

MAYMONT®

FOUNDATION

Consolidated Financial Statements and Accompanying Information

June 30, 2014

Mission:

To preserve and celebrate *Maymont* as a museum and park for the pleasure and education of everyone.

Vision:

To be nationally recognized as a premier, admission free destination that offers enriching integrated experiences in history, habitats, and horticulture.

MAYMONT FOUNDATION AND AFFILIATE

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Audit Committee of the Board of Directors of
Maymont Foundation
Richmond, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Maymont Foundation and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Maymont Foundation as of June 30, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Report on Summarized Comparative Information

We have previously audited Maymont Foundation's 2013 financial statements, and our report dated November 20, 2013 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Keita", with a stylized, flowing script.

October 17, 2014
Glen Allen, Virginia

MAYMONT FOUNDATION AND AFFILIATE

Consolidated Statement of Financial Position June 30, 2014 (With Comparative Totals for 2013)

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Assets					
Cash and cash equivalents	\$ 341,833	\$ 146,575	\$ -	\$ 488,408	\$ 305,883
Pledges and contributions receivable, net of allowance for doubtful accounts of \$111,800 in 2014 and \$90,000 in 2013	-	5,398,918	95,000	5,493,918	5,463,350
Interfund account	73,224	(73,224)	-	-	-
Other receivables	9,897	124	-	10,021	5,944
Inventory, gift shop	10,603	-	-	10,603	10,926
Prepaid expenses	82,039	898	-	82,937	53,092
Assets held in charitable remainder trust	-	110,008	-	110,008	100,300
Assets held in charitable gift annuity	-	135,269	-	135,269	133,829
Investments	1,285,302	7,273,126	10,181,168	18,739,596	15,344,369
Intangible assets, net	8,520	-	-	8,520	-
Property and equipment, net	9,767,633	-	-	9,767,633	10,145,953
Total assets	\$ 11,579,051	\$ 12,991,694	\$ 10,276,168	\$ 34,846,913	\$ 31,563,646
Liabilities and net assets					
Liabilities					
Accounts payable	\$ 40,977	\$ 77,406	\$ -	\$ 118,383	\$ 65,118
Accrued expenses	240,230	169	-	240,399	198,286
Lease obligation	-	15,356	-	15,356	2,056
Charitable remainder trust obligations	-	72,537	-	72,537	67,482
Charitable gift annuity obligations	-	79,705	-	79,705	84,239
Deferred revenue	174,280	-	-	174,280	175,208
Total liabilities	455,487	245,173	-	700,660	592,389
Net assets					
Unrestricted	11,123,564	-	-	11,123,564	11,135,232
Temporarily restricted	-	12,746,521	-	12,746,521	10,090,857
Permanently restricted	-	-	10,276,168	10,276,168	9,745,168
Total net assets	11,123,564	12,746,521	10,276,168	34,146,253	30,971,257
Total liabilities and net assets	\$ 11,579,051	\$ 12,991,694	\$ 10,276,168	\$ 34,846,913	\$ 31,563,646

See notes to consolidated financial statements.

MAYMONT FOUNDATION AND AFFILIATE

**Consolidated Statement of Activities
For the Year Ended June 30, 2014
(With Comparative Totals for 2013)**

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public support and revenue					
Public support					
Contributions					
Individuals	\$ 422,705	\$ 1,447,541	\$ 14,000	\$ 1,884,246	\$ 5,778,164
Corporate	77,250	42,706	-	119,956	290,234
Other	27,517	51,400	-	78,917	45,106
In-kind	30,499	-	-	30,499	68,071
Grants					
Private foundation	331,750	684,500	450,000	1,466,250	1,345,100
Government	38,106	5,000	67,000	110,106	132,150
Operating subsidy, City of Richmond and Counties of Chesterfield, Henrico and Hanover	539,100	-	-	539,100	586,731
Total public support	<u>1,466,927</u>	<u>2,231,147</u>	<u>531,000</u>	<u>4,229,074</u>	<u>8,245,556</u>
Revenue					
Memberships	41,613	-	-	41,613	53,851
Adopt an Animal contributions	43,007	-	-	43,007	47,600
Gardens and grounds donations and fees	71,982	-	-	71,982	77,107
Maymont Mansion donations and fees	193,510	-	-	193,510	190,705
Carriage collection fees	11,851	-	-	11,851	16,619
Nature and visitor center donations and fees	171,664	-	-	171,664	179,204
Wildlife exhibits and children's farm donations and fees	32,176	-	-	32,176	32,327

See notes to consolidated financial statements.

