

MAYMONT[®]

FOUNDATION

Consolidated Financial Statements and Accompanying Information

For the Year Ended
June 30, 2019

Mission:

Maymont Foundation is committed to creating experiences that delight, educate and inspire.

Guiding Principles:

As the organization entrusted with caring for this important public space, we believe in ...

Remaining true to the Dooleys' vision of Maymont as a Park and Museum for Everyone,
in this and future generations.

Serving as an exceptional asset to the City of Richmond and its citizens to help establish
Richmond among the great cities of this nation.

Fostering community engagement, citizen leadership and private philanthropy - the three
keys to ensuring Maymont's purpose endures.

MAYMONT FOUNDATION

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Contents

	Page
Report of Independent Accountants	1
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4-5
Consolidated Statement of Cash Flows	6
Consolidated Statement of Functional Expenses.....	7
Notes to Consolidated Financial Statements	8-22
2018-2019 Board of Directors	23
2019-2020 Board of Directors	24

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, 2019, 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, 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Foundation adopted Accounting Standards Update (“ASU”) 2016-14, “Presentation of Financial Statements of Not-for-Profit Entities” (Topic 958). As a result of this adoption, net assets are now presented as net assets without donor restrictions and net assets with donor restrictions. In addition, there are additional disclosures related to an analysis of expenses by function and nature, endowment net assets, and disclosures of quantitative and qualitative information regarding liquidity and availability of resources. The adoption resulted in the reclassification of certain net asset balances as of July 1, 2018. Our opinion is not modified with respect to this matter.

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

November 15, 2019
Glen Allen, Virginia

MAYMONT FOUNDATION AND AFFILIATE

Consolidated Statement of Financial Position June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash and cash equivalents	\$ 341,843	\$ 515,771	\$ 857,614
Pledges and contributions receivable, net of allowance for doubtful accounts of \$61,000	-	1,128,954	1,128,954
Other receivables, net	51,214	4	51,218
Inventory, gift shop	55,031	-	55,031
Prepaid expenses	144,470	-	144,470
Assets held in charitable gift annuities	-	77,790	77,790
Investments	1,900,771	18,172,578	20,073,349
Intangible assets, net	4,117	-	4,117
Property and equipment, net	8,044,711	4,645,794	12,690,505
Total assets	\$ 10,542,157	\$ 24,540,891	\$ 35,083,048
Liabilities and net assets			
Liabilities			
Accounts payable	\$ 67,752	\$ 122,041	\$ 189,793
Accrued expenses	279,879	-	279,879
Capital lease obligation	-	10,617	10,617
Charitable gift annuity obligations	-	64,336	64,336
Deferred revenue	94,012	-	94,012
Total liabilities	441,643	196,994	638,637
Net assets			
Without donor restrictions	10,100,514	-	10,100,514
With donor restrictions	-	24,343,897	24,343,897
Total net assets	10,100,514	24,343,897	34,444,411
Total liabilities and net assets	\$ 10,542,157	\$ 24,540,891	\$ 35,083,048

MAYMONT FOUNDATION AND AFFILIATE

Consolidated Statement of Activities For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue			
Public support			
Contributions			
Individuals	\$ 565,373	\$ 933,836	\$ 1,499,209
Corporate	289,734	146,878	436,612
Other	152,278	56,300	208,578
In-kind	34,386	-	34,386
Grants			
Private foundation	234,500	177,720	412,220
Government	38,106	120,005	158,111
Operating subsidy, City of Richmond and Counties of Chesterfield, Henrico and Hanover	587,000	-	587,000
Total public support	<u>1,901,377</u>	<u>1,434,739</u>	<u>3,336,116</u>
Revenue			
Memberships	54,262	-	54,262
Gardens and grounds donations and fees	95,645	-	95,645
Maymont Mansion donations and fees	287,461	-	287,461
Carriage collection donations and fees	23,556	-	23,556
Nature and visitor center donations and fees	290,045	-	290,045
Wildlife exhibits and farm donations and fees	35,251	-	35,251
Vintage Maymont auction	308,404	-	308,404
Other fundraising events	79,940	-	79,940
Community events	165,436	-	165,436
Facility rentals	340,282	-	340,282
Gift shop sales	47,491	-	47,491
Concessions	47,847	-	47,847
Interest and dividends, net	17,334	212,846	230,180
Realized/unrealized gain on investments, net	3,274	534,245	537,519
Change in value of split interest agreements	-	(12,624)	(12,624)
Gain on disposal of property and equipment	74,193	-	74,193
Miscellaneous	5,442	-	5,442
Total revenue	<u>1,875,863</u>	<u>734,467</u>	<u>2,610,330</u>
Total public support and revenue	3,777,240	2,169,206	5,946,446
Net assets released from restriction			
Satisfaction of restrictions	<u>1,397,019</u>	<u>(1,397,019)</u>	<u>-</u>
Total public support, revenue and reclassifications	<u>5,174,259</u>	<u>772,187</u>	<u>5,946,446</u>

