

MAYMONT[®]

FOUNDATION

Consolidated Financial Statements and Accompanying Information

For the Year Ended
June 30, 2017

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

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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, 2017, 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 and Affiliate as of June 30, 2017, 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 and Affiliate's 2016 consolidated financial statements, and our report dated October 17, 2016 expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Keiter", with a long, sweeping horizontal stroke extending to the right.

October 23, 2017
Glen Allen, Virginia

MAYMONT FOUNDATION AND AFFILIATE

Consolidated Statement of Financial Position June 30, 2017 (With Comparative Totals for 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Assets					
Cash and cash equivalents	\$ 303,983	\$ 289,552	\$ -	\$ 593,535	\$ 357,168
Pledges and contributions receivable, net of allowance for doubtful accounts of \$112,000 in 2017 and \$118,000 in 2016	-	3,683,827	50,000	3,733,827	5,060,220
Other receivables, net	9,968	-	-	9,968	2,289
Inventory, gift shop	60,338	-	-	60,338	48,606
Prepaid expenses	85,123	-	-	85,123	102,813
Assets held in charitable remainder trust	-	98,009	-	98,009	91,664
Assets held in charitable gift annuities	-	111,221	-	111,221	117,982
Investments	1,360,309	6,378,834	10,877,622	18,616,765	18,744,752
Intangible assets, net	5,878	-	-	5,878	6,759
Property and equipment, net	12,095,885	-	-	12,095,885	10,006,303
Total assets	<u>\$ 13,921,484</u>	<u>\$ 10,561,443</u>	<u>\$ 10,927,622</u>	<u>\$ 35,410,549</u>	<u>\$ 34,538,556</u>
Liabilities and net assets					
Liabilities					
Accounts payable	\$ 57,143	\$ 156,514	\$ -	\$ 213,657	\$ 289,371
Accrued expenses	258,696	-	-	258,696	226,731
Capital lease obligation	-	7,153	-	7,153	10,188
Charitable remainder trust obligation	-	60,483	-	60,483	57,897
Charitable gift annuity obligations	-	74,191	-	74,191	79,048
Deferred revenue	142,409	-	-	142,409	214,742
Total liabilities	<u>458,248</u>	<u>298,341</u>	<u>-</u>	<u>756,589</u>	<u>877,977</u>
Net assets					
Unrestricted	13,463,236	-	-	13,463,236	11,145,594
Temporarily restricted	-	10,263,102	-	10,263,102	11,619,567
Permanently restricted	-	-	10,927,622	10,927,622	10,895,418
Total net assets	<u>13,463,236</u>	<u>10,263,102</u>	<u>10,927,622</u>	<u>34,653,960</u>	<u>33,660,579</u>
Total liabilities and net assets	<u>\$ 13,921,484</u>	<u>\$ 10,561,443</u>	<u>\$ 10,927,622</u>	<u>\$ 35,410,549</u>	<u>\$ 34,538,556</u>

See notes to consolidated financial statements.

MAYMONT FOUNDATION AND AFFILIATE

Consolidated Statement of Activities For the Year Ended June 30, 2017 (With Comparative Totals for 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public support and revenue					
Public support					
Contributions					
Individuals	\$ 485,241	\$ 767,518	\$ 32,204	\$ 1,284,963	\$ 848,662
Corporate	54,751	34,400	-	89,151	112,811
Other	59,966	2,825	-	62,791	363,031
In-kind	13,167	25,000	-	38,167	40,893
Grants					
Private foundation	186,750	544,784	-	731,534	1,410,588
Government	38,106	11,630	-	49,736	166,606
Operating subsidy, City of Richmond and Counties of Chesterfield, Henrico and Hanover	457,350	-	-	457,350	569,300
Total public support	<u>1,295,331</u>	<u>1,386,157</u>	<u>32,204</u>	<u>2,713,692</u>	<u>3,511,891</u>
Revenue					
Memberships	52,044	-	-	52,044	45,748
Adopt An Animal contributions	46,248	-	-	46,248	41,252
Gardens and grounds donations and fees	54,594	-	-	54,594	58,573
Maymont Mansion donations and fees	237,948	-	-	237,948	164,943
Carriage collection fees	9,356	-	-	9,356	8,410
Nature and visitor center donations and fees	267,863	-	-	267,863	178,321
Wildlife exhibits and children's farm donations and fees	16,654	-	-	16,654	27,138

See notes to consolidated financial statements.