MAYMONT FOUNDATION AND AFFILIATE

Consolidated Statement of Activities (continued)
For the Year Ended June 30, 2014
(With Comparative Totals for 2013)

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public support and revenue (concluded)					
Vintage Maymont auction, net	\$ 279,462	\$ -	\$ -	\$ 279,462	\$ 260,236
Fundraising events, net	22,299	-	-	22,299	37,449
Community events	125,269	-	-	125,269	104,871
Facility rentals	325,636	-	-	325,636	274,583
Gift shop sales	54,112	-	-	54,112	47,139
Concessions	13,352	-	-	13,352	12,673
Interest and dividends	12,890	161,817	-	174,707	221,003
Realized/unrealized gain on investments	376,503	1,852,753	-	2,229,256	1,401,111
Change in value of split interest agreements	-	10,627	-	10,627	4,664
(Loss) gain on disposal of property and equipment	(347)	-	-	(347)	484
Miscellaneous	4,986	124	-	5,110	5,321
	<u>1,779,965</u>	<u>2,025,321</u>	<u>-</u>	<u>3,805,286</u>	<u>2,966,947</u>
Total public support and revenue	3,246,892	4,256,468	531,000	8,034,360	11,212,503
Net assets released from restriction					
Satisfaction of restrictions	<u>1,600,804</u>	<u>(1,600,804)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support, revenue and reclassifications	<u>4,847,696</u>	<u>2,655,664</u>	<u>531,000</u>	<u>8,034,360</u>	<u>11,212,503</u>

See notes to consolidated financial statements.

MAYMONT FOUNDATION AND AFFILIATE

Consolidated Statement of Activities (concluded)
For the Year Ended June 30, 2014
(With Comparative Totals for 2013)

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Functional expenses					
Program services					
Gardens and grounds	\$ 1,053,278	\$ -	\$ -	\$ 1,053,278	\$ 940,749
Maymont mansion	404,395	-	-	404,395	387,775
Carriage collection	55,147	-	-	55,147	60,561
Nature and visitor center	864,831	-	-	864,831	818,483
Wildlife exhibits and children's farm	452,344	-	-	452,344	540,537
Special events and rentals	337,663	-	-	337,663	309,001
Visitor services	276,611	-	-	276,611	336,814
Total program services	<u>3,444,269</u>	<u>-</u>	<u>-</u>	<u>3,444,269</u>	<u>3,393,920</u>
Supporting services					
Administrative and general	1,015,126	-	-	1,015,126	1,048,325
Fundraising	399,969	-	-	399,969	432,012
Total supporting services	<u>1,415,095</u>	<u>-</u>	<u>-</u>	<u>1,415,095</u>	<u>1,480,337</u>
Total functional expenses	<u>4,859,364</u>	<u>-</u>	<u>-</u>	<u>4,859,364</u>	<u>4,874,257</u>
Change in net assets	(11,668)	2,655,664	531,000	3,174,996	6,338,246
Net assets, beginning of year	<u>11,135,232</u>	<u>10,090,857</u>	<u>9,745,168</u>	<u>30,971,257</u>	<u>24,633,011</u>
Net assets, end of year	<u>\$ 11,123,564</u>	<u>\$ 12,746,521</u>	<u>\$ 10,276,168</u>	<u>\$ 34,146,253</u>	<u>\$ 30,971,257</u>

See notes to consolidated financial statements.