MAYMONT FOUNDATION AND AFFILIATE

Consolidated Statement of Activities (concluded) For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Functional expenses			
Program services			
Gardens and grounds	\$ 1,054,566	\$ -	\$ 1,054,566
Maymont Mansion	550,589	-	550,589
Carriage collection	84,081	-	84,081
Nature and visitor center	1,188,804	-	1,188,804
Wildlife exhibits and farm	849,107	-	849,107
Special events and rentals	443,238	-	443,238
Visitor services	319,101	-	319,101
Total program services	4,489,486	-	4,489,486
Supporting services			
Administrative and general	645,475	-	645,475
Fundraising	923,482	-	923,482
Total supporting services	1,568,957	-	1,568,957
Total functional expenses	6,058,443	-	6,058,443
Change in net assets	(884,184)	772,187	(111,997)
Net assets, beginning of year			
As previously reported	13,037,873	21,518,535	34,556,408
Reclassifications under ASU 2016-14 (Note 2)	(2,053,175)	2,053,175	-
As reclassified	10,984,698	23,571,710	34,556,408
Net assets, end of year	\$ 10,100,514	\$ 24,343,897	\$ 34,444,411

MAYMONT FOUNDATION AND AFFILIATE

Consolidated Statements of Cash Flows For the Year Ended June 30, 2019

Cash flows from operating activities:	
Change in net assets	\$ (111,997)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	1,271,255
Realized/unrealized gain on investments, net	(537,519)
Gain on disposal of property and equipment	(74,193)
Change in value of split interest agreements	12,624
Contributions restricted for long-term purposes	(1,018,940)
Changes in operating assets and liabilities	
Increase in:	
Pledges and contributions receivable	(58,872)
Other receivables	(25,701)
Gift shop inventory	(973)
Prepaid expenses	(35,718)
Increase (decrease) in:	
Accounts payable	53,550
Accrued expenses	20,466
Deferred revenue	(58,717)
Net cash used in operating activities	<u>(564,735)</u>
Cash flows from investing activities:	
Purchases of property and equipment	(2,843,387)
Proceeds from sale of property and equipment	251,411
Purchases of investments	(6,667,637)
Proceeds from sale of investments	<u>8,051,553</u>
Net cash used in investing activities	<u>(1,208,060)</u>
Cash flows from financing activities:	
Proceeds from termination of gift annuity agreement	5,149
Proceeds from contributions restricted for purchasing property and equipment	1,642,801
Payments on capital lease obligations	<u>(6,378)</u>
Net cash provided by financing activities	<u>1,641,572</u>
Net decrease in cash and cash equivalents	(131,223)
Cash and cash equivalents	
Beginning of year	<u>988,837</u>
End of year	<u><u>\$ 857,614</u></u>
Supplemental cash flow information	
Cash paid for interest	<u><u>\$ 522</u></u>

