HISTORIC RICHMOND FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

HISTORIC RICHMOND FOUNDATION

OFFICERS

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Certified Public Accountants

Wayne R. Eggleston, CPA
Edmond H. Smith, CPA

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Historic Richmond Foundation -
The William Byrd Branch of APVA Preservation Virginia
Richmond, Virginia

We have audited the accompanying consolidated statement of financial position of Historic Richmond Foundation - The William Byrd Branch of APVA Preservation Virginia (DBA Historic Richmond Foundation) as of December 31, 2009 and the related consolidated statements of activities, cash flows and functional expenses for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Historic Richmond Foundation as of December 31, 2009 and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Smith + Eggleston, P.C.

July 9, 2010

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HISTORIC RICHMOND FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2009

ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	$ 1,417,034	
Certificate of deposit	41,437	
Accounts receivable (Note 1)	1,821	
Pledges receivable (Note 1)	4,200	
Note receivable (Note 3)	21,022	
Inventory (Note 1)	129,250	
Prepaid expenses	4,305	
Total Current Assets		$ 1,619,069
PROPERTY AND EQUIPMENT:		
Property and equipment, net of accumulated depreciation (Notes 1 & 10)	$ 1,865,874	
Historical treasure - Monumental Church (Note 1)	565,000	
Land and land improvements (Notes 1 & 10)	193,287	
Collections (Note 1)	-	
Net Property and Equipment		2,624,161
OTHER ASSETS:		
Investments (Notes 1 & 2)		5,154,958
		$ 9,398,188
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 12,273	
Deferred revenue (Note 4)	1,034	
Accrued payroll and vacation	12,226	
Total Current Liabilities		$ 25,533
LONG-TERM LIABILITIES:		
Deferred revenue (Note 4)	$ 3,619	
Total Long-Term Liabilities		3,619
Total Liabilities		$ 29,152
NET ASSETS:		
Unrestricted (Notes 1 & 7)		
Undesignated	$ 2,990,089	
Board designated	6,299,843	
Total Unrestricted	$ 9,289,932	
Temporarily restricted (Notes 1 & 7)	48,808	
Permanently restricted (Notes 1 & 7)	30,296	
Total Net Assets		9,369,036
		$ 9,398,188

See Notes to Consolidated Financial Statements

HISTORIC RICHMOND FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:				
Grants and contributions	$ 185,912	$ 5,000	$ 6,396	$ 197,308
Educational programs, tours, etc.	50,830	-	-	50,830
Publications and merchandise sales	8,454	-	-	8,454
Membership dues	7,265	-	-	7,265
Rental income	1,034	-	-	1,034
Investment income, net of $20,493 of investment expenses	103,770	-	-	103,770
Realized and unrealized gains on investments	746,275	-	-	746,275
Net assets released from restrictions	21,525	(21,525)	-	-
Total Revenue and Support	$ 1,125,065	$ (16,525)	$ 6,396	$ 1,114,936
EXPENSES:				
Program services	$ 460,397	$ -	$ -	$ 460,397
Management and general	115,959	-	-	115,959
Fundraising	82,145	-	-	82,145
Total Expenses	$ 658,501	$ -	$ -	$ 658,501
CHANGE IN NET ASSETS	$ 466,564	$ (16,525)	$ 6,396	$ 456,435
NET ASSETS - BEGINNING				
As previously reported	$ 9,167,683	$ 106,532	$ 23,900	$ 9,298,115
Prior period adjustments (Note 11)	(344,315)	(41,199)	-	(385,514)
As restated	$ 8,823,368	$ 65,333	$ 23,900	$ 8,912,601
NET ASSETS - ENDING	$ 9,289,932	$ 48,808	$ 30,296	$ 9,369,036