MAYMONT FOUNDATION AND AFFILIATE

Consolidated Statement of Cash Flows For the Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 3,174,996	\$ 6,338,246
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	760,201	716,027
Realized/unrealized gain on investments	(2,229,256)	(1,401,111)
Loss/(gain) on disposal of property and equipment	347	(484)
Change in value of split interest agreements	(10,627)	(4,664)
Contributions restricted for long-term purposes	(2,662,464)	(6,742,312)
Changes in operating assets and liabilities		
(Increase) decrease in:		
Pledges and contributions receivable	67,653	80,412
Other receivables	(4,077)	7,904
Gift shop inventory	323	2,623
Prepaid expenses	(29,845)	(31,876)
Increase (decrease) in:		
Accounts payable	53,265	(12,330)
Accrued expenses	42,113	7,327
Deferred revenue	(928)	66,431
Net cash used in operating activities	(838,299)	(973,807)
Cash flows from investing activities:		
Purchases of intangible assets	(8,807)	-
Purchases of property and equipment	(362,884)	(1,384,439)
Proceeds from sale of property and equipment	500	2,650
Purchases of investments	(1,906,352)	(291,728)
Proceeds from sale of investments	740,381	494,169
Net cash used in investing activities	(1,537,162)	(1,179,348)
Cash flows from financing activities:		
Proceeds from contributions restricted for investment in endowment	452,980	591,000
Proceeds from contributions restricted for purchasing property and equipment	2,111,263	1,368,956
Payments on capital lease obligations	(6,257)	(2,038)
Net cash provided by financing activities	2,557,986	1,957,918
Net increase (decrease) in cash and cash equivalents	182,525	(195,237)
Cash and cash equivalents		
Beginning of year	305,883	501,120
End of year	\$ 488,408	\$ 305,883
Supplemental cash flow information		
Cash paid for interest	\$ 19	\$ 39

MAYMONT FOUNDATION AND AFFILIATE

Consolidated Statement of Functional Expenses For the Year Ended June 30, 2014 (With Comparative Totals for 2013)

	2014										2013
	Program Services							Supporting Services			
	Gardens and Grounds	Maymont Mansion	Carriage Collection	Nature and Visitor Center	Wildlife Exhibits and Farm	Special Events and Rentals	Visitor Services	Admin- istrative and General	Fund- raising	Total	Total
Human resources	\$ 681,326	\$ 255,020	\$ 48,035	\$ 331,863	\$ 188,510	\$ 202,963	\$ 169,756	\$ 416,664	\$ 318,450	\$ 2,612,587	\$ 2,627,916
Professional fees	68,891	12,575	847	8,639	29,073	58,443	44,039	393,820	36,689	653,016	538,608
Supplies	50,592	23,920	3,682	36,685	38,766	15,974	6,417	7,889	8,198	192,123	216,781
Postage and shipping	16	850	3	1,045	12	349	1,130	1,180	3,558	8,143	9,286
Occupancy	90,261	25,791	349	132,768	34,903	6,438	3,529	85,059	3,332	382,430	403,515
Equipment rental and repair	17,145	3,847	482	3,140	2,363	24,288	6,424	6,793	13,091	77,573	67,597
Printing and publications	530	1,748	142	1,383	246	4,065	5,341	648	14,313	28,416	38,303
Professional development	2,142	1,958	564	376	215	385	966	4,996	708	12,310	17,931
Miscellaneous	-	27	-	-	-	-	-	66,105	-	66,132	142,751
Cost of goods sold	-	-	-	-	-	-	35,934	-	-	35,934	30,971
Gift-in-kind, operating expense	1,200	230	-	22	515	2,098	153	26,061	220	30,499	64,571
Subtotal	912,103	325,966	54,104	515,921	294,603	315,003	273,689	1,009,215	398,559	4,099,163	4,158,230
Depreciation and amortization	141,175	78,429	1,043	348,910	157,741	22,660	2,922	5,911	1,410	760,201	716,027
Total	\$ 1,053,278	\$ 404,395	\$ 55,147	\$ 864,831	\$ 452,344	\$ 337,663	\$ 276,611	\$ 1,015,126	\$ 399,969	\$ 4,859,364	\$ 4,874,257

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2014

Note 1 - Organization

Maymont is a 100-acre estate in Richmond, Virginia gifted to the City of Richmond (the City) by Major James Henry and Sallie May Dooley. The Dooleys completed their Gilded Age mansion in 1893 and spent the next three decades creating the gardens, landscapes and outbuildings. The property was given to the City in 1925 for everyone to enjoy as a park and museum. Since that time others have helped care for and enhance *Maymont*, including the additions of wildlife exhibits, a nature center and children's farm which is home to domestic farm animals.

Since 1975, Maymont Foundation (the Foundation) has operated and maintained *Maymont* under agreements with the City. The Foundation is a non-profit organization with the mission to preserve and celebrate *Maymont* as a museum and park for the pleasure and education of everyone. *Maymont* offers active and passive learning experiences through independent exploration as well as structured environments. Maymont educators also present a variety of historical, environmental and after-school programs which meet the *Virginia Standard of Learning* lesson plans for Central Virginia school children K-12.

