

# JAMESTOWN-YORKTOWN FOUNDATION, INC.

## Financial Statements

June 30, 2012 and 2011



> Certified Public  
Accountants & Consultants  
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Glen Allen, VA 23060

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JAMESTOWN-YORKTOWN FOUNDATION, INC.

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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors  
Jamestown-Yorktown Foundation, Inc.  
Richmond, Virginia

We have audited the accompanying statement of financial position of Jamestown-Yorktown Foundation, Inc. (the "Foundation") as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Jamestown-Yorktown Foundation, Inc. as of June 30, 2011, were audited by other auditors whose report dated January 6, 2012, expressed an unqualified opinion on those statements.

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 financial statements are free of material misstatements. 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 2012 financial statements referred to above present fairly, in all material respects, the financial position of Jamestown-Yorktown Foundation, Inc. as of June 30, 2012, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.



December 4, 2012  
Glen Allen, Virginia



Certified Public  
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**JAMESTOWN-YORKTOWN FOUNDATION, INC.**

Statements of Financial Position  
June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 186,355	\$ 2,338,427
Investments	14,426,944	12,533,164
Unconditional promises to give - less allowance for uncollectible promises	568,002	221,126
Prepaid expenses	<u>6,267</u>	<u>6,567</u>
Total current assets	15,187,568	15,099,284
Other assets:		
Unconditional promises to give - less current portion	<u>1,147,128</u>	<u>620,374</u>
Total assets	<u>\$ 16,334,696</u>	<u>\$ 15,719,658</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 245,580	\$ 222,755
Due to Commonwealth	<u>292,859</u>	<u>292,859</u>
Total liabilities	<u>538,439</u>	<u>515,614</u>
Net Assets:		
Unrestricted		
Undesignated	2,822,943	2,639,791
Board designated	5,412,929	5,649,914
Temporarily restricted	2,964,768	2,328,722
Permanently restricted	<u>4,595,617</u>	<u>4,585,617</u>
Total net assets	<u>15,796,257</u>	<u>15,204,044</u>
	<u>\$ 16,334,696</u>	<u>\$ 15,719,658</u>

See accompanying notes to financial statements.

**JAMESTOWN-YORKTOWN FOUNDATION, INC.**

Statements of Activities  
Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Revenue and support:				
Annual fund support	\$ 729,825	\$ -	\$ -	\$ 729,825
Contributions	15,596	1,434,074	10,000	1,459,670
Interest and dividends	82,238	78,456	-	160,693
Net unrealized and realized losses on investments	(30,790)	(37,502)	-	(68,293)
Program service revenue	<u>14,963</u>	<u>-</u>	<u>-</u>	<u>14,963</u>
Total revenue and support	811,831	1,475,027	10,000	2,296,858
Net assets released from restrictions	<u>838,981</u>	<u>(838,981)</u>	<u>-</u>	<u>-</u>
Total revenues, support, and other changes	<u>1,650,812</u>	<u>636,046</u>	<u>10,000</u>	<u>2,296,858</u>
Expenses:				
Program services	1,003,228	-	-	1,003,228
Supporting services:				
Management and general	376,137	-	-	376,137
Fundraising	<u>325,280</u>	<u>-</u>	<u>-</u>	<u>325,280</u>
Total expenses	<u>1,704,645</u>	<u>-</u>	<u>-</u>	<u>1,704,645</u>
Change in net assets	(53,833)	636,046	10,000	592,213
Net assets, beginning of year	<u>8,289,705</u>	<u>2,328,722</u>	<u>4,585,617</u>	<u>15,204,044</u>
Net assets, end of year	<u>\$ 8,235,872</u>	<u>\$ 2,964,768</u>	<u>\$ 4,595,617</u>	<u>\$ 15,796,257</u>

See accompanying notes to financial statements.