MAYMONT FOUNDATION AND AFFILIATE

Consolidated Statement of Activities (continued) For the Year Ended June 30, 2017 (With Comparative Totals for 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public support and revenue (concluded)					
Vintage Maymont auction, net	\$ 276,318	\$ -	\$ -	\$ 276,318	\$ 303,688
Fundraising events, net	41,910	-	-	41,910	28,694
Community events	120,215	3,315	-	123,530	127,228
Facility rentals	297,755	-	-	297,755	276,440
Gift shop sales	74,198	-	-	74,198	68,867
Concessions	32,503	-	-	32,503	14,551
Interest and dividends	12,795	144,248	-	157,043	128,869
Realized/unrealized gain (loss) on investments	330,802	1,589,779	-	1,920,581	(809,423)
Change in value of split interest agreements	-	1,854	-	1,854	(24,992)
Loss on disposal of property and equipment	-	-	-	-	(210,780)
Miscellaneous	14,047	-	-	14,047	13,353
	<u>1,885,250</u>	<u>1,739,196</u>	<u>-</u>	<u>3,624,446</u>	<u>440,880</u>
Total revenue, net					
	1,885,250	1,739,196	-	3,624,446	440,880
Total public support and revenue	3,180,581	3,125,353	32,204	6,338,138	3,952,771
Net assets released from restriction					
Satisfaction of restrictions	4,481,818	(4,481,818)	-	-	-
	<u>4,481,818</u>	<u>(4,481,818)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support, revenue and reclassifications	7,662,399	(1,356,465)	32,204	6,338,138	3,952,771

MAYMONT FOUNDATION AND AFFILIATE

Consolidated Statement of Activities (concluded) For the Year Ended June 30, 2017 (With Comparative Totals for 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Functional expenses					
Program services					
Gardens and grounds	\$ 1,123,512	\$ -	\$ -	\$ 1,123,512	\$ 1,150,369
Maymont Mansion	515,637	-	-	515,637	428,652
Carriage collection	68,913	-	-	68,913	69,713
Nature and visitor center	936,357	-	-	936,357	1,013,346
Wildlife exhibits and children's farm	564,725	-	-	564,725	583,091
Special events and rentals	422,736	-	-	422,736	366,840
Visitor services	297,669	-	-	297,669	294,119
Total program services	<u>3,929,549</u>	<u>-</u>	<u>-</u>	<u>3,929,549</u>	<u>3,906,130</u>
Supporting services					
Administrative and general	896,921	-	-	896,921	1,084,476
Fundraising	518,287	-	-	518,287	493,048
Total supporting services	<u>1,415,208</u>	<u>-</u>	<u>-</u>	<u>1,415,208</u>	<u>1,577,524</u>
Total functional expenses	<u>5,344,757</u>	<u>-</u>	<u>-</u>	<u>5,344,757</u>	<u>5,483,654</u>
Change in net assets	2,317,642	(1,356,465)	32,204	993,381	(1,530,883)
Net assets, beginning of year	<u>11,145,594</u>	<u>11,619,567</u>	<u>10,895,418</u>	<u>33,660,579</u>	<u>35,191,462</u>
Net assets, end of year	<u>\$ 13,463,236</u>	<u>\$ 10,263,102</u>	<u>\$ 10,927,622</u>	<u>\$ 34,653,960</u>	<u>\$ 33,660,579</u>