The Foundation is responsible for the maintenance, operation and improvement of the estate and must raise funds to keep the property open to the public. The major sources of revenue are contributions from the public, local foundations and corporations, local government subsidies, fundraising events, and revenue generated from program fees, facility rentals, special events, concessions, and investments. The Foundation is registered with the Virginia Department of Agriculture and Consumer Services to conduct charitable solicitations in the Commonwealth of Virginia.

In January 2012, the Foundation's board of directors approved *The Spirit of Generosity Campaign* with a goal to raise \$35 million to support a diverse array of infrastructure and sustainability needs. The campaign's major components include \$10 million for operating endowments, \$8 million for preservation and interpretation, \$2 million for guest amenities, and \$15 million for welcome plazas and Foundation headquarters. Through June 30, 2014, \$17,086,990 had been raised for the campaign, including the lead gift of \$5 million as well as a \$4 million gift restricted for endowment.

The current agreement between the City and the Foundation automatically terminates December 31, 2025, and may be terminated by the Foundation or the City upon 180 days notice subject to the provisions of the agreement. As of October 17, 2014, neither party has expressed an interest in termination of the contract and management believes the probability of termination is remote.

Note 2 - Summary of significant accounting policies

Basis of presentation – The accompanying consolidated financial statements include the resources and the financial activities of the Foundation and its affiliate, MFREH, LLC, a Virginia limited liability company, of which the Foundation is the sole member. MFREH, LLC was created in January 2014 to acquire certain real property in support of the Foundation's strategic goals. Any such acquisitions are included in the property and equipment listed in Note 8. The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP).

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2014

Note 2 – Summary of significant accounting policies (continued)

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. At June 30, 2014, planned gifts totaling \$956,950 with no donor restrictions were designated by the board of directors for treatment as a quasi-endowment. Additional net assets of \$237,224 as of June 30, 2014 with no donor restrictions were designated by the board for various capital projects and other strategic initiatives.

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

Permanently restricted assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Use of estimates - Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Future events and circumstances could alter those estimates.

Cash and cash equivalents - For cash flow reporting purposes, the Foundation's definition of cash and cash equivalents includes temporary investments of short-term, highly liquid investments with maturities of three months or less at the date of purchase.

Pledges receivable - Unconditional promises to give are recorded as receivables and revenue when received, and allowances are provided for amounts estimated to be uncollectible. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Inventory - Inventory consists of gift shop merchandise and café food items, and is valued at the lower of cost (first-in, first-out) or market.

Investments - Investments and funds held in trust are reported at fair value in the consolidated statement of financial position and primarily include assets held in The Richmond Fund, LP investment partnership. Donated stocks and other securities are recorded at fair value as of the date received. Interest, dividends, realized and unrealized gains and losses are reflected in the consolidated statement of activities.

Intangible assets - Intangible assets consists of two service marks—a stylized logo for Maymont and a swan icon. The cost associated with registering these designs with the U.S. Patent and Trademark Office is being amortized on a straight-line basis over the ten-year term of the registration. Accumulated amortization and amortization expense related to these assets was \$287 for the year ended June 30, 2014.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2014

Note 2 – Summary of significant accounting policies (continued)

Property and equipment - Under the operating agreement described in Note 1, the City has retained title to the property and assumes title to all improvements to the existing grounds and structures made by the Foundation. It is the policy of the Foundation to state improvements at cost, if purchased, or at fair value on the day of receipt, if contributed, in the consolidated financial statements in order to reflect the additions to *Maymont* made by the Foundation and its contributors. Equipment is also stated at cost if purchased, or at fair value if contributed. Both improvements and equipment are depreciated using the straight-line method over a term not to exceed the remaining term of the agreement noted above. The estimated useful lives are as follows:

	<u>Years</u>
Robins Nature and Visitor Center	10-25
Improvements	5-35
Equipment	3-10

Property and equipment also includes antiques and collections (Note 8) which consists of purchased antiques, exhibits, animals and tree replacements and are not depreciated.

Contributions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Functional expenses - Functional expenses for programs and supporting services are determined by assigning expenses to departments and projects defined as cost centers. Direct expenses are charged to the cost center where incurred. Indirect expenses or those shared across multiple cost centers are distributed based on various allocation factors appropriate for the circumstances. Additionally, total expenses for the marketing and public relations department are allocated between program and supporting services functions.