**JAMESTOWN-YORKTOWN FOUNDATION, INC.**

Statements of Activities  
Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Revenue and support:				
Annual fund support	\$ 710,535	\$ -	\$ -	\$ 710,535
Contributions	27,282	432,215	-	459,497
Interest and dividends	327,653	-	-	327,653
Net unrealized and realized gain on investments	617,452	691,181	-	1,308,633
Program service revenue	12,200	-	-	12,200
Total revenue and support	<u>1,695,122</u>	<u>1,123,396</u>	<u>-</u>	<u>2,818,518</u>
Net assets released from restrictions	<u>657,315</u>	<u>(657,315)</u>	<u>-</u>	<u>-</u>
Total revenues, support, and other changes	<u>2,352,437</u>	<u>466,081</u>	<u>-</u>	<u>2,818,518</u>
Expenses:				
Program services	798,483			798,483
Supporting services:				
Management and general	195,424	-	-	195,424
Fundraising	555,288	-	-	555,288
Total expenses	<u>1,549,195</u>	<u>-</u>	<u>-</u>	<u>1,549,195</u>
Change in net assets	803,242	466,081	-	1,269,323
Net assets, beginning of year	<u>7,486,463</u>	<u>1,862,641</u>	<u>4,585,617</u>	<u>13,934,721</u>
Net assets, end of year	<u>\$ 8,289,705</u>	<u>\$ 2,328,722</u>	<u>\$ 4,585,617</u>	<u>\$ 15,204,044</u>

See accompanying notes to financial statements.

**JAMESTOWN-YORKTOWN FOUNDATION, INC.**

Statements of Cash Flows  
Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 592,213	\$ 1,269,323
Adjustments to reconcile change in net assets to cash from operating activities:		
Reinvested interest and dividends	(160,693)	(327,653)
Net realized and unrealized (gain) loss on investments	68,293	(1,308,738)
Change in:		
Unconditional promises to give	(873,630)	168,331
Prepaid expenses	300	(67)
Accounts payable	22,824	208,222
	(350,693)	9,418
Net cash (used in) provided by operating activities		
Cash flow from investing activities:		
Proceeds from sale of investments	2,195,206	149,810
Purchase of investments	(3,996,585)	(4,400,000)
	(1,801,379)	(4,250,190)
Net cash used in investing activities		
Net change in cash and cash equivalents	(2,152,072)	(4,240,772)
Cash and cash equivalents, beginning of year	2,338,427	6,579,199
Cash and cash equivalents, end of year	\$ 186,355	\$ 2,338,427
Supplemental disclosure of noncash transactions:		
Gifts-in-kind	\$ 45,111	\$ 70,776

See accompanying notes to financial statements.

## JAMESTOWN-YORKTOWN FOUNDATION, INC.

### Notes to Financial Statements

#### 1. Organization and Nature of Business:

Jamestown-Yorktown Foundation, Inc. (the "Foundation") is a Virginia non-stock, non-profit corporation founded in 1999. The purpose of the Foundation is to supplement the activities of the Jamestown-Yorktown Foundation, an agency of the Commonwealth of Virginia (Commonwealth), which promotes and operates Jamestown Settlement and Yorktown Victory Center. The Foundation's basic activities consist of soliciting and collecting contributions, purchasing artifacts, sponsoring events and exhibits, and overseeing investments.

#### 2. Summary of Significant Accounting Policies:

**Financial Statement Presentation:** The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

**Cash Equivalents:** For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Investments:** Investments with readily determinable fair values are stated at fair value. Net unrealized gains and losses and all gains and losses arising from the sale or other disposition of investments are accounted for in the statements of activities.

**Unconditional Promises to Give:** Unconditional promises to give are recognized by the Foundation when a donor makes a promise to give that is in substance, unconditional. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received. The Foundation considers whether an allowance for uncollectible promises to give is necessary based on historical and economic factors and other relevant information.

**Property and Equipment:** Property and equipment are carried at cost. The Foundation reports gifts of property and equipment at fair value at the date of donation. These gifts are recorded as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used are reported as restricted support unless there are explicit donor stipulations about how those long-lived assets are placed in service. Repairs and maintenance are expensed as incurred. Depreciation is calculated by the straight-line method over the estimated useful lives of three to seven years. At June 30, 2012 and 2011, the Foundation had fully depreciated property and equipment at a cost of \$118,861.