See Notes to Consolidated Financial Statements

HISTORIC RICHMOND FOUNDATION

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets		$ 456,435
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	$ 67,727	
Amortization of life estate	(1,034)	
Contributions restricted for permanent endowment	(6,396)	
Realized and unrealized gains on investments	(746,275)	
Changes in assets and liabilities:		
Decrease in accounts receivable	28,001	
(Increase) in pledges receivable	(4,200)	
(Increase) in inventory	(8,796)	
Decrease in prepaid expenses	681	
(Decrease) in accounts payable and accrued expenses	(4,135)	
Increase in accrued payroll and vacation	880	
Total Adjustments		(673,547)
Net Cash (Used in) Operating Activities		$ (217,112)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	$ (2,397,234)	
Reinvestment of certificate of deposit interest	(990)	
Payments for building improvements and equipment	(9,932)	
Proceeds from sale of investments	1,666,498	
Decrease in cash restricted for long-term purposes	23,236	
Principal payments received on note receivable	24,100	
Net Cash (Used in) Investing Activities		(694,322)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for permanent endowment	$ 6,396	
Net Cash Provided by Financing Activities		6,396
Net (Decrease) in Cash and Cash Equivalents		$ (905,038)
CASH AND CASH EQUIVALENTS - BEGINNING		2,322,072
CASH AND CASH EQUIVALENTS - ENDING		$ 1,417,034
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:		
Property improvement included in accounts payable		$ 7,000

See Notes to Consolidated Financial Statements

HISTORIC RICHMOND FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2009

	Program Services	Management and General	Fundraising	Total
EXPENSES:				
Salaries and benefits	$ 239,657	$ 52,375	$ 59,210	$ 351,242
Depreciation	64,061	1,832	1,834	67,727
Building expenses - historic	53,019	2,559	2,568	58,146
Professional fees	7,475	43,354	370	51,199
Rent	24,430	5,235	5,235	34,900
Printing and postage	22,214	1,364	7,103	30,681
Educational programs, tours, etc.	26,261	-	-	26,261
Hospitality and travel	481	4,840	2,903	8,224
Publications and merchandise	7,623	-	-	7,623
Insurance	4,889	926	926	6,741
Supplies	3,712	738	867	5,317
Marketing and community development	5,024	-	-	5,024
Licenses and fees	406	1,717	684	2,807
Dues and subscriptions	673	341	320	1,334
Professional development	119	427	110	656
Miscellaneous	353	251	15	619
	$ 460,397	$ 115,959	$ 82,145	$ 658,501

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Historic Richmond Foundation - The William Byrd Branch of APVA Preservation Virginia (DBA Historic Richmond Foundation) is a nonprofit corporation organized under the laws of the Commonwealth of Virginia for the purpose of preserving historical sites in the Richmond, Virginia area. The Organization also serves as an educational institution promoting understanding of the history, architecture, and culture of Richmond. The Organization is supported primarily through grants and contributions from the general public.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly owned subsidiary, The Council of the Historic Richmond Foundation, LLC. All significant intercompany accounts and transactions have been eliminated.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations.* Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net asset classes are summarized as follows:

Unrestricted net assets are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Trustees.

Temporarily restricted net assets include contributions restricted by donor designation. When a restriction expires, temporarily restricted net assets are released and reclassified to unrestricted net assets. If the restriction is satisfied in the same period as the contribution is received, the contribution is reported as unrestricted.

Permanently restricted net assets include contributions subject to donor-imposed stipulations that they be maintained permanently by the Organization. Only the income from permanently restricted net assets may be used to support either general activities (unrestricted) or other activities specified by the donor (temporarily restricted).

Collections

The Organization maintains a collection of historical artifacts on display and in storage. Collection items are not capitalized.

Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, the Organization includes cash accounts, money market funds and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents. The Organization, at times, may have cash in excess of insured limits. At December 31, 2009, the Organization had cash balances in financial institutions that exceeded insurance limits by approximately $925,000.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Cash and Cash Equivalents (Continued)
Cash or other assets received with a donor imposed restriction that limits their use to long-term purposes are not classified with cash or other assets that are available for current use. As defined by SFAS No. 117, long-term purposes include purchasing, improving, or constructing property, equipment, or any other long-lived asset and establishing or adding to a permanent or term endowment.