MAYMONT FOUNDATION AND AFFILIATE

Consolidated Statements of Cash Flows For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 993,381	\$ (1,530,883)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	953,843	774,759
Realized/unrealized (gain) loss on investments	(1,920,581)	809,423
Loss on disposal of property and equipment	-	210,780
Change in value of split interest agreements	(1,854)	24,992
Contributions restricted for long-term purposes	(1,341,099)	(1,801,748)
Net contributions restricted for charitable gift annuity	-	(5,891)
Changes in operating assets and liabilities		
(Increase) decrease in:		
Pledges and contributions receivable	174,572	1,623
Other receivables	(7,679)	14,954
Gift shop inventory	(11,732)	(28,168)
Prepaid expenses	17,690	1,608
Increase (decrease) in:		
Accounts payable	(75,713)	83,195
Accrued expenses	31,964	(8,218)
Deferred revenue	(72,333)	15,610
Net cash used in operating activities	(1,259,541)	(1,437,964)
Cash flows from investing activities:		
Purchases of property and equipment	(3,042,544)	(1,788,870)
Proceeds from sale of property and equipment	-	11,700
Purchases of investments	(150,594)	(715,377)
Proceeds from sale of investments	2,199,162	1,268,822
Net cash used in investing activities	(993,976)	(1,223,725)
Cash flows from financing activities:		
Proceeds from contributions restricted for investment in endowment	43,955	358,210
Proceeds from contributions restricted for purchasing property and equipment	2,448,964	2,161,710
Payments on capital lease obligations	(3,035)	(2,724)
Net cash provided by financing activities	2,489,884	2,517,196
Net increase (decrease) in cash and cash equivalents	236,367	(144,493)
Cash and cash equivalents		
Beginning of year	357,168	501,661
End of year	\$ 593,535	\$ 357,168
Supplemental cash flow information		
Cash paid for interest	\$ 1,165	\$ 1,477

MAYMONT FOUNDATION AND AFFILIATE

Consolidated Statement of Functional Expenses For the Year Ended June 30, 2017 (With Comparative Totals for 2016)

	2017									2016	
	Program Services						Supporting Services			Total	Total
	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		
Human resources	\$ 724,393	\$ 288,258	\$ 56,743	\$ 364,072	\$ 221,382	\$ 257,476	\$ 193,951	\$ 437,832	\$ 400,183	\$ 2,944,290	\$ 2,872,660
Professional fees	48,736	70,250	912	3,040	23,307	65,863	29,401	237,966	47,223	526,698	921,492
Supplies	55,065	18,807	5,072	37,502	42,294	20,109	4,943	10,872	18,972	213,636	191,069
Postage and shipping	26	874	4	734	1	312	916	811	5,770	9,448	8,837
Occupancy	103,930	25,399	524	119,666	37,386	8,336	5,347	94,574	5,569	400,731	402,971
Equipment rental and repair	15,927	4,813	2,643	4,364	3,003	36,013	10,189	12,335	18,775	108,062	100,542
Printing and publications	572	2,622	194	814	1,014	5,994	6,735	513	16,718	35,176	35,892
Professional development	1,601	1,792	1,227	5,805	1,784	476	813	5,495	2,848	21,841	19,967
Miscellaneous	-	-	-	-	-	-	26	50,985	-	51,011	70,708
Cost of goods sold	-	-	-	-	-	-	41,854	-	-	41,854	43,864
Gift-in-kind, operating expense	-	625	-	-	149	4,082	50	32,170	1,091	38,167	40,893
Subtotal	<u>950,250</u>	<u>413,440</u>	<u>67,319</u>	<u>535,997</u>	<u>330,320</u>	<u>398,661</u>	<u>294,225</u>	<u>883,553</u>	<u>517,149</u>	<u>4,390,914</u>	<u>4,708,895</u>
Depreciation and amortization	<u>173,262</u>	<u>102,197</u>	<u>1,594</u>	<u>400,360</u>	<u>234,405</u>	<u>24,075</u>	<u>3,444</u>	<u>13,368</u>	<u>1,138</u>	<u>953,843</u>	<u>774,759</u>
Total	<u>\$ 1,123,512</u>	<u>\$ 515,637</u>	<u>\$ 68,913</u>	<u>\$ 936,357</u>	<u>\$ 564,725</u>	<u>\$ 422,736</u>	<u>\$ 297,669</u>	<u>\$ 896,921</u>	<u>\$ 518,287</u>	<u>\$ 5,344,757</u>	<u>\$ 5,483,654</u>

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2017

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 a 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. Phase I of the campaign has a goal of \$25 million including \$18 million for various capital improvements and \$7 million for operating endowments. Through June 30, 2017, \$23.2 million had been raised, including \$16.7 million for capital projects and \$6.5 million for endowments.