## JAMESTOWN-YORKTOWN FOUNDATION, INC.

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Net Assets Classification:** The classes of net assets are described as follows:

**Unrestricted** - amounts that are not subject to donor-imposed restrictions and that are currently available, at the discretion of the Board of Directors, for use in the Foundation's operations.

**Temporarily Restricted** - amounts that are stipulated by donors for specific purposes or time periods. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

**Permanently Restricted** - amounts that are subject to donor-imposed stipulations and restricted to investments in perpetuity; the income from which is expendable in accordance with the conditions of each specific donation.

**Contributions:** Contributions and support are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the fiscal year in which the contribution is recognized. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted. Amounts required to be maintained in perpetuity by the donor are reported as permanently restricted in the period received. A donor restriction expires when a time restriction ends or when the purpose for which it was intended is attained. Upon expirations, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

**Gifts-in-Kind:** Material gifts-in-kind items received by the Foundation are recorded as contributions along with a corresponding charge to expense or capitalized cost. During the years ended June 30, 2012 and 2011, \$45,111 and \$70,776, respectively, were received as gifts-in-kind.

**Payroll:** The Foundation's functions are performed by state employees of the Jamestown-Yorktown Foundation, a state agency. The Foundation reimburses the Commonwealth of Virginia ("Commonwealth") for a portion of the payroll costs incurred in the performance of Foundation activities. These activities are comprised predominantly of accounting and management functions.

**Use of Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Foundation to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates and assumptions.

## JAMESTOWN-YORKTOWN FOUNDATION, INC.

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Income Taxes:** The Foundation is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

**Income Tax Uncertainties:** The Foundation follows Financial Accounting Standards Board ("FASB") guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. Management has evaluated the effects of accounting guidance related to uncertain tax positions and concluded that the Foundation had no significant financial statement exposure to uncertain tax positions at June 30, 2012 and 2011. The Foundation's income tax returns for years since 2008 remain open for examination by tax authorities. The Foundation is not currently under audit by any tax jurisdiction.

**Functional Expenses:** The Foundation allocates its expenses on a functional basis among its various programs and supporting services in the statement of activities. Therefore, certain expenses have been allocated to programs and supporting services benefited.

**Concentrations of Credit Risk:** Financial instruments which potentially expose the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents, investments and unconditional promises to give. The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation ("FDIC") covers \$250,000 for substantially all depository accounts. The Foundation from time to time may have amounts on deposit in excess of the insured deposits.

Unconditional promises to give are from individuals, families, and other entities. The Foundation believes its credit risk related to these promises to give is limited due to the nature of its donor. However, the ability to collect receivables is affected by the general economic conditions. For the year ended June 30, 2012, four donors comprised 65% of unconditional promises to give. For the year ended June 30, 2011, two donors comprised 98% of the unconditional promises to give.

The Foundation invests in various investment securities, which are exposed to various risks, such as interest rate, credit, and overall volatility risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would affect the investment balances and the amount reported in the financial statements.

**Reclassifications:** Certain prior year balances have been reclassified to conform with the current year presentation.

## JAMESTOWN-YORKTOWN FOUNDATION, INC.

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Subsequent Events:** Management has evaluated subsequent events through December 4, 2012, the date the financial statements were available for issuance, and has determined that no additional disclosures are necessary.

#### 3. Fair Value Measurements:

The Company has adopted FASB guidance on fair value measurements. The provisions of the guidance provides a framework for measuring fair value under generally accepted accounting principles and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for investments carried or disclosed at fair value:

**Mutual funds:** Valued at the net asset value ("NAV") of shares held at year end. As of December 31, 2011 and 2010, there are no unfunded commitments and can be redeemed immediately upon notice with no other redemption restrictions.

