HISTORIC RICHMOND FOUNDATION
(dba HISTORIC RICHMOND)
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2016

HISTORIC RICHMOND FOUNDATION
(dba HISTORIC RICHMOND)
AND SUBSIDIARY

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THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
PRIVATE COMPANIES PRACTICE SECTION OF THE AICPA

July 19, 2017

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Historic Richmond Foundation (dba Historic Richmond)
Richmond, Virginia

We have audited the accompanying consolidated financial statements of **Historic Richmond Foundation (dba Historic Richmond)** and its subsidiary, which comprise the consolidated statement of financial position as of December 31, 2016, 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 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of America. 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.

HISTORIC RICHMOND FOUNDATION (dba HISTORIC RICHMOND) AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Historic Richmond Foundation (dba Historic Richmond) and its subsidiary as of December 31, 2016, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Joyner, Kirkham, Keel & Robertson, P.C.

HISTORIC RICHMOND FOUNDATION
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 1,308,242
Investments	7,324,750
Note receivable	2,366
Inventory	78,967
Other	11,071
Total Current Assets	8,725,396
PROPERTY AND EQUIPMENT	
Property improvements and equipment (net of accumulated depreciation)	1,501,729
Historical treasure - Monumental Church	565,000
Land and land improvements (net of accumulated depreciation)	87,802
OTHER ASSETS	
Investments held for endowment purposes	64,469
Intangible asset (net of accumulated amortization)	3,467
Note receivable (less current portion, net of unamortized discount of $32,083)	209,023
Beneficial interest in trust held by third party	73,976
Collection (Note 1)	-
TOTAL ASSETS	$ 11,230,862

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 21,258
Deferred revenue and refundable advances	12,221
Total Current Liabilities	33,479
NET ASSETS	
Unrestricted	10,946,037
Temporarily restricted	112,901
Permanently restricted	138,445
Total Net Assets	11,197,383
TOTAL LIABILITIES AND NET ASSETS	$ 11,230,862

See accompanying notes

HISTORIC RICHMOND FOUNDATION
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CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES				
Grants and contributions	$ 250,453	$ 50,000	$ -	$ 300,453
Educational programs, tours, etc.	138,866	-	-	138,866
Donated materials and services	56,220	-	-	56,220
Membership dues	16,170	-	-	16,170
Publications and merchandise sales	6,532	-	-	6,532
Total Operating Revenues	468,241	50,000	-	518,241
NET ASSETS RELEASED FROM RESTRICTIONS	27,190	(27,190)	-	-
OPERATING EXPENSES				
Program services	597,070	-	-	597,070
Management and general	104,699	-	-	104,699
Fundraising	56,315	-	-	56,315
Total Operating Expenses	758,084	-	-	758,084
Change in Net Assets From Operations	(262,653)	22,810	-	(239,843)
NONOPERATING ACTIVITIES				
Investment income, net of $38,153 of investment expenses	143,654	-	-	143,654
Net realized and unrealized gains on investments	294,842	-	-	294,842
Gain on sale of property	58,302	-	-	58,302
Change in value of beneficial interest in trust held by third party	-	-	2,095	2,095
Change in Net Assets From Nonoperating Activities	496,798	-	2,095	498,893
Change in Net Assets	234,145	22,810	2,095	259,050
NET ASSETS				
Beginning of year, as restated	10,711,892	90,091	136,350	10,938,333
End of year	$ 10,946,037	$ 112,901	$ 138,445	$ 11,197,383

See accompanying notes

HISTORIC RICHMOND FOUNDATION
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CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 259,050
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	73,116
Net realized and unrealized gains on investments	(294,842)
Gain on sale of property	(58,302)
Changes in operating assets and liabilities	
Inventory	269
Other current assets	2,122
Beneficial interest in trust held by third party	2,483
Accounts payable and accrued expenses	(7,087)
Deferred revenue and refundable advances	(1,139)
Total Adjustments	(283,380)
Net Cash Used in Operating Activities	(24,330)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(1,821,063)
Proceeds from sale of investments	2,085,159
Expenditures for property and equipment	(90)
Proceeds from sale of property	60,000
Payments received on note receivable	2,301
Net Cash Provided by Investing Activities	326,307
Net Increase in Cash	301,977
CASH AND CASH EQUIVALENTS	
Beginning of year	1,006,265
End of year	$ 1,308,242

See accompanying notes

HISTORIC RICHMOND FOUNDATION
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