Accounts and Notes Receivable
The Organization will routinely extend credit in connection with its activities to parties located primarily in Virginia. Accounts and notes receivable are carried at their estimated collectible amounts. Accounts receivable are generally extended on a short-term basis and do not bear interest.

Accounts and notes receivable are periodically evaluated for collectability based on past credit history and current financial condition. No allowance for uncollectible accounts is considered necessary by management at December 31, 2009.

Inventory
The inventory of books is valued at the lower of cost or market using the first in, first out method.

Investments
Investments are recorded at fair market value under the provisions of SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations.* Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Property and Equipment
Acquisitions of property and equipment are recorded at cost or, if donated, at fair market value at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Historical treasures are not subject to provisions for depreciation. Improvements and additions to historical treasures are recorded as building improvements and depreciated. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred.

Pledges Receivable
Unconditional promises to give are recorded at their fair value when received, while conditional promises to give are only recorded when the conditions on which they depend are substantially met. At December 31, 2009, management estimates that all pledges are collectible.

Income Taxes
The Organization qualifies as a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. The Organization is subject to income tax on any unrelated business income that it may generate.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events
Subsequent events have been evaluated through July 9, 2010, which is the date the financial statements were available to be issued.

NOTE 2: INVESTMENTS:

Investments are recorded in the financial statements at fair market value. Market value is determined based on the trading values of the investments at December 31, 2009. The estimated market values at December 31, 2009 are as follows:

Equity securities	$ 3,128,774
Mutual funds	1,841,019
Corporate bonds	155,137
Government bonds	30,028
	$ 5,154,958

NOTE 3: NOTE RECEIVABLE:

A note receivable has been accepted by the Organization as a means of facilitating the transfer of property to an outside party, located in the Richmond, Virginia metropolitan area. The following is a description of the note receivable at December 31, 2009:

The 1836 L.P. - $200,000 construction/term loan secured by deed of trust on the leasehold interest (4-6 East Main Street), payable in monthly installments of $2,151 through October 2010, including interest at 5%	$ 21,022

NOTE 4: DEFERRED REVENUE:

During the year ended June 30, 1991, Historic Richmond Foundation sold a life estate interest in property located at 2520 East Franklin Street for $53,900. This amount represents future rental income for the property and is being amortized into revenue over the purchaser's life expectancy. The revenue recognized for the year ended December 31, 2009 was $1,034. At December 31, 2009, the amount of unamortized deferred revenue relating to the life estate interest was $4,653.

NOTE 5: LEASE:

Historic Richmond Foundation leases office space under two lease agreements which expire in October, 2010 and August, 2011. The current monthly rental payment under these leases is $3,425. Rent expense totaled $34,900 for the year ended December 31, 2009. Future minimum rent payments at December 31, 2009 are as follows:

Year		
2010	$	35,700
2011		5,800
	$	41,500

NOTE 6: DONATED MATERIALS, SERVICES, AND FACILITIES:

Donated materials, services and facilities are recognized as contributions when the fair value of those services can be reasonably determined. In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made,* donated services are only recognized if the services either (a) create or enhance a non-financial asset or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if they were not donated. No amounts have been recognized in the financial statements for the year ended December 31, 2009.

NOTE 7: NET ASSETS:

The Board of Trustees has designated unrestricted net assets for the following purposes:

General endowment	$	5,964,181
Revolving Fund		279,067
Publication Fund		56,595
	$	6,299,843

Temporarily restricted net assets are available for the following purposes:

Canal project	$	29,083
Revolving Fund		12,043
Oral histories project		5,000
Purchase of collection items		1,741
Bryan statue		941
	$	48,808

Permanently restricted net assets consist of the following:

Monumental Church endowment	$	23,296
General endowment		7,000
	$	30,296

NOTE 8: FAIR VALUE MEASUREMENTS:

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements.* SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

SFAS No. 157 establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for indentical assets or liabilites (Level 1) and the lowest priority to unobservable inputs (Level 3). If inputs used to measure the financial instruments fall within different levels of the hierarchy, the classification is based on the lowest level that is significant to the fair value measurement of the asset or liability.