**Bonds:** Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**JAMESTOWN-YORKTOWN FOUNDATION, INC.**

Notes to Financial Statements, Continued

**3. Fair Value Measurements, Continued:**

The following tables set forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value:

	<u>Investments at Fair Value as of June 30, 2012</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Mutual Funds:				
Multi-asset	\$ -	\$ 12,598,046	\$ -	\$ 12,598,046
Bonds:				
Intermediate term	615,524	-	-	615,524
Short term	1,213,374	-	-	1,213,374
Total	<u>\$ 1,828,898</u>	<u>\$ 12,598,046</u>	<u>\$ -</u>	<u>\$ 14,426,944</u>

	<u>Investments at Fair Value as of June 30, 2011</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Mutual Funds:				
Multi-asset	\$ -	\$ 12,533,164	\$ -	\$ 12,533,164
Cash Equivalents:				
Short-term	2,197,262	-	-	2,197,262
	<u>\$ 2,197,262</u>	<u>\$ 12,533,164</u>	<u>\$ -</u>	<u>\$ 14,730,426</u>

The components of net investment income consisted of the following for the years ended June 30:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 160,693	\$ 327,653
Net realized gain on investments	432,218	137,036
Net unrealized gain (loss) on investments	<u>(500,511)</u>	<u>1,171,597</u>
Total investment income	<u>\$ 92,400</u>	<u>\$ 1,636,286</u>

**JAMESTOWN-YORKTOWN FOUNDATION, INC.**

Notes to Financial Statements, Continued

**4. Collections:**

The Foundation has elected not to include collections of art and historical treasures in the financial statements since they become assets of the Commonwealth. These collections are comprised primarily of fine art and artifacts at both Jamestown Settlement and Yorktown Victory Center. Insurance coverage on collection items is included under the Commonwealth's blanket insurance program at no expense to the Foundation. The Foundation has a policy that proceeds generated from the sale of collection items will be used to acquire new items. During 2012 and 2011, collections in the amount of \$234,411 and \$196,825, respectively, were purchased by the Foundation and included in program services expense. There were no sales during 2012 and 2011.

**5. Unconditional Promises to Give:**

Unconditional promises to give are reflected at the present value of estimated future cash flows using discount rates of 0.72% and 3.25% at June 30, 2012 and 2011, respectively.

Unconditional promises to give:	2012	2011
Within one year	\$ 585,322	\$ 229,779
In one to five years	<u>1,164,678</u>	<u>692,499</u>
Total unconditional promises to give	1,750,000	922,278
Less: discount to net present value	(17,550)	(72,125)
Less: allowance for uncollectible promises	<u>(17,320)</u>	<u>(8,653)</u>
Net unconditional promises to give	<u>\$ 1,715,130</u>	<u>\$ 841,500</u>

The Foundation provides an allowance for uncollectible promises to give equal to the estimated collection losses that may be incurred in the collection of unconditional promises to give. The estimated losses are based on prior year experience and management's analysis of specific promises made.

**6. Due to Commonwealth:**

In 2006, the Commonwealth contracted with the Foundation to provide national and international artifacts loans, an exhibit catalog and exhibit fabrication in the estimated amount of \$3,944,155. The World of 1607 Special Exhibit was completed and all costs and artifacts reverted to the Commonwealth in accordance with Note 4. Under the terms of the contract with the Commonwealth, \$3,894,155 has been provided to the Foundation, of which \$3,601,296 has been spent in accordance with the contract. The unexpended balance of \$292,859 will revert to the Commonwealth at a mutually agreeable time.

**JAMESTOWN-YORKTOWN FOUNDATION, INC.**

Notes to Financial Statements, Continued

**6. Due to Commonwealth, Continued:**

As discussed in Note 2, the Foundation reimburses the Commonwealth for a portion of the payroll costs incurred in the performance of accounting and management functions. As of June 30, 2012, the Foundation owes the Commonwealth \$219,638 in reimbursements, which is included in the statement of financial position as accounts payable.