	Program	Management and General	Fundraising	Total
EXPENSES				
Salaries and benefits	$ 263,082	$ 36,681	$ 40,240	$ 340,003
Professional fees	69,110	59,190	332	128,632
Depreciation and amortization	70,405	444	2,267	73,116
Educational programs, tours, etc.	71,895	-	-	71,895
Building expenses - historic	63,639	1,739	2,088	67,466
Rent	17,550	2,250	2,700	22,500
Printing and postage	11,899	255	4,314	16,468
Insurance	8,803	429	516	9,748
Hospitality and travel	2,376	2,942	1,029	6,347
Miscellaneous	3,235	572	1,662	5,469
Professional development	3,847	-	900	4,747
Publications and merchandise	4,134	-	-	4,134
Marketing and community development	3,647	-	30	3,677
Supplies	2,418	197	237	2,852
Dues and subscriptions	1,030	-	-	1,030
Total Expenses	$ 597,070	$ 104,699	$ 56,315	$ 758,084

See accompanying notes

HISTORIC RICHMOND FOUNDATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Organization*
Historic Richmond Foundation (dba Historic Richmond) is a nonprofit corporation organized under the laws of the Commonwealth of Virginia for the purpose of preserving historical buildings and places in the Richmond, Virginia area. Historic Richmond Foundation (dba Historic Richmond) and its wholly owned subsidiary (collectively referred to as "the Organization") also serve as educational institutions promoting understanding of the history, architecture, and culture of Richmond. The Organization is supported primarily through grants and contributions from the general public.

b. *Principles of Consolidation*
The consolidated financial statements include the accounts of Historic Richmond Foundation (dba Historic Richmond) and its wholly owned subsidiary, The Council of the Historic Richmond Foundation, LLC. All significant intercompany accounts and transactions have been eliminated.

c. *Basis of Accounting*
The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

d. *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).

e. *Cash and Cash Equivalents*
For purposes of reporting the statement of cash flows, the Organization considers cash accounts, money market funds and other highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. *Notes Receivable*
Notes receivable are recorded, in the year received, at the present value of estimated future cash flows using a risk-free discount rate and are reported at their outstanding principal balances, net of the discount. Amortization of the discount is included in interest income. Interest on notes receivable is recognized over the term of the note and is calculated using the interest method. Notes receivable are periodically evaluated for collectability based on past credit history and current financial condition. The Organization generally requires collateral for significant loans. No allowance for uncollectible accounts is considered necessary by management at December 31, 2016.

g. *Investments*
Investments are recorded at fair 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.

h. *Inventory*
Inventory consists of books and is valued at the lower of cost or market using the first-in, first-out method.

i. *Promises to Give*
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.

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

k. *Property and Equipment*
All acquisitions of property and equipment in excess of $1,000 are capitalized. Acquisitions of property and equipment are recorded at cost or, if donated, at fair value at the date of the gift. The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. *Intangible Assets*
Intangible assets are stated at cost and are amortized on the straight-line method over their estimated useful lives.

m. *Beneficial Interest in Trust Held by Third Party*
The Organization has a beneficial interest in a trust created by a donor that will provide the Organization with a stream of payments (2% of the unitrust amount) for a period of twenty-five years. The stream of payments began in 2009. At the end of the stream of payments, the trust provides that funds within the trust be distributed to an unrelated third party. The proceeds are to be used to fund a permanently restricted endowment for the benefit of Monumental Church. The Organization values the beneficial interest using the present value of cash flow method and used a discount rate of 1.8% at December 31, 2016.

n. *Donated Services*
Donated services are recorded at their estimated fair 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 $46,985 for the year ended December 31, 2016 and has been included in the accompanying consolidated statement of activities. The donated services primarily supported the Organization's preservation program.

o. *Functional Allocation of Expenses*
The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statement of activities and consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

p. *Advertising*
Advertising costs are expensed as incurred and totaled $4,366 for the year ended December 31, 2016.

q. *Income Tax Status*
The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Organization is subject to income tax on any unrelated business income that it may generate.

r. *Uncertain Tax Positions*
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. Generally, the Organization's tax returns remain open for three years for federal income tax examination.

HISTORIC RICHMOND FOUNDATION (dba HISTORIC RICHMOND) AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s. *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.

t. *Fair Value Measurements*
U.S. GAAP 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.

u. *Subsequent Events*
Management has evaluated subsequent events through July 19, 2017, the date the consolidated financial statements were available to be issued.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – INVESTMENTS

Investments at December 31, 2016 consisted of the following:

Mutual funds:		
Equity funds	$ 2,556,963	
Bond funds	1,024,694	$ 3,581,657
Equity securities		2,573,959
Corporate bonds		543,364
U.S. government bonds		406,603
Exchange-traded funds:		
Bond funds	$ 117,059	
Equity funds	75,330	192,389
Certificates of deposit		91,247
Total Investments		$ 7,389,219

NOTE 3 – NOTE RECEIVABLE

A $265,000 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 note is secured by real estate and due in monthly installments of $688, including interest at .5%, with the final payment due on December 11, 2023.