Vintage Maymont auctions – Revenue from the Vintage Maymont auction is shown net of expenses in the accompanying consolidated statement of activities. For the year ended June 30, 2014, auction revenue of \$279,462 is net of related costs of \$255,639 of which \$181,281 is the estimated fair value of goods and services donated for auction packages.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2014

Note 2 – Summary of significant accounting policies (continued)

Donated materials and services - Donated materials and equipment are reflected as contributions in the accompanying consolidated statements at their estimated fair values at date of receipt. During 2014, approximately 1,029 volunteers donated significant amounts of their time to the Foundation. Although no amounts have been reflected in the consolidated statements because they did not meet the criteria for recognition under GAAP, the estimated hours for donated services are as follows:

Area	Hours
Gardens and grounds	7,244
Maymont Mansion	3,963
Carriage collection	404
Robins Nature and Visitor Center	2,558
Wildlife exhibits and children's farm	903
Special events	2,242
Visitor services	149
Fundraising and administration	1,368
	<u>18,831</u>

Contributed legal services amounted to \$26,061 and are recorded in the consolidated financial statements for the year ended June 30, 2014.

Tax status - The Internal Revenue Service has determined that the Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Contributions to the Foundation are tax deductible as defined by Section 170 of the Code. In addition, the Internal Revenue Service has determined that the Foundation is not a “private foundation” within the meaning of Section 509(a)(1) of the Code. MFREH, LLC is treated as a disregarded entity for tax purposes and its activities are treated as activities of the Foundation. The Foundation is a partner in The Richmond Fund, LP, an investment limited partnership. Each partner reports its share of the Fund’s income or loss on its income tax return. Certain of the Fund’s investment transactions or transactions of MFREH, LLC may produce income taxable to the Foundation. Any tax liability arising from such transactions is expected to be minimal.

Management has concluded that the Foundation had no significant financial statement exposure to uncertain tax positions at June 30, 2014. The Foundation’s tax returns since 2011 remain open for examination by tax authorities. The Foundation is not currently under audit by any tax jurisdiction.

Advertising - The Foundation uses advertising to promote its programs among the visitors it serves. The costs of advertising are expensed as incurred. For the year ended June 30, 2014, advertising costs amounted to \$67,577.

Subsequent events - The Foundation has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2014 consolidated financial statements through October 17, 2014, 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.

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Notes to Consolidated Financial Statements June 30, 2014

Note 2 – Summary of significant accounting policies (concluded)

Comparative information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Reclassifications - Certain prior year balances have been reclassified to conform with the current year presentation.

Note 3 - Pledges receivable

Pledges receivable for Foundation operations, capital campaign, carriage exhibit, and various other projects are reported as temporarily restricted net assets as of June 30, 2014. These unconditional promises to give are to be received during years subsequent to June 30, 2014.

Receivable in less than one year	\$1,586,993
Receivable in one to four years	<u>4,234,325</u>
	5,821,318
Less: Discounts to net present value	215,600
Allowance for doubtful accounts	<u>111,800</u>
Net contributions receivable	<u>\$ 5,493,918</u>

Unconditional promises to give are primarily from individuals, foundations, and corporations located in metropolitan Richmond, from the City of Richmond, and from two government grants, and are reflected at the present value of estimated future cash flows using a discount rate of 1.6%.

Note 4 – Trusts and annuities

On August 23, 1999, a charitable remainder unitrust (CRUT) was created with the Foundation named as the trustee. The CRUT is valued annually on January 1st and quarterly payments equal to 6.5% of the fair value are distributed to the beneficiary. Upon the death of the beneficiary, any remaining CRUT assets will pass to the Foundation.

As of June 30, 2014, the Foundation had received contributions under three charitable gift annuity agreements. Under the terms of the contracts, the Foundation agrees to pay an annual annuity ranging from 8.3% to 10.5% of the original gift amount to the beneficiaries as long as they live. Payments under the agreements began December 31, 2007, December 31, 2008, and June 30, 2012 and are distributed either quarterly or semi-annually. Upon the death of the beneficiaries, any remaining assets are available for unrestricted use by the Foundation. The annuity assets are segregated as separate funds within the Foundation's investment in the Richmond Fund, LP and are not to be applied to payment of the debts and obligations of the Foundation or any other purpose other than annuity benefits specified in the agreements. This portfolio of assets meets all requirements concerning permissible investments and mandated reserves as required by law.