MAYMONT FOUNDATION AND AFFILIATE

Consolidated Statement of Functional Expenses For the Year Ended June 30, 2019

	Program Services							Supporting Services		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	\$ 632,543	\$ 315,276	\$ 66,665	\$ 458,812	\$ 258,306	\$ 267,733	\$ 224,897	\$ 421,974	\$ 533,703	\$ 3,179,909
Professional fees	568	45,587	1,037	154,822	16,413	50,744	35,059	45,542	44,080	393,852
Supplies	56,644	20,685	9,490	45,903	50,537	19,321	6,080	15,573	20,475	244,708
Postage and shipping	17	887	339	633	-	249	1,400	842	5,522	9,889
Occupancy	116,840	32,315	643	112,811	32,438	16,442	3,824	86,690	6,075	408,078
Equipment rental and repair	21,195	12,832	845	4,484	1,648	56,524	10,472	17,889	19,608	145,497
Printing and publications	568	1,248	1,149	1,414	109	5,499	8,197	595	19,936	38,715
Professional development	2,191	2,555	2,015	6,491	1,577	30	422	6,701	3,207	25,189
Vintage Maymont auction	-	-	-	-	-	-	-	-	223,502	223,502
Other fundraising events	-	-	-	-	-	-	-	-	43,432	43,432
Miscellaneous	-	-	-	-	-	-	-	12,715	249	12,964
Cost of goods sold	-	-	-	-	-	-	27,067	-	-	27,067
Gift-in-kind, operating expense	1,136	1,725	126	850	101	3,488	374	24,295	2,291	34,386
Subtotal	<u>831,702</u>	<u>433,110</u>	<u>82,309</u>	<u>786,220</u>	<u>361,129</u>	<u>420,030</u>	<u>317,792</u>	<u>632,816</u>	<u>922,080</u>	<u>4,787,188</u>
Depreciation and amortization	<u>222,864</u>	<u>117,479</u>	<u>1,772</u>	<u>402,584</u>	<u>487,978</u>	<u>23,208</u>	<u>1,309</u>	<u>12,659</u>	<u>1,402</u>	<u>1,271,255</u>
Total	<u>\$ 1,054,566</u>	<u>\$ 550,589</u>	<u>\$ 84,081</u>	<u>\$ 1,188,804</u>	<u>\$ 849,107</u>	<u>\$ 443,238</u>	<u>\$ 319,101</u>	<u>\$ 645,475</u>	<u>\$ 923,482</u>	<u>\$ 6,058,443</u>

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2019

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, 2019, \$24.7 million had been raised, including \$18.2 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 November 15, 2019, 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 9. The consolidated financial statements have been prepared on the accrual basis 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, 2019

Note 2 – Summary of significant accounting policies (continued)

Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time. At June 30, 2019, net assets without restrictions totaling \$49,242 were designated by the board of directors as quasi-endowment and \$1,325,711 were designated by the board of directors for projects associated with the *Spirit of Generosity Campaign*.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. 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.

Newly Adopted Accounting Standards – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, “*Presentation of Financial Statements of Not-for-Profit Entities*” (Topic 958). The ASU amends the current reporting model for not-for-profit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all not-for-profits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of not-for-profit financial statements. The Foundation has adopted this ASU as of and for the year ended June 30, 2019, and resulted in the reclassification of certain net asset balances as of July 1, 2018.

The FASB issued ASU No. 2018-08, “Not for Profit Entities (Topic 958): Clarifying the scope and Accounting Guidance for Contributions Received and Contributions Made”, which presents a new methodology for determining whether a grant of contribution received or made should be accounted for as an exchange transaction or as a contribution. The Foundation has elected to early adopt this ASU.

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.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2019

Note 2 – Summary of significant accounting policies (continued)

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 include assets held in The Richmond Fund, LP (TRF) investment partnership and with Commonfund Asset Management Company, Inc. (CAMC). Donated stocks and other securities are recorded at fair value as of the date received. Interest, dividends, realized and unrealized gains and losses and expenses 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. Intangible assets are presented net of accumulated amortization of \$4,117 as of June 30, 2019. Amortization expense was \$881 for 2019.

Amortization expense on the assets is expected to be \$881 annually over the next 4 years and \$593 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 9) which consists of purchased antiques, exhibits, animals and tree replacements and are not depreciated.

Contributions - All contributions are considered to be available for general 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 increases to net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the consolidated statement of activities as net assets released from restrictions.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2019

Note 2 – Summary of significant accounting policies (continued)

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, 2019 advertising costs amounted to \$76,778.

