

15. Recent Accounting Guidance:

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 June 30, 2022. The Organization is currently evaluating the impact that this pronouncement will have on its financial statements.

Contributions Received and Contributions Made: In June 2018, the FASB issued ASU 2018-08, “Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which presents a new methodology for determining whether a grant contribution or contribution received or made by a not-for-profit entity should be accounted for as an exchange transaction or as a contribution.This new standard is effective for fiscal years beginning after December 31, 2018, for entities receiving contributions and fiscal years beginning after December 31, 2019, for entities providing contributions, with early adoption permitted. The Organization is currently evaluating the reporting and economic implications of the new standard.

SUPPLEMENTAL INFORMATION

PRESERVATION VIRGINIA

Statements of Financial Position for the Revolving Fund
June 30, 2019 and 2018

Assets	2019	2018
Cash and cash equivalents	$ 330,819	$ 323,925
Investments	379,293	404,984
Note receivable	20,881	27,512
Properties held for resale	47,560	-
Due from Preservation Virginia	187	8,067
Total assets	$ 778,740	$ 764,488
Net Assets		
Net assets without donor restrictions	$ 778,740	$ 764,488

See report of independent accountants.

PRESERVATION VIRGINIA

Statements of Activities for the Revolving Fund
Years Ended June 30, 2019 and 2018

	2019	2018
Revenues, gains and other support:		
Interest and dividends	$ 18,308	$ 13,723
Unrealized gain on investments	2,244	3,605
Other investment gain	2,052	106
Total revenues, gains, and other support	22,604	17,434
Expenses:		
Professional services	3,618	-
Other administrative expenses	4,734	-
Total expenses	8,352	-
Change in net assets	14,252	17,434
Net assets without donor restrictions, beginning of year	764,488	747,054
Net assets without donor restrictions, end of year	$ 778,740	$ 764,488

See report of independent accountants.

PRESERVATION VIRGINIA

Consolidating Statement of Activities
Year Ended June 30, 2019

	Preservation Virginia	Jamestown Rediscovery Foundation	Total
Revenues, gains and other support:			
Admissions	$ 1,170,250	$ -	$ 1,170,250
Museum shop sales, shown net of cost of sales of $408,505	421,260	-	421,260
Contributions	907,288	1,547,823	2,455,111
Grants and appropriations	1,467,353	224,426	1,691,779
Property rentals	37,700	-	37,700
Change in value of split-interest agreements (Note 9)	(5,951)	-	(5,951)
Interest and dividends, net	387,430	115	387,545
Unrealized gain on investments, net	259,806	-	259,806
Earned income	151,648	65,694	217,342
Miscellaneous	22,824	-	22,824
Total revenues, gains, and other support	4,819,608	1,838,058	6,657,666

See report of independent accountants.

PRESERVATION VIRGINIA

Consolidating Statement of Activities, Continued
Year Ended June 30, 2019

	Preservation Virginia	Jamestown Rediscovery Foundation	Total
Expenses:			
Program services:			
Historic Jamestowne	$ 2,003,046	$ 1,032,459	$ 3,035,505
Programs	437,416	182,791	620,207
Other properties	898,780	-	898,780
Total program services	3,339,242	1,215,250	4,554,492
Support services:			
Administration	442,255	105,996	548,251
Fundraising	287,487	272,908	560,395
Total support services	729,742	378,904	1,108,646
Total expenses	4,068,984	1,594,154	5,663,138
Change in estimate of proceeds from trust	(319,925)	-	(319,925)
Change in net assets	430,699	243,904	674,603
Net assets, beginning of year, as restated	22,783,433	771,383	23,554,816
Net assets, end of year	$ 23,214,132	$ 1,015,287	$ 24,229,419

See report of independent accountants.