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Notes to Consolidated Financial Statements June 30, 2014

Note 5 – Investments

The Foundation is a partner in The Richmond Fund, LP (the Fund), an investment limited partnership that provides a vehicle for 501(c) organizations to achieve investment returns that mirror those of the University of Richmond's endowment through a blended rate of return agreement. Profits and losses of the Fund are allocated to each partner's capital account according to their respective interests in the Fund. The Foundation's funds that are available for long-term investment as well as assets restricted to gift annuity obligations are placed with the Fund. At June 30, 2014 the Fund consists of 22 partners and the Foundation's interest represents 1.1% of the total partnership capital.

The cost and fair value of investments at June 30, 2014 are summarized as follows:

	Cost	Fair Value
The Richmond Fund	\$ 12,370,694	\$ 16,361,889
Less: Charitable gift annuity assets	115,540	135,269
	12,255,154	16,226,620
Cash and cash equivalents restricted for long-term purposes	2,512,976	2,512,976
	<u>\$ 14,768,130</u>	<u>\$ 18,739,596</u>

Note 6 – Fair value measurements

Current accounting standards establish a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The levels of the hierarchy are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

The Foundation determines fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value the Foundation uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The Foundation has evaluated the various types of investment funds in its investment portfolio to determine an appropriate fair value hierarchy level based on trading activity and the observability of market inputs. Level 1 assets include cash and cash equivalents as well as assets held in a charitable remainder unitrust that are invested in a publicly traded open-end mutual fund for which net asset values are quoted daily. No assets met the criteria for classification as Level 2.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2014

Note 6 – Fair value measurements (continued)

The Foundation's long-term investments as well as assets restricted to charitable gift annuities are held in The Richmond Fund, LP (the Fund), an investment limited partnership. The Fund is a global macro hedge and currency asset fund that utilizes a broad spectrum of common and preferred stocks, worldwide futures contracts, global currencies, and forward contracts on currencies, commodities, energy products, interest-rates, and stock indices for its investment portfolio. Spider Management Company, a wholly-owned subsidiary of the University of Richmond, manages the Fund.

There are no contribution commitments for the Foundation and withdrawals can be made each calendar quarter with a minimum of 60 days advance notice. The Foundation was required to maintain a balance no less than the original contribution into the Fund of approximately \$6.3 million through January 2014.

Based on the terms of the partnership agreement, for fair value measurement the Foundation views its investment in the Fund as a single asset category. Due to the absence of quoted market prices and the significance of unobservable inputs in determining the value of its partnership capital account, this investment is classified as Level 3 within the fair value hierarchy. As a practical expedient, the Foundation has estimated the fair value of its investments in the Fund on the basis of the NAV per share of the investment (or its equivalent) because a) the underlying investment manager's calculation of NAV is fair value based, and b) the NAV has been calculated as of the Foundation's fiscal year end date.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2014 by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents restricted for long-term purposes	\$ 2,512,976	\$ -	\$ -	\$ 2,512,976
The Richmond Fund, excluding gift annuity assets	-	-	16,226,620	16,226,620
Total investments	2,512,976	-	16,226,620	18,739,596
Funds held in trust	110,008	-	-	110,008
The Richmond Fund, annuity assets	-	-	135,269	135,269
	<u>\$ 2,622,984</u>	<u>\$ -</u>	<u>\$ 16,361,889</u>	<u>\$ 18,984,873</u>

The following table summarizes changes in Level 3 assets measured at fair value on a recurring basis as of June 30, 2014:

Balance as of July 1, 2013	\$ 14,487,416
Total gains or losses (realized/unrealized), net	2,425,047
Additions	210,000
Redemptions	(550,000)
Investment expenses	(210,574)
Balance as of June 30, 2014	<u>\$ 16,361,889</u>

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2014

Note 6 – Fair value measurements (concluded)

Total net gains and losses (realized and unrealized) from Level 3 assets included in unrestricted net assets for the year ended June 30, 2014 are as follows:

Gains or losses included in unrestricted net assets	<u>\$ 389,065</u>
Investment expenses included in unrestricted net assets	<u>\$ 208,902</u>
Change in unrealized gains or losses relating to assets still held at year end	<u>\$ 326,798</u>

Note 7 – Endowment

The Foundation's endowment consists of eight individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) 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 stipulation to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The mission of the Foundation and the purpose of 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 Foundation
- The investment policies of the Foundation

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2014

Note 7 – Endowment (continued)