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. This primarily involves salaries that are allocated on the basis of estimated time and effort. All accounting, information technology, human resources and fundraising staff costs are considered supporting services. Additionally, total expenses for the marketing and public relations department are allocated between program and supporting services functions based on estimated time and effort.

For the year ended June 30, 2019, 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	\$ 10,919
Maymont Mansion	17,842
Wildlife exhibits and farm	<u>151,273</u>
Program services	<u>180,034</u>
Administrative and general	28,802
Fundraising	<u>6,305</u>
Supporting services	<u>35,107</u>
Total	<u>\$ 215,141</u>

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2019

Note 2—Summary of significant accounting policies (concluded)

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 2019, approximately 1,906 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	5,979
Maymont Mansion	3,910
Carriage collection	531
Robins Nature and Visitor Center	2,440
Wildlife exhibits and farm	1,151
Special events	3,767
Fundraising and administration	1,015
	<u>18,793</u>

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, and in pooled investment vehicles with Commonfund Asset Management Company, Inc. and reports its share of the investment income and loss on its income tax return.

Certain investment transactions or transactions of MFREH, LLC may produce income taxable to the Foundation. There is no known tax liability as of June 30, 2019.

Management has concluded that the Foundation had no significant financial statement exposure to uncertain tax positions at June 30, 2019. 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, 2019 consolidated financial statements through November 15, 2019, the date the consolidated financial statements were available to be issued, and has determined that there are no subsequent events to be reported.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2019

Note 3 – Liquidity and availability of resources

The Foundation's goal is to maintain financial assets to meet 90 days of general expenditures. As part of the Foundation's liquidity management, excess cash is invested in short-term investments including money market accounts.

As of June 30, 2019, the following financial assets that are without donor or other restrictions limiting their use, could be readily available within one year of the statement of financial position date to meet general expenditure:

Cash	\$	341,843
Cash with donor restrictions available in 2020		95,229
Pledges receivable, net		132,685
Investments		<u>1,900,771</u>
	\$	2,470,528
Less: net assets with board designations		<u>1,374,953</u>
Financial assets available within one year for general expenditures	\$	<u>1,095,575</u>

The Foundation board appropriates funds each year from endowments in accordance with the spending policy (Note 8). Amounts noted above do not include budgeted appropriation amounts totaling \$767,477 for 2020, which will be available for general expenditure.

Note 4 - Pledges and contributions receivable

Pledges receivable for Foundation operations, capital campaign, and various other projects are reported as net assets with donor restrictions as of June 30, 2019. These unconditional promises to give are to be received during years subsequent to June 30, 2019.

Receivable in less than one year	\$	478,501
Receivable in one to five years		510,701
Receivable in more than five years		<u>298,152</u>
		1,287,354
Less: Discounts to net present value		97,400
Allowance for doubtful accounts		<u>61,000</u>
Net pledges receivable	\$	<u>1,128,954</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 1.8% for receivables due within four years and 2.3% for the pledge receivable due over sixteen years.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2019

Note 5 – Trusts and annuities

As of June 30, 2019, the Foundation had received contributions under four charitable gift annuity agreements. Under the terms of the contracts, the Foundation agrees to pay an annual annuity ranging from 8.0% to 9.0% of the original gift amount to the beneficiaries as long as they live.

Payments under the agreements began December 31, 2007, 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 general use by the Foundation. The annuity assets are segregated as separate funds within the Foundation's investments 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.

Upon the death of one of the beneficiaries during the year ended June 30, 2019, the remaining net assets of \$5,149 were designated by the board as quasi-endowment for use on the headquarters project.

Note 6 – Investments

The Foundation is a partner in The Richmond Fund, LP (TRF), 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 TRF are allocated to each partner's capital account according to their respective interests in TRF. A portion of Foundation's funds that are available for long-term investment as well as a portion of assets restricted to gift annuity obligations are placed with TRF. At June 30, 2019, TRF consists of 29 partners and the Foundation's interest represents .3% of the total partnership capital.

In January 2018 the Foundation initiated a process to withdraw from TRF and move its long-term investments to pooled investment vehicles with Commonfund Asset Management Company, Inc. (CAMC). Under terms of the partnership agreement with TRF, the withdrawal will take place over three years and may include cash distributions as well as transfers of in-kind assets.