**7. Transfers to Commonwealth**

During 2012 and 2011, the Foundation released from restriction certain temporarily restricted net assets and transferred the funds to the Commonwealth for certain projects they were overseeing. The funds released were for the following projects:

	2012	2011
Commemorative Plaza	\$ -	\$ 6,058
Educational Programs	92,216	114,038
Events	893	-
Exhibits	30,579	28,512
Ships Maintenance	25,000	-
Technology	25,000	-
Total	<u>\$ 173,688</u>	<u>\$ 148,608</u>

**8. Temporarily Restricted Net Assets:**

At June 30, 2012 and 2011, temporarily restricted nets assets are restricted for the following purposes:

	2012	2011
Education programs	\$ 82,964	\$ 216,800
Endowment – with purpose restrictions	1,153,874	1,314,309
Exhibits, artifacts	222,088	242,118
General support	4,834	9,937
Other	19,111	19,007
Promises to give - with purpose and time restrictions	1,050,255	125,402
Technology	203,567	219,913
Yorktown Victory Center	228,075	181,236
Total Temporarily Restricted Net Assets	<u>\$ 2,964,768</u>	<u>\$ 2,328,722</u>

## JAMESTOWN-YORKTOWN FOUNDATION, INC.

### Notes to Financial Statements, Continued

#### 9. Endowment Funds:

The Foundation follows FASB guidance "*Endowments of Not-for Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.*" The provisions provide guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowments funds, both donor-restricted endowment funds and board-designated endowment funds.

The Foundation's endowment consists of eight individual funds established for a variety of purposes. In addition, the Foundation has established the Education Programs Fund to receive permanently restricted donor gifts to support educational programs including on-site educational programs; statewide and national outreach programming and future permanent and special exhibits. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law:** The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the UPMIFA. In accordance with the UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowments funds:

- The duration and preservation of the fund
- The purposes of the Foundation and 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



## JAMESTOWN-YORKTOWN FOUNDATION, INC.

### Notes to Financial Statements, Continued

#### 9. Endowment Funds, Continued:

**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 UPMIFA requires the Foundation to retain as a fund of perpetual duration. Earnings in 2012 and 2011 were sufficient to maintain the fair value of the assets of the endowment funds at the required level.

**Return Objectives and Risk Parameters:** The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets and to ensure that the present value of the invested funds grows at a rate that will exceed inflation, preserve principal and generate maximum total return consistent with acceptable levels of risk. This objective is currently attained by investing in a portfolio of high quality securities. Endowments assets include those assets of donor-restricted funds that the organizations must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Foundation's Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed a rate of return equal or greater than the spending rate plus the rate of inflation over a five-year period. Actual returns in any given five-year period may vary from this amount.

**Strategies Employed for Achieving Objectives:** To satisfy its long-term rate-of-return 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). The Foundation targets a diversified asset allocation that places emphasis on achieving its long-term return objectives within prudent risk constraints. Endowment investments are monitored for consistency to investment philosophy, return relative to the objectives, investment risk as measured by asset concentrations and investment cost.

**Spending Policy and How the Investment Objectives Relate to Spending Policy:** The Foundation has a policy of appropriating for distribution each year 5% of its endowment funds' average fair value based on a rolling 3-year period in the fiscal years prior to the fiscal year in which the distribution is planned. In establishing these policies, the Foundation considered the expected return on its endowment. Accordingly, the Foundation expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return. However, for 2012 and 2011, the Foundation did not take the full distribution due to the decline in market value of the Endowment. The distribution for 2012 and 2011 was \$322,363 and \$103,146, respectively.



**JAMESTOWN-YORKTOWN FOUNDATION, INC.**

Notes to Financial Statements, Continued

**9. Endowment Funds, Continued:**

**Board Designated Endowments:** The Foundation's Board of Directors has designated a portion of unrestricted net assets as funds functioning as endowments. Separate funds have been established for the Acquisitions Fund, Education Programs Fund and General Endowment.

The purpose of the Acquisitions Fund is to provide an ongoing source of funding for purchasing and preserving artifacts relevant to the Jamestown Settlement and Yorktown Victory Center. The primary investment objective of this fund is to preserve and protect assets by focusing on conservation of principal and long-term growth of capital and income. This objective is generally attained by investing in a portfolio of high quality securities. Expenditures from the fund are based upon a 5% spending plan using a three-year average market value. During 2012 and 2011, \$27,939 and \$14,277, respectively, were withdrawn from the fund for artifacts.