The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2: Quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

The following table summarizes information about the Organization's assets that are measured at fair value on a recurring basis at December 31, 2009:

	Fair Value Using			Assets at
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Money market funds	$ 690,050	$ -	$ -	$ 690,050
Certificate of deposit	-	41,437	-	41,437
Investments:				
Equity securities	3,128,774	-	-	3,128,774
Mutual funds	1,841,019	-	-	1,841,019
Corporate bonds	155,137	-	-	155,137
Government bonds	30,028	-	-	30,028
	$ 5,845,008	$ 41,437	$ -	$ 5,886,445

NOTE 9: ENDOWMENT:

The Organization's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

Endowment Net Asset Composition by Type of Fund as of December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 30,296	$ 30,296
Board-designated endowment funds	6,299,843	-	-	6,299,843
	$ 6,299,843	$ -	$ 30,296	$ 6,330,139

NOTE 9: ENDOWMENT: (continued)

Changes in Endowment Assets for the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 5,800,955	$ -	$ 23,900	$ 5,824,855
Investment return:				
Investment income	$ 120,094	$ 501	$ -	$ 120,595
Investment expenses	(20,408)	(85)	-	(20,493)
Net appreciation (realized and unrealized)	743,172	3,103	-	746,275
Total investment return	$ 842,858	$ 3,519	$ -	$ 846,377
Contributions	-	-	6,396	6,396
Appropriation of endowment assets for expenditure	(343,970)	(3,519)	-	(347,489)
Endowment net assets, end of year	$ 6,299,843	$ -	$ 30,296	$ 6,330,139

Description of Amounts Classified as Permanently Restricted Net Assets

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA	$ 30,296
Total endowment funds classified as permanently restricted net assets	$ 30,296

Funds with Deficiencies

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 SPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2009.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that over time exceed the price and yield results of a balanced benchmark, while assuming an appropriate level of investment risk. Actual returns in any given year may vary from this amount.

NOTE 9: ENDOWMENT: (continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 4 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 10: PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

Buildings and improvements:	
Monumental Church Improvements (1224 E. Broad St.)	$ 1,923,062
Patteson Schutte House (5613 Kildare)	152,366
Allen Double House (HQ) (4 & 6 E. Main St.)	123,072
Turner Reed House (2520 E. Franklin St.)	96,555
	$ 2,295,055
Office furniture and fixtures	73,559
Computer equipment	27,093
	$ 2,395,707
Less: accumulated depreciation	529,833
	$ 1,865,874

NOTE 10: PROPERTY AND EQUIPMENT: (continued)

Land and land improvements consist of the following:

Allen Double House (HQ)	$ 75,150
Patteson Schutte House	69,213
Turner Reed House	32,458
Carrington Row parking lots (2301 - 2303 E. Broad St.)	8,475
St. John's Mews (207 N. 23rd St.)	2,783
St. John's Mews (2313 E. Broad St.)	2,500
Junior League parking lots (206 - 210 W. Main St.)	1,000
Vacant lot (3020 N. Franklin St.)	925
Vacant lot (2 - 4 N. 31st St.)	683
St. John's Mews (210 N. 24th St.)	100
	$ 193,287

NOTE 11: PRIOR PERIOD ADJUSTMENTS:

The Organization has recorded depreciation on buildings and improvements that were not previously depreciated. This adjustment decreases beginning unrestricted net assets and net property and equipment by $386,614.

The Organization has recorded the value of properties that were not previously recognized. This adjustment increases beginning net property and equipment and unrestricted net assets by $1,100.

Revolving Fund expenses were incurred in 2007 and 2008 but not released from restrictions. This adjustment increases beginning unrestricted net assets and decreases beginning temporarily restricted net assets by $8,945.

Easement Program expenses were incurred in 2008 but not released from restrictions. This adjustment increases beginning unrestricted net assets and decreases beginning temporarily restricted net assets by $32,254.