

***HISTORIC RICHMOND FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010***

HISTORIC RICHMOND FOUNDATION

OFFICERS

Mark Webb

President

Betsy Shuff

Vice President

Andy Clark

Secretary

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Treasurer

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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, 2010 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, 2010 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 14, 2011

HISTORIC RICHMOND FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 1)	\$	523,010	
Certificate of deposit		41,971	
Accounts receivable (Note 1)		7,676	
Pledges receivable (Note 1)		9,640	
Inventory (Note 1)		139,003	
Prepaid expenses		3,959	
Total Current Assets			\$ 725,259

INVESTMENTS (Notes 1 & 2)			6,370,093
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PROPERTY AND EQUIPMENT:

Property improvements and equipment, net of accumulated depreciation (Notes 1 & 4)	\$	1,833,343	
Historical treasure - Monumental Church (Note 1)		565,000	
Land and land improvements (Notes 1 & 4)		193,287	
Collections (Note 1)		-	
Net Property and Equipment			2,591,630
			\$ 9,686,982

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$	38,320	
Deferred revenue (Note 5)		1,034	
Accrued payroll and vacation		13,064	
Total Current Liabilities			\$ 52,418

LONG-TERM LIABILITIES:

Deferred revenue (Note 5)	\$	2,585	
Total Long-Term Liabilities			2,585
Total Liabilities			\$ 55,003

NET ASSETS:

Unrestricted (Notes 1 & 6)			
Undesignated	\$	3,016,185	
Board designated		6,530,440	
Total Unrestricted	\$	9,546,625	
Temporarily restricted (Notes 1 & 6)		50,067	
Permanently restricted (Notes 1 & 6)		35,287	
Total Net Assets			9,631,979
			\$ 9,686,982

HISTORIC RICHMOND FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT:				
Grants and contributions	\$ 270,589	\$ 9,271	\$ 4,991	\$ 284,851
Educational programs, tours, etc.	49,962	-	-	49,962
Membership dues	15,126	-	-	15,126
Donated services (Note 9)	11,600	-	-	11,600
Publications and merchandise sales	9,913	-	-	9,913
Rental income	1,034	-	-	1,034
Investment income, net of \$26,577 of investment expenses	192,789	-	-	192,789
Net realized and unrealized gains on investments	356,491	-	-	356,491
Net assets released from restrictions	8,012	(8,012)	-	-
Total Revenue and Support	\$ 915,516	\$ 1,259	\$ 4,991	\$ 921,766
EXPENSES:				
Program services	\$ 492,266	\$ -	\$ -	\$ 492,266
Management and general	109,940	-	-	109,940
Fundraising	56,617	-	-	56,617
Total Expenses	\$ 658,823	\$ -	\$ -	\$ 658,823
CHANGE IN NET ASSETS	\$ 256,693	\$ 1,259	\$ 4,991	\$ 262,943
NET ASSETS - BEGINNING	9,289,932	48,808	30,296	9,369,036
NET ASSETS - ENDING	\$ 9,546,625	\$ 50,067	\$ 35,287	\$ 9,631,979

HISTORIC RICHMOND FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets		\$ 262,943
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	\$ 69,826	
Amortization of life estate	(1,034)	
Contributions restricted for permanent endowment	(4,991)	
Net realized and unrealized gains on investments	(356,491)	
Donated securities	(1,572)	
Changes in assets and liabilities:		
(Increase) in accounts receivable	(5,855)	
(Increase) in pledges receivable	(5,440)	
(Increase) in inventory	(9,753)	
Decrease in prepaid expenses	346	
(Decrease) in accounts payable	(6,248)	
Increase in accrued payroll and vacation	838	
Total Adjustments	<u>(320,374)</u>	
Net Cash (Used in) Operating Activities		<u>\$ (57,431)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	\$ (3,956,269)	
Reinvestment of certificate of deposit interest	(534)	
Payments for equipment	(5,000)	
Proceeds from sale of investments	3,099,197	
Principal payments received on note receivable	<u>21,022</u>	
Net Cash (Used in) Investing Activities		(841,584)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for permanent endowment	<u>\$ 4,991</u>	
Net Cash Provided by Financing Activities		<u>4,991</u>
Net (Decrease) in Cash and Cash Equivalents		\$ (894,024)
CASH AND CASH EQUIVALENTS - BEGINNING		<u>1,417,034</u>
CASH AND CASH EQUIVALENTS - ENDING		<u>\$ 523,010</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:		
Property improvement included in accounts payable		<u>\$ 32,295</u>

HISTORIC RICHMOND FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010

	Program Services	Management and General	Fundraising	Total
EXPENSES:				
Salaries and benefits	\$ 253,286	\$ 29,724	\$ 36,586	\$ 319,596
Professional fees	13,784	65,602	2,719	82,105
Depreciation	67,712	1,058	1,056	69,826
Building expenses - historic	54,622	2,404	1,651	58,677
Rent	26,480	3,310	3,310	33,100
Educational programs, tours, etc.	31,524	-	-	31,524
Printing and postage	17,484	779	4,753	23,016
Hospitality and travel	1,312	4,380	3,353	9,045
Marketing and community development	7,442	-	-	7,442
Insurance	6,506	248	248	7,002
Supplies	5,491	536	680	6,707
Publications and merchandise	5,079	-	-	5,079
Licenses and fees	598	942	662	2,202
Professional development	139	400	1,120	1,659
Dues and subscriptions	560	347	460	1,367
Miscellaneous	247	210	19	476
	\$ 492,266	\$ 109,940	\$ 56,617	\$ 658,823

HISTORIC RICHMOND FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 reports 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).