The purpose of the Education Programs Fund is to provide an ongoing source of funding for supporting educational programs including on-site and outreach education; outdoor interpretive areas and related programming; and changing exhibitions. The primary investment objective of the fund is to preserve and protect its assets by focusing on conservation of principal and long-term growth of capital and income. This objective is generally attained by investing in a portfolio of high quality securities. Expenditures from this fund are based upon a 5% spending plan using a three-year average market value. During 2012 and 2011, \$59,414 and \$35,094, respectively, were withdrawn from the fund.

The General Endowment Fund was established to provide cash flow for Jamestown Yorktown Foundation, Inc. and Jamestown-Yorktown Foundation. The primary investment objective of the General Endowment fund is to preserve and protect the assets by focusing on conservation of principal and long-term growth of capital and income. This objective is generally attained by investing in a portfolio of high quality securities. Expenditures from the fund are based upon a 5% spending plan using a three-year average market value. During 2012 and 2011, \$33,621 and \$22,000, respectively, were withdrawn from the fund. During 2012 and 2011, \$167,459 and \$173,626, respectively, were released from the General Endowment Fund to undesignated net assets.

Endowment assets composition by type of fund was as follows as of June 30, 2012:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 5,412,929	\$ -	\$ -	\$ 5,412,929
Donor-restricted endowment funds	-	1,153,874	4,595,617	5,749,491
Total Funds	<u>\$ 5,412,929</u>	<u>\$ 1,153,874</u>	<u>\$ 4,595,617</u>	<u>\$ 11,162,419</u>

**JAMESTOWN-YORKTOWN FOUNDATION, INC.**

Notes to Financial Statements, Continued

**9. Endowment Funds, Continued:**

Endowment net asset composition by type of fund was as follows as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 5,649,914	\$ -	\$ -	\$ 5,649,914
Donor-restricted endowment funds	-	1,314,309	4,585,617	5,899,926
Total Funds	<u>\$ 5,649,914</u>	<u>\$ 1,314,309</u>	<u>\$ 4,585,617</u>	<u>\$ 11,549,840</u>

Endowment net asset composition by classification and changes therein was as follows for the fiscal years ended June 30, 2012 and 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2010	\$ 4,789,772	\$ 661,361	\$ 4,585,617	\$ 10,036,750
Investment Return:				
Investment income	372,504	-	-	372,504
Net realized / unrealized gains	534,210	728,879	-	1,263,089
Amounts appropriated for expenditure	(65,713)	(37,433)	-	(103,146)
Other Changes:				
Transfers to create Board designated endowment	192,767	(38,498)	-	154,269
Transfers out of Board designated endowment	<u>(173,626)</u>	<u>-</u>	<u>-</u>	<u>(173,626)</u>
Endowment net assets, June 30, 2011	5,649,914	1,314,309	4,585,617	11,549,840
Investment Return:				
Investment income	101,333	78,456	-	179,789
Net realized / unrealized losses	(49,886)	(37,502)	-	(87,388)
Contributions	-	-	10,000	10,000
Amounts appropriated for expenditure	(120,974)	(201,389)	-	(322,363)
Other Changes:				
Transfers out of Board designated endowment	<u>(167,459)</u>	<u>-</u>	<u>-</u>	<u>(167,459)</u>
Endowment net assets, June 30, 2012	<u>\$ 5,412,929</u>	<u>\$ 1,153,874</u>	<u>\$ 4,595,617</u>	<u>\$ 11,162,419</u>

**JAMESTOWN-YORKTOWN FOUNDATION, INC.**

Notes to Financial Statements, Continued

**10. Related Parties:**

The Foundation received contribution revenue from Board members in the amount of \$200,357 and \$55,561 for the years ending June 30, 2012 and 2011, respectively. The amount of unconditional promises to give due from Board members amounted to \$842,833 and \$3,500 at June 30, 2012 and 2011, respectively. Accordingly, the Foundation received payments of \$139,284 and \$12,608 from Board members during the years ended June 30, 2012 and 2011, respectively.