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 23, 2017, 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 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). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2017

Note 2 – Summary of significant accounting policies (continued)

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, 2017, planned gifts totaling \$1,130,869 with no donor restrictions were designated by the board of directors for treatment as a quasi-endowment. Additional net assets of \$94,951 as of June 30, 2017 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 consolidated 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 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 design of Maymont and a swan logo. 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 was \$2,928 as of June 30, 2017 and amortization expense was \$881 for the year ended June 30, 2017.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2017

Note 2 – Summary of significant accounting policies (continued)

Amortization expense on the assets is expected to be \$881 annually over the next 5 years and \$1,473 thereafter.

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>
Improvements	5-35
Robins Nature and Visitor Center	10-25
Furniture, fixtures, and equipment	3-10
Mansion below stairs exhibit	5-7

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.

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, 2017, auction revenue of \$276,318 is net of related costs of \$214,480 of which \$145,145 is the estimated fair value of goods and services donated for auction packages.

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, 2017 advertising costs amounted to \$86,993.

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.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2017

Note 2 – Summary of significant accounting policies (continued)

For the year ended June 30, 2017, expenses related to *The Spirit of Generosity Campaign*, primarily for project planning and design, are included in the functional areas as follows:

Area	Amount
Gardens and grounds	\$ 62,475
Maymont Mansion	60,613
Wildlife exhibits and children's farm	20,240
Events	27,116
Program services	170,444
Administrative and general	99,858
Fundraising	4,663
Supporting services	104,521
Total	\$ 274,965

Donated materials and services - Donated materials and equipment are reflected as contributions in the accompanying consolidated financial statements at their estimated fair values at date of receipt. During 2017, approximately 1,509 volunteers donated significant amounts of their time to the Foundation. Although no amounts have been reflected in the consolidated financial 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	5,992
Maymont Mansion	4,345
Carriage collection	275
Robins Nature and Visitor Center	2,798
Wildlife exhibits and children's farm	1,034
Special events	2,070
Visitor services	57
Fundraising and administration	1,601
	18,172

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2017

Note 2—Summary of significant accounting policies (concluded)

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. There is no known tax liability as of June 30, 2017.

Management has concluded that the Foundation had no significant financial statement exposure to uncertain tax positions at June 30, 2017. The Foundation is not currently under audit by any tax jurisdiction.

Subsequent events - The Foundation has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2017 consolidated financial statements through October 23, 2017, the date the consolidated financial statements were available to be issued, and has determined that there are no subsequent events to be reported.

Comparative information - The consolidated 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 consolidated financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Note 3 - Pledges and contributions receivable

Pledges receivable for Foundation operations, capital campaign, and various other projects are reported as temporarily restricted net assets as of June 30, 2017. These unconditional promises to give are to be received during years subsequent to June 30, 2017.

Receivable in less than one year	\$2,216,947
Receivable in one to five years	1,432,227
Receivable in more than five years	<u>363,153</u>
	4,012,327
Less: Discounts to net present value	166,500
Allowance for doubtful accounts	<u>112,000</u>
Net pledges receivable	<u>\$ 3,733,827</u>

Unconditional promises to give are primarily from individuals, foundations, and corporations located in metropolitan Richmond, from the City of Richmond, and a government grant, and are reflected at the present value of estimated future cash flows using a discount rate of 1.9% for receivables due within four years and 2.6% for the pledge receivable due over seventeen years.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2017

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, 2017, the Foundation had received contributions under five charitable gift annuity agreements. Under the terms of the contracts, the Foundation agrees to pay an annual annuity ranging from 8.0% 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, June 30, 2012, March 31, 2015 and September 30, 2016. All payments are distributed either quarterly or semi-annually. Upon the death of the beneficiaries, any remaining assets are available for general endowment or 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.

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, 2017, the Fund consists of 29 partners and the Foundation's interest represents .8% of the total partnership capital.