The cost and fair value of investments at June 30, 2019 are summarized as follows:

	Cost	Fair Value
The Richmond Fund, LP	\$ 5,428,629	\$ 6,454,109
Commonfund Institutional Multi-Strategy Bond Fund, LLC	2,227,621	2,279,310
Commonfund Institutional Multi-Strategy Equity Fund, LLC	5,072,404	5,406,223
Less: Charitable gift annuity assets	74,036	77,492
	<u>12,654,618</u>	<u>14,062,150</u>
Cash and cash equivalents restricted for long-term purposes	6,011,199	6,011,199
	<u>\$ 18,665,817</u>	<u>\$ 20,073,349</u>

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2019

Note 7 – 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.

The majority of the Foundation's long-term investments and assets restricted to charitable gift annuities are held in pooled investment vehicles held with Commonfund Asset Management Company, Inc. (CAMC), including an equity fund and a fixed income fund. The equity fund allocates assets across a broad spectrum of equity strategies, including common stock of U.S. companies and other equity securities of foreign companies in both developed and emerging markets. The fixed income fund allocates assets across a broad spectrum of fixed income sectors, including investing directly or indirectly in dollar-denominated investment grade bonds and other fixed income securities in an attempt to outperform the U.S. bond market. The remainder of the Foundation's long-term investments are held in The Richmond Fund, LP (TRF), an investment limited partnership. TRF 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 TRF.

Based on the terms of the partnership agreement with TRF, for fair value measurement the Foundation views its investment in TRF as a single asset category. The investments with CAMC are in equity and bond funds that report on a fair value basis. Therefore, as a practical expedient, the Foundation has estimated the fair value of its investments in TRF and CAMC 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.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2019

Note 7 – Fair value measurements (concluded)

The following table summarizes the Foundation’s investments measured at fair value using net asset value per share as of June 30, 2019:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Richmond Fund, LP Commonfund Institutional	\$ 6,454,109	N/A	Quarterly	60 days
Multi-Strategy Bond Fund, LLC Commonfund Institutional	\$ 5,406,223	N/A	Monthly	5 days
Multi-Strategy Equity Fund, LLC	\$ 2,279,310	N/A	Monthly	5 days

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of June 30, 2019:

	Level 1	Level 2	Total
Cash and cash equivalents restricted for long-term purposes	\$ 6,011,199	\$ -	\$ 6,011,199
The Richmond Fund LP, excluding gift annuity assets	-	-	6,454,109
Commonfund Institutional Multi-Strategy Bond Fund, LLC, excluding gift annuity assets	-	-	2,256,328
Commonfund Institutional Multi-Strategy Equity Fund, LLC, excluding gift annuity assets	-	-	5,351,713
Total investments	6,011,199	-	20,073,349
Pledges and contributions receivable, net	-	1,128,954	1,128,954
Gift annuity assets	-	-	77,790
Total at fair value	\$ 6,011,199	\$ 1,128,954	\$ 21,280,093

Note 8 – 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.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2019

Note 8 – Endowment (continued)

As a result of this interpretation, the Foundation classifies as net assets with donor restrictions: (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.

Donor-restricted endowment funds are released from restriction when 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

Endowment net assets consist of the following at June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Perpetual restriction	\$ -	\$ 10,927,622	\$ 10,927,622
Endowment earnings	-	1,850,454	1,850,454
Board-designated endowment funds	49,242	-	49,242
Total endowment net assets	\$ 49,242	\$ 12,778,076	\$ 12,827,318

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018	\$ 552,505	\$ 12,790,045	\$ 13,342,550
Investment return:			
Investment income	9,520	231,913	241,433
Net appreciation	18,295	446,614	464,909
Total return	27,815	678,527	706,342
Appropriation of endowment net assets for expenditure	(531,078)	(690,496)	(1,221,574)
Endowment net assets, June 30, 2019	\$ 49,242	\$ 12,778,076	\$ 12,827,318

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2019

Note 8 – Endowment (continued)

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 reported as net assets with donor restrictions. The Foundation allows spending from underwater endowments in accordance with its spending policy. There were no deficiencies of this nature as of June 30, 2019.