Endowment net assets consist of the following at June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,505,258	\$ 10,276,168	\$ 11,781,426
Board-designated endowment funds	956,950	-	-	956,950
Total endowment net assets	<u>\$ 956,950</u>	<u>\$ 1,505,258</u>	<u>\$ 10,276,168</u>	<u>\$ 12,738,376</u>

Changes in endowment net assets for the year ended June 30, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2013	\$ 630,293	\$ 574,387	\$ 9,745,168	\$ 10,949,848
Investment return:				
Investment income	10,319	125,035	-	135,354
Net appreciation	347,343	1,385,810	-	1,733,153
Total return	357,662	1,510,845	-	1,868,507
Contributions	16,980	-	531,000	547,980
Appropriation of endowment assets for expenditure	(47,985)	(579,974)	-	(627,959)
Endowment net assets, June 30, 2014	<u>\$ 956,950</u>	<u>\$ 1,505,258</u>	<u>\$ 10,276,168</u>	<u>\$ 12,738,376</u>

The Foundation has adopted investment and spending policies in conjunction with a comprehensive review of the returns and risks associated with various investment strategies in relation to current and projected financial requirements. The financial objectives are:

- Provide the funding support for the Foundation’s mission
- Preserve the purchasing power of the endowments current assets and all future contributions
- Achieve the return objective within reasonable and prudent levels of risk
- Maintain an appropriate asset allocation policy that is compatible with spending policy and return objective, while still having the potential to produce positive returns
- Retain flexibility in determining the future level of disbursements that may be affected by extraordinary market conditions or unexpected needs in the community
- Control the costs of administering the endowment and managing the investments
- Ensure that the management of the investment assets will be in strict compliance with all provision of relevant legislation

To satisfy these objectives, the Foundation 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). To minimize risk, the Foundation targets an investment portfolio constructed and maintained to provide prudent diversification with regard to concentration of holdings in individual issues, corporations or industries.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2014

Note 7 – Endowment (concluded)

The following represents the long term asset allocation policy:

<u>Asset Class</u>	<u>Long Term Desired Range</u>
Domestic equity	20 to 50%
Absolute return	10 to 25%
Opportunistic	10 to 25%
International equity	15 to 30%
Real assets	0 to 10%
Real estate	0 to 10%
Fixed income	0 to 10%
Cash	0 to 5%

The targeted annual appropriation rate for distribution from endowment funds is a maximum of 6% of the average three-year fair value (calculated by averaging the previous twelve quarters' fair values through the calendar-year-end preceding the fiscal year in which the distribution is planned). Single endowment gifts greater than \$2 million may be subject to an accelerated schedule during the first three years. The distribution is based on the gift value at December 31 and is calculated by subtracting 125 basis points and 75 basis points from the current target distribution rate in the first and second years respectively. In the third year the distribution is based on the average value over the existence of the gift and is calculated using the current target rate. Accordingly, the Foundation expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate approximating planned payouts. Additional growth will be provided through new gifts and any excess investment returns. In the event of extreme situations, the board may elect to suspend or alter the targeted annual appropriation rate or the method of calculation. For the year ended June 30, 2014, the appropriation rate was 5% with no adjustment to the method of calculation.

Note 8 - Property and equipment

Property and equipment consists of the following at June 30, 2014:

Land	\$ 153,306
Improvements	8,852,690
Robins Nature and Visitor Center	11,997,834
Furniture, fixtures, and equipment	1,992,456
Mansion Below Stairs	191,481
Antiques and collections	675,136
Construction-in-process	<u>1,778,254</u>
	25,641,157
Less: accumulated depreciation	<u>15,873,524</u>
	<u>\$ 9,767,633</u>

Construction-in-process includes \$1,763,813 related to the purchase of three parcels of real property in close proximity to *Maymont*. Planning is underway to determine the best use of these properties within the framework of the Foundation's site master plan, interpretative master plan, and long-term strategic goals.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2014

Note 9 – Lease obligation

The Foundation is the lessee of mowing equipment under a capital lease expiring in August 2019. At inception of the lease, the asset and related liability were recorded at the present value of the minimum lease payments. The asset is depreciated over the lease term of six years. Depreciation of the asset under the capital lease is included in depreciation expense for 2014.