The cost and fair value of investments at June 30, 2017 are summarized as follows:

	Cost	Fair Value
The Richmond Fund	\$ 13,800,034	\$ 16,619,889
Less: Charitable gift annuity assets	99,897	111,221
	13,700,137	16,508,668
Cash and cash equivalents restricted for long-term purposes	2,108,097	2,108,097
	\$ 15,808,234	\$ 18,616,765

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2017

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 or Level 3.

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.

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. 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. Therefore in accordance with accounting guidance, the value of these investments is excluded from the fair value hierarchy.

The following table summarizes the Foundation's investments measured at fair value using net asset value per share as of June 30, 2017:

<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
\$ 16,619,889	N/A	Quarterly	60 days

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2017

Note 6 – Fair value measurements (concluded)

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2017:

	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents restricted for long-term purposes	\$ 2,108,097	\$ 2,108,097
The Richmond Fund, excluding gift annuity assets	-	16,508,668
Total investments	2,108,097	18,616,765
Funds held in trust	98,009	98,009
The Richmond Fund, gift annuity assets	-	111,221
	<u>\$ 2,206,106</u>	<u>\$ 18,825,995</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, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by 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, 2017

Note 7 – Endowment (continued)

Endowment net assets consist of the following at June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,306,307	\$ 10,927,622	\$ 12,233,929
Board-designated endowment funds	1,130,869	-	-	1,130,869
Total endowment net assets	<u>\$ 1,130,869</u>	<u>\$ 1,306,307</u>	<u>\$ 10,927,622</u>	<u>\$ 13,364,798</u>

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2016	\$ 835,013	\$ 713,171	\$ 10,895,418	\$ 12,443,602
Investment return:				
Investment income	9,719	106,230	-	115,949
Net appreciation	296,912	1,174,239	-	1,471,151
Total return	306,631	1,280,469	-	1,587,100
Contributions	47,049	-	32,204	79,253
Appropriation of endowment assets for expenditure	(57,824)	(687,333)	-	(745,157)
Endowment net assets, June 30, 2017	<u>\$ 1,130,869</u>	<u>\$ 1,306,307</u>	<u>\$ 10,927,622</u>	<u>\$ 13,364,798</u>

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 the Act require the Foundation to retain as a fund of perpetual duration in accordance with GAAP. These deficiencies are recorded in unrestricted net assets until restored. There were no deficiencies of this nature as of June 30, 2017.

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 endowment’s 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

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2017

Note 7 – Endowment (concluded)

- 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

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 proceeding 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, 2017, the appropriation rate was 5% with no adjustment to the method of calculation.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2017

Note 8 - Property and equipment

Property and equipment consists of the following at June 30, 2017:

Land	\$	259,168
Improvements		12,089,175
Robins Nature and Visitor Center		12,306,999
Furniture, fixtures, and equipment		1,529,385
Mansion below stairs exhibit		176,701
Antiques and collections		691,175
Construction-in-process		<u>1,867,872</u>
		28,920,475
Less: accumulated depreciation		<u>16,824,590</u>
	\$	<u>12,095,885</u>

Construction-in-process includes \$1,826,129 related to real estate acquisition and planning for a project encompassing a new gateway entrance at the farm, meeting and event facilities, and Foundation offices. Remaining amounts relate to various other improvement projects in process.

Note 9 – Leasing activities

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 2017.

Property held under the lease at June 30, 2017 is as follows:

Equipment	\$	19,557
Less accumulated depreciation		<u>12,766</u>
	\$	<u>6,791</u>

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2017

Note 9 – Leasing activities (concluded)

Minimum future payments under the capital lease, as of June 30, 2017, for each of the next two fiscal years and in the aggregate are:

2018	\$	4,201
2019		<u>4,201</u>
Total minimum lease payments		8,402
Less amount representing interest		<u>1,249</u>
Present value of net minimum lease	\$	<u><u>7,153</u></u>

The Foundation also leases office equipment under various operating leases. Rental expense totaled \$8,164 for 2017. Minimum future payments under the operating leases, as of June 30, 2017 are as follows:

2018	\$	7,135
2019		6,504
2020		6,504
2021		<u>3,252</u>
Total	\$	<u><u>23,395</u></u>

Note 10 – Available financing

The Foundation maintains an unsecured revolving line of credit that is renewed annually. For the credit line that expires on June 30, 2018, the Foundation can borrow up to \$250,000 and interest accrues at the bank's prime rate plus .5%, with a floor of 4.25%. There were no borrowings in 2017 and no amounts were outstanding as of June 30, 2017.