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, 2010, the Organization had cash balances in financial institutions that exceeded insurance limits by approximately \$131,000.

Investments

Investments are recorded at fair market value. 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.

HISTORIC RICHMOND FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

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

Accounts Receivable

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

Accounts 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, 2010.

Inventory

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

Collections

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

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, 2010, 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.

The Organization recognizes the effect of income tax positions only when they are more likely than not of being sustained. Management has determined that there are no uncertain tax positions that would require financial statement recognition or disclosure.

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.

HISTORIC RICHMOND FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

Subsequent Events

Subsequent events have been evaluated through July 14, 2011 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, 2010. The estimated market values at December 31, 2010 are as follows:

Mutual funds	\$ 4,649,180
Equity securities	1,626,105
Corporate bonds	94,808
	<u>\$ 6,370,093</u>

NOTE 3: LEASE:

Historic Richmond Foundation leases office space under a lease agreement which expires in October, 2020. The current monthly rental payment under the lease is \$2,425. Rent expense totaled \$33,100 for the year ended December 31, 2010. Future minimum rent payments at December 31, 2010 are as follows:

<u>Year</u>	
2011	\$ 29,100
2012	29,100
2013	29,100
2014	29,100
2015	29,100
Thereafter	140,650
	<u>\$ 286,150</u>

NOTE 4: PROPERTY AND EQUIPMENT:

Property improvements and equipment consist of the following:

Buildings and improvements:

Monumental Church Improvements (1224 E. Broad St.)	\$ 1,955,356
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
	<u>\$ 2,327,349</u>
Office furniture and fixtures	73,559
Computer equipment	32,093
	<u>\$ 2,433,001</u>
Less: accumulated depreciation	599,658
	<u>\$ 1,833,343</u>

HISTORIC RICHMOND FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 4: 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 E. Franklin St.)	925
Vacant lot (2 - 4 N. 31st St.)	683
St. John's Mews (210 N. 24th St.)	100
	<u>\$ 193,287</u>

NOTE 5: 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, 2010 was \$1,034. At December 31, 2010, the amount of unamortized deferred revenue relating to the life estate interest was \$3,619.

NOTE 6: NET ASSETS:

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

General endowment	\$ 6,203,829
Revolving Fund	267,024
John G. (Jack) Zehmer, Jr. Publication Fund	59,587
	<u>\$ 6,530,440</u>

Temporarily restricted net assets are available for the following purposes:

Canal project	\$ 29,083
Monumental Church landscaping	9,271
Revolving Fund	9,031
Purchase of collection items	1,741
Bryan statue	941
	<u>\$ 50,067</u>

Permanently restricted net assets consist of the following:

Monumental Church endowment	\$ 28,287
General endowment	7,000
	<u>\$ 35,287</u>

HISTORIC RICHMOND FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 7: FAIR VALUE MEASUREMENTS:

Financial Accounting Standards Board ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value 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 identical assets or liabilities (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, 2010:

	Fair Value Using			Assets at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Money market funds	\$ 59,982	\$ -	\$ -	\$ 59,982
Certificate of deposit	-	41,971	-	41,971
Investments:				
Mutual funds	4,649,180	-	-	4,649,180
Equity securities	1,626,105	-	-	1,626,105
Corporate bonds	94,808	-	-	94,808
	<u>\$ 6,430,075</u>	<u>\$ 41,971</u>	<u>\$ -</u>	<u>\$ 6,472,046</u>

HISTORIC RICHMOND FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 8: 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, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 35,287	\$ 35,287
Board-designated endowment funds	6,530,440	-	-	6,530,440
	<u>\$ 6,530,440</u>	<u>\$ -</u>	<u>\$ 35,287</u>	<u>\$ 6,565,727</u>

HISTORIC RICHMOND FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 8: ENDOWMENT: (continued)

Changes in Endowment Assets for the Year Ended December 31, 2010

	Temporarily			Total
	Unrestricted	Restricted	Restricted	
Endowment net assets, beginning of year	\$ 6,299,843	\$ -	\$ 30,296	\$ 6,330,139
Investment return:				
Investment income	\$ 215,864	\$ 1,046	\$ -	\$ 216,910
Investment expenses	(26,293)	(127)	-	(26,420)
Net appreciation (realized and unrealized)	354,771	1,720	-	356,491
Total investment return	\$ 544,342	\$ 2,639	\$ -	\$ 546,981
Contributions	-	-	4,991	4,991
Appropriation of endowment assets for expenditure	(313,745)	(2,639)	-	(316,384)
Endowment net assets, end of year	<u>\$ 6,530,440</u>	<u>\$ -</u>	<u>\$ 35,287</u>	<u>\$ 6,565,727</u>

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	<u>\$ 35,287</u>
Total endowment funds classified as permanently restricted net assets	<u><u>\$ 35,287</u></u>

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, 2010.

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.

HISTORIC RICHMOND FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 8: 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 9: DONATED SERVICES:

Donated services are recorded at their estimated fair market values 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. The estimated value of such services totaled \$11,600 for the year ended December 31, 2010 and has been included in the accompanying consolidated statement of activities.