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
- Ensure that the management of the investment assets will be in strict compliance with all provisions 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>
Equity	40 to 80%
Fixed income	10 to 45%
Private capital	0 to 30%
Cash	0 to 10%
Alternatives	0 to 10%

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.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2019

Note 8 – Endowment (concluded)

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, 2019, the appropriation rate was 5% with no adjustment to the method of calculation.

Note 9 - Property and equipment

Property and equipment consists of the following at June 30, 2019:

Land	\$	153,306
Improvements		12,266,254
Robins Nature and Visitor Center		12,349,752
Furniture, fixtures, and equipment		1,637,751
Mansion below stairs exhibit		176,701
Antiques and collections		751,197
Construction-in-process		4,650,863
		<u>31,985,824</u>
Less: accumulated depreciation		<u>19,295,319</u>
	\$	<u>12,690,505</u>

Construction-in-process includes \$4,650,863 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. Depreciation expense on property and equipment totaled \$1,270,374 for 2019.

Note 10 – Leasing activities

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

Property held under the leases at June 30, 2019 is as follows:

Equipment	\$	35,483
Less accumulated depreciation		<u>23,931</u>
	\$	<u>11,552</u>

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2019

Note 10 – Leasing activities (concluded)

Minimum future payments under the capital leases, as of June 30, 2019, for each of the next four fiscal years and in the aggregate are:

2020	\$	2,700
2021		2,700
2022		2,700
2023		2,700
Total minimum lease payments		10,800
Less amount representing interest		183
Present value of net minimum lease	\$	<u>10,617</u>

The Foundation also leases office equipment under various operating leases. Rental expense totaled \$8,164 for 2019. Minimum future payments under the operating leases, as of June 30, 2019 are as follows:

2020	\$	7,799
2021		4,547
2022		755
Total	\$	<u>13,101</u>

Note 11 – Available financing

The Foundation 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 2019 and no amounts outstanding as of June 30, 2019.

Note 12 – 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, 2019, 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 \$25,570.

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2019

Note 13 – Net assets with donor restrictions

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

Time or purpose:

<i>The Spirit of Generosity Campaign</i>	\$	8,771,633
Robins Nature and Visitor Center		2,136,299
General endowment earnings		1,290,031
Carriage collection		307,233
Maymont Mansion		452,800
Charitable gift annuities		13,156
Various purpose and timing restrictions		445,123

Perpetual:

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>24,343,897</u>

Net assets with donor restrictions were released from restriction by satisfying restricted purposes during the year ended June 30, 2019 are summarized as follows:

<i>The Spirit of Generosity Campaign</i>	\$	482,894
Robins Nature and Visitor Center		387,221
General endowment earnings		300,550
Grounds and Garden		54,479
Maymont Mansion		39,669
Various purpose and timing restrictions		132,206
	\$	<u>1,397,019</u>

MAYMONT FOUNDATION AND AFFILIATE

Notes to Consolidated Financial Statements June 30, 2019

Note 14 – Commitments and concentrations

At June 30, 2019, unpaid commitments totaled \$4,621,023, 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. 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, 2019, deposits at three banks exceeded the insured limit by a total of \$4,377,265.

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 81% of pledges receivable at June 30, 2019 was from three gifts of which two related to *The Spirit of Generosity Campaign* and one for the City of Richmond funding.

Note 15 – 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 2019 the total of such gifts was \$232,472. Pledges from board members outstanding at June 30, 2019 were \$130,650. During the year ended June 30, 2019, three board members were affiliated with law firms that contributed legal services totaling \$21,195.

One board member is the CEO and President of a contractor which was paid \$27,867 primarily for HVAC 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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Gary Gore	Treasurer
Allison Domson	Secretary
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Executive Director

C. Parke Richeson

**Audit Committee*

MAYMONT FOUNDATION

2019-2020 Board of Directors

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Mitch Haddon	Vice President
Gary Gore	Treasurer, President-Elect
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Paul Junod	

Executive Director

C. Parke Richeson

**Audit Committee*