The following is a summary of the note receivable at December 31, 2016:

Principal amount	$ 243,472
Less unamortized discount based on an imputed interest rate of 2.8%	32,083
Note receivable less unamortized discount	$ 211,389

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – NOTE RECEIVABLE (Continued)

Scheduled maturities of the note receivable, net of the unamortized discount, are as follows:

Year ending December 31,		
2017	$	2,366
2018		2,433
2019		2,502
2020		2,573
2021		2,647
Thereafter		198,868
Total Note Receivable	$	211,389

NOTE 4 – PROPERTY AND EQUIPMENT

Property improvements and equipment at December 31, 2016 consisted of the following:

Buildings and improvements:		
Monumental Church Improvements (1224 E. Broad St.)	$	2,133,727
Allen Double House (HQ) (4 & 6 E. Main St.)		123,072
		2,256,799
Furniture and equipment		132,617
		2,389,416
Less accumulated depreciation		887,687
Net Property Improvements and Equipment	$	1,501,729

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – PROPERTY AND EQUIPMENT (Continued)

Land and land improvements at December 31, 2016 consisted of the following:

Land		
Allen Double House (HQ)	$	75,150
Carrington Row parking lots (2301 - 2303 E. Broad St.)		8,475
St. John's Mews (2313 E. Broad St.)		2,500
St. John's Mews (207 N. 23rd St.)		807
Junior League parking lots (206 - 210 W. Main St.)		770
St. John's Mews (210 N. 24th St.)		100
Total Land		87,802
Land improvements		2,206
Less accumulated depreciation		2,206
Net Land and Land Improvements	$	87,802

Depreciation expense totaled $66,183 for the year ended December 31, 2016.

NOTE 5 – INTANGIBLE ASSET

At December 31, 2016, the gross carrying amount and accumulated amortization of a web site was as follows:

Gross amount	$	20,800
Less accumulated amortization		17,333
Net Book Value	$	3,467

The web site is being amortized over 3 years. Amortization expense totaled $6,933 for the year ended December 31, 2016.

Estimated future amortization expense as of December 31, 2016 is as follows:

Year ending December 31,		
2017	$	3,467

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – NET ASSETS

Board designated net assets at December 31, 2016 consisted of the following:

General endowment	$ 7,028,547
Revolving Fund	357,586
John G. (Jack) Zehmer, Jr. Publication Fund	129,534
Total Board Designated Net Assets	$ 7,515,667

Temporarily restricted net assets at December 31, 2016 consisted of the following:

Masons' Hall	$ 50,000
Canal project	29,083
Monumental Church - faux painting	16,175
Monumental Church - terrace maintenance	10,000
Monumental Church - garden	4,961
Purchase of collection items	1,741
Bryan statue	941
Total Temporarily Restricted Net Assets	$ 112,901

The Organization’s temporarily restricted net assets have not been donor-designated as endowments and are therefore not included in the Organization’s endowment.

Permanently restricted net assets at December 31, 2016 consisted of the following:

Monumental Church endowment	$ 131,445
General endowment	7,000
Total Permanently Restricted Net Assets	$ 138,445

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – PROGRAM SERVICES

Program service expenses for the year ended December 31, 2016 consisted of the following:

Preservation expenses	$	369,724
Education expenses		227,346
Total	$	597,070

NOTE 8 – ENDOWMENT FUNDS

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 U.S. 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.

a. 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – ENDOWMENT FUNDS (Continued)

b. Endowment Net Asset Composition by Type of Fund as of December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 138,445	$ 138,445
Board-designated endowment funds	7,515,667	-	-	7,515,667
Total Endowment Net Assets	$ 7,515,667	$ -	$ 138,445	$ 7,654,112

c. Changes in Endowment Net Assets for the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 7,450,320	$ -	$ 136,350	$ 7,586,670
Investment return:				
Investment income	171,585	1,379	-	172,964
Investment expenses	(37,160)	(299)	-	(37,459)
Realized and unrealized gains	292,491	2,351	-	294,842
	426,916	3,431	-	430,347
Recover from loss to unrestricted	1,681	(1,681)	-	-
Total investment return	428,597	1,750	-	430,347
Change in value of beneficial interest in trust held by third party	-	-	2,095	2,095
Appropriation of endowment assets for expenditure	(363,250)	(1,750)	-	(365,000)
Endowment net assets, end of year	$ 7,515,667	$ -	$ 138,445	$ 7,654,112

d. Description of Amounts Classified as 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	$ 138,445