Property held under the lease at June 30, 2014 is as follows:

Equipment	\$	19,557
Less accumulated depreciation		<u>2,988</u>
	\$	<u>16,569</u>

Minimum future payments under the capital lease, as of June 30, 2014, for each of the next five years and in the aggregate are:

2014	\$	4,201
2015		4,201
2016		4,201
2017		4,201
2018		<u>4,201</u>
Total minimum lease payments		21,005
Less amount representing interest		<u>5,649</u>
Present value of net minimum lease	\$	<u>15,356</u>

Note 10 – Short-term financing

The Foundation maintains an unsecured revolving line of credit that is renewed annually and incurs no commitment fees on unused amounts. For the credit line that expires on November 30, 2014, the Foundation can borrow up to \$250,000 and interest accrues at the bank's prime rate plus 1.0%, with a floor of 4.25%. There were no borrowings in 2014 and no amounts were outstanding as of June 30, 2014.

Note 11 – Retirement plan

The Maymont Foundation Retirement and Savings Plan is a 403(b) defined contribution salary deferral plan covering all eligible employees. Under the plan, a discretionary match up to a percentage of pay determined by the Foundation may be contributed for eligible employees. Other discretionary contributions may also be made.

For the year ended June 30, 2014, the Foundation matched 100% of the elective contributions made by participants up to a maximum of 2% of compensation. Expenses incurred for these contributions amounted to \$26,689.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2014

Note 12 - Restricted net assets

Temporarily restricted net assets are available for the following purposes at June 30, 2014:

<i>The Spirit of Generosity Campaign</i>	\$ 7,621,128
Robins Nature and Visitor Center	3,105,855
General endowment	1,158,049
Carriage collection	308,246
Maymont Mansion	269,380
Charitable gift annuities	55,564
Charitable remainder trust	37,471
Various purpose and timing restrictions	190,828
	<u>\$ 12,746,521</u>

Temporarily restricted net assets released from restriction by satisfying restricted purposes during the year ended June 30, 2014 are summarized as follows:

<i>The Spirit of Generosity Campaign</i>	\$ 704,088
Robins Nature and Visitor Center	453,448
Grounds & gardens	64,775
Various timing restrictions	378,493
	<u>\$ 1,600,804</u>

Permanently restricted net assets consist of the following at June 30, 2014:

General endowment	\$ 5,044,140
Robins Nature and Visitor Center endowment	4,489,428
Mansion endowment	522,000
Markel endowment	100,000
Grounds and garden endowment	80,000
Ikebana endowment	30,000
Etsuko Phillips memorial endowment	10,600
	<u>\$ 10,276,168</u>

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2014

Note 13 – Commitments and Concentrations

At June 30, 2014, commitments approximated \$667,000, primarily for project expenditures related to *The Spirit of Generosity Campaign* (Note 1).

The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers substantially all depository accounts up to \$250,000 per institution. The Foundation from time to time may have amounts on deposit in excess of the insured limit. As of June 30, 2014, no deposits exceeded this limit.

The Foundation's pledges receivable are unsecured and potentially subject the Foundation to concentration of credit risk. The ability to collect pledges resulting from fundraising efforts is affected by the general economic conditions and the honoring of pledges by donors. Approximately 86% of pledges receivable at June 30, 2014 is from two gifts related to *The Spirit of Generosity Campaign*.

The Foundation relies on public support, primarily contributions and grants, and generated revenue to meet its programmatic goals. Approximately 14% of revenue received for the year ending June 30, 2014 was from a major gift to *The Spirit of Generosity Campaign*.

Note 14 – Related party transactions

The Foundation is governed by an independent board of directors who receive no compensation for their services. The Foundation receives pledges from board members and during 2014 the total of such gifts was \$1,379,436. Pledges from board members outstanding at June 30, 2014 were \$1,322,432. During the year ended June 30, 2014, two board members were affiliated with law firms that contributed legal services totaling \$26,061.

One board member is a principal in an architectural firm which was paid \$57,951 for design and planning services. One board member is an attorney at a law firm which was paid \$6,211 for services pertaining to copyright and trademark matters. One board member is an officer in a firm that was paid \$13,193 for public relations services. The Foundation engages in other related party transactions in the normal course of its activities which are immaterial to the Foundation's consolidated financial statements. All such transactions are conducted under terms and conditions similar to transactions with unrelated parties.

MAYMONT FOUNDATION

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Norman O. Burns, II

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MAYMONT FOUNDATION

2014-2015 Board of Directors

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