The Foundation also has available a \$4 million unsecured line of credit expiring October 15, 2020 at a floating rate of the 30-day London Interbank Offered Rate (LIBOR) plus 2.4%, subject to certain other covenants, conditions, and requirements. The line of credit will be used to fund construction projects in advance of cash received from pledge payments related to *The Spirit of Generosity Campaign*. There were no borrowings in 2017 and no amounts outstanding as of June 30, 2017.

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, 2017, 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 \$20,634.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2017

Note 12 - Restricted net assets

Temporarily restricted net assets are available for the following purposes at June 30, 2017:

<i>The Spirit of Generosity Campaign</i>	\$	6,276,905
Robins Nature and Visitor Center		1,964,564
General endowment earnings		1,030,747
Carriage collection		294,171
Maymont Mansion		348,723
Charitable gift annuities		37,029
Charitable remainder trust		37,526
Various purpose and timing restrictions		273,437
		<u>273,437</u>
	\$	<u>10,263,102</u>

Temporarily restricted net assets released from restriction by satisfying restricted purposes during the year ended June 30, 2017 are summarized as follows:

<i>The Spirit of Generosity Campaign</i>	\$	3,469,241
Robins Nature and Visitor Center		466,136
General endowment earnings		357,229
Maymont Mansion		31,833
Various purpose and timing restrictions		157,379
		<u>157,379</u>
	\$	<u>4,481,818</u>

Permanently restricted net assets consist of the following at June 30, 2017:

General endowment	\$	5,119,140
Robins Nature and Visitor Center endowment		4,489,428
Mansion endowment		1,078,454
Markel endowment		100,000
Grounds and garden endowment		100,000
Ikebana endowment		30,000
Etsuko Phillips memorial endowment		10,600
		<u>10,600</u>
	\$	<u>10,927,622</u>

Note 13 – Commitments and concentrations

At June 30, 2017, commitments approximated \$363,134, primarily for project expenditures related to *The Spirit of Generosity Campaign*.

The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2017

Note 13 – Commitments and concentrations (concluded)

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, 2017, deposits at two banks exceeded the insured limit by a total of \$1,730,250.

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 77% of pledges receivable at June 30, 2017 was from four gifts related 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 2017 the total of such gifts was \$336,111. Pledges from board members outstanding at June 30, 2017 were \$306,015. During the year ended June 30, 2017, one board members was affiliated with a law firm that contributed legal services totaling \$7,170.

One board member is a principal in an architectural firm which was paid \$175,048 for design and planning services, and as of June 30, 2017, the Foundation does not have an outstanding balance with the architectural firm for similar 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.

Note 15 – New accounting guidance

In August 2016, FASB issued ASU No. 2016-14, "Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities", which both simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to the various stakeholders, including management, directors, lenders, and donors. Key changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets—net assets with donor restrictions and net assets without donor restrictions
- Changes the net asset classification of the underwater amounts of donor-restricted endowment funds to be shown as a component of *net assets with donor restrictions* and requires additional disclosures for underwater endowment funds
- Requires all not-for-profits to provide expenses by nature and function
- Requires expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources

The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Foundation has elected not to early adopt this ASU and intends to adopt it prior to the required transition date.

MAYMONT FOUNDATION

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Janet Dibbs	Secretary
Duane A. Deskevich	Past President

Life Trustee

E. Claiborne Robins, Jr.

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Executive Director

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MAYMONT FOUNDATION

2017-2018 Board of Directors

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Gary Gore	Brooks M. Smith
Mitch Haddon	Judith F. Starkey
H. Randolph Holmes, Jr	Ron Stallings
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Steven McKay	Hon. Frank J. Thornton
H. Randolph Holmes, Jr.	Cal Whitehead
Van Knick	Christopher Winslow

Executive Director

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