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – ENDOWMENT FUNDS (Continued)

e. *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, 2016.

f. *Return Objectives, Strategies and Risk Parameters*
The investment portfolio seeks, at a minimum, to preserve the corpus of the Organization's assets and to achieve investment returns sufficient to sustain a prudent level of spending to support the stated mission of the Organization. Endowment assets include donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board designated funds. The investment objective is to earn an average real total return of at least 5% over the long term, achieved through a combination of capital appreciation (realized and unrealized) and current income (interest and dividends) applying appropriate diversification in order to provide the highest expected investment return for a given level of risk. Actual returns in any given year may vary.

g. *Spending Policy and How the Investment Objectives Relate to Spending Policy*
The Organization has a policy of appropriating for distribution each year up to 5 percent of its endowment fund's trailing twelve quarter average as of the last day of the calendar year preceding the 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 of maintaining the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as providing additional real growth through new gifts and investment return.

NOTE 9 - LEASE

The Organization leases office space under a lease agreement which expires in October 2020. Rent expense consisted of the following for the year ended December 31, 2016:

Minimum rent	$	29,100
Less sublease rental income		6,600
Net Rental Expense	$	22,500

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 – LEASE (Continued)

Future minimum lease payments at December 31, 2016 were as follows:

Year ending December 31,	
2017	$ 29,100
2018	29,100
2019	29,100
2020	24,250
Total Future Minimum Lease Payments	$ 111,550

NOTE 10 – FAIR VALUE MEASUREMENTS

The following table summarizes information about the Organization's assets that are measured at fair value on a recurring basis at December 31, 2016:

	Fair Value Using			Assets at
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Investments:				
Mutual funds	$ 3,581,657	$ -	$ -	$ 3,581,657
Equity securities	2,573,959	-	-	2,573,959
Corporate bonds	543,364	-	-	543,364
U.S. government bonds	406,603	-	-	406,603
Exchange-traded funds	192,389	-	-	192,389
Certificates of deposit	-	91,247	-	91,247
Total Investments	7,297,972	91,247	-	7,389,219
Beneficial interest in trust held by third party	-	-	73,976	73,976
Total	$ 7,297,972	$ 91,247	$ 73,976	$ 7,463,195

Certificates of deposits are estimated to approximate deposit account balances, at market rates for similar deposits having similar maturity dates with no discounts for credit quality or liquidity where determined to be applicable. As such, these certificates of deposit are classified within Level 2.

HISTORIC RICHMOND FOUNDATION
(dba HISTORIC RICHMOND)
AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – FAIR VALUE MEASUREMENTS (Continued)

The fair value of a beneficial interest in a trust held by a third party is based on a valuation model that calculates the present value of estimated future cash flows. The valuation model incorporates assumptions that market participants would use in estimating future cash flows. The Organization values its beneficial interest at the present value of estimated future distributions it expects to receive (Level 3 inputs).

The following is a reconciliation of assets measured at fair value on a recurring basis using level three inputs:

Beneficial interest in trust held by third party		
Balance at January 1, 2016	$	76,459
Distributions		(4,578)
Change in value		2,095
Balance at December 31, 2016	$	73,976

NOTE 11 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits in excess of insurance limits, investments and a note receivable (Note 3).

The Organization maintains its cash balances at financial institutions. As of December 31, 2016, all depositors are insured by the Federal Deposit Insurance Corporation for up to $250,000 per depositor per bank. At December 31, 2016, the Organization had cash balances that exceeded FDIC insurance limits by approximately $886,000.

The Securities Investor Protection Corporation (“SIPC”), a nonprofit membership corporation created by the Securities Investor Protection Act, insures investments in custodial accounts up to $500,000. At December 31, 2016, the Organization’s institutional funds included cash equivalents totaling $185,060 that were partially insured by SIPC.

Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying consolidated financial statements.

NOTE 12 – RELATED PARTY TRANSACTIONS

Two members of the Board of Trustees are partners at law firms that provided $26,773 of donated legal services. Board members also contributed $24,205 to the Organization.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to discount a note receivable to present value. The adjustment decreased beginning unrestricted net assets and total net assets by $36,801.