

Richmond Hill Incorporated

Financial Statements

December 31, 2017 and 2016

Richmond Hill Incorporated

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Independent Auditor's Report

Council Members
Richmond Hill Incorporated
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Richmond Hill Incorporated, which comprise the statements of financial position as of December 31, 2017 and 2016, the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Richmond Hill Incorporated as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Mitchell Wiggins

Petersburg, Virginia
November 13, 2018

Richmond Hill Incorporated

Statements of Financial Position December 31, 2017 and 2016

Assets	2017	2016
Cash	\$ 39,747	\$ 36,069
Pledges receivable, net of allowance for doubtful pledges, \$15,000 in 2017 and 2016	9,837	51,311
Other assets	1,483	-
Investments	1,213,448	1,091,049
Property and equipment, net	3,721,140	3,880,700
Total assets	\$ 4,985,655	\$ 5,059,129
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 19,355	\$ 8,935
Total liabilities	19,355	8,935
Net Assets		
Unrestricted	3,738,544	3,902,501
Temporarily restricted	717,924	637,861
Permanently restricted	509,832	509,832
Total net assets	4,966,300	5,050,194
Total liabilities and net assets	\$ 4,985,655	\$ 5,059,129

See Notes to Financial Statements

Richmond Hill Incorporated

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Contributions	\$ 234,537	\$ 407,399	\$ -	\$ 641,936
Program service fees	234,888	-	-	234,888
Investment return	543	111,659	-	112,202
Miscellaneous	1,298	-	-	1,298
Net assets released from restrictions	438,995	(438,995)	-	-
Total revenues and other support	910,261	80,063	-	990,324
Expenses				
<i>Functional Expenses</i>				
Program services	846,993	-	-	846,993
Management and general	156,657	-	-	156,657
Fundraising	70,568	-	-	70,568
Total functional expenses	1,074,218	-	-	1,074,218
Changes in net assets	(163,957)	80,063	-	(83,894)
Net assets, beginning	3,902,501	637,861	509,832	5,050,194
Net assets, ending	\$ 3,738,544	\$ 717,924	\$ 509,832	\$ 4,966,300

See Notes to Financial Statements

Richmond Hill Incorporated

Statement of Activities and Changes in Net Assets ***Year Ended December 31, 2016***

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Contributions	\$ 254,553	\$ 350,554	\$ -	\$ 605,107
Program service fees	227,742	-	-	227,742
Investment return	(448)	77,131	-	76,683
Miscellaneous	4,674	-	-	4,674
Net assets released from restrictions	737,965	(737,965)	-	-
Total revenues and other support	1,224,486	(310,280)	-	914,206
Expenses				
<i>Functional Expenses</i>				
Program services	1,057,552	-	-	1,057,552
Management and general	133,339	-	-	133,339
Fundraising	85,640	-	-	85,640
Provision for uncollectible pledges	3,556	-	-	3,556
Transfer to Armstrong Priorities, Inc.	124,651	-	-	124,651
Total functional expenses	1,404,738	-	-	1,404,738
Changes in net assets	(180,252)	(310,280)	-	(490,532)
Net assets, beginning	4,082,753	948,141	509,832	5,540,726
Net assets, ending	\$ 3,902,501	\$ 637,861	\$ 509,832	\$ 5,050,194

See Notes to Financial Statements

Richmond Hill Incorporated

Statement of Functional Expenses Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 175,990	\$ 53,140	\$ 41,316	\$ 270,446
Payroll taxes	14,267	3,239	3,161	20,667
Employee benefits	96,137	20,347	4,996	121,480
Total salaries and related expenses	286,394	76,726	49,473	412,593
Bank and investment fees	-	10,187	-	10,187
Contract labor	32,795	20,100	-	52,895
Depreciation	127,648	23,934	7,978	159,560
Equipment maintenance	6,215	1,407	388	8,010
Facility expense	159,881	-	-	159,881
Food	53,300	-	-	53,300
Insurance	9,961	3,559	1,048	14,568
Miscellaneous	-	667	-	667
National Night Out Event	19,150	-	-	19,150
Office expense	6,393	910	708	8,011
Postage	7,605	1,839	2,158	11,602
Printing	15,869	1,020	5,680	22,569
Professional fees	6,903	6,903	-	13,806
Program expenses	62,561	-	-	62,561
Stipends	2,156	-	-	2,156
Utilities	50,162	9,405	3,135	62,702
Total functional expenses	\$ 846,993	\$ 156,657	\$ 70,568	\$ 1,074,218

See Notes to Financial Statements

Richmond Hill Incorporated

Statement of Functional Expenses Year Ended December 31, 2016

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 276,665	\$ 41,021	\$ 41,147	\$ 358,833
Payroll taxes	22,291	3,304	3,314	28,909
Employee benefits	124,185	22,335	9,999	156,519
Total salaries and related expenses	423,141	66,660	54,460	544,261
Armstrong Priorities Freshman				
Academy funding	116,373	-	-	116,373
Bank and investment fees	-	10,626	-	10,626
Contract labor	35,632	14,373	-	50,005
Depreciation	127,155	15,894	15,894	158,943
Equipment maintenance	7,777	972	972	9,721
Facility expense	88,531	-	-	88,531
Food	54,073	-	-	54,073
Insurance	9,532	1,192	1,192	11,916
Miscellaneous	1,710	-	-	1,710
National Night Out Event	18,875	-	-	18,875
Office expense	5,613	4,396	1,225	11,234
Postage	5,792	1,812	2,629	10,233
Printing	20,208	4,525	3,224	27,957
Professional fees	6,845	6,845	-	13,690
Program expenses	58,321	-	-	58,321
RVA Rapid Transit support	20,000	-	-	20,000
Stipends	9,429	-	-	9,429
Travel	196	-	-	196
Utilities	48,349	6,044	6,044	60,437
Total functional expenses	\$ 1,057,552	\$ 133,339	\$ 85,640	\$ 1,276,531

See Notes to Financial Statements

Richmond Hill Incorporated

Statements of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Changes in net assets	\$ (83,894)	\$ (490,532)
<i>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</i>		
Depreciation	159,560	158,943
Bad debt expense	-	3,556
Realized gain on sale of investments	(25,128)	(16,884)
Unrealized gain on investments	(60,346)	(42,170)
Donated investments	(49,122)	(69,959)
<i>Changes in operating assets</i>		
Pledges and grants receivable	41,474	37,884
Other assets	(1,483)	-
<i>Changes in operating liabilities</i>		
Accounts payable	10,420	(21,962)
Accrued expenses	-	(15,483)
Net cash (used in) operating activities	(8,519)	(456,607)
Cash Flows from Investing Activities		
Purchase of investments	(326,842)	(112,177)
Proceeds from sale of investments	339,039	609,203
Purchase of property and equipment	-	(12,300)
Net cash provided by investing activities	12,197	484,726
Net change in cash and cash equivalents	3,678	28,119
Cash, beginning	36,069	7,950
Cash, ending	\$ 39,747	\$ 36,069
Supplemental Disclosure of Non-cash Investing Activities		
Gifts of noncash investments in satisfaction of prior year pledge receivable balances	\$ -	\$ 20,226

See Notes to Financial Statements

Richmond Hill Incorporated

Notes to Financial Statements

December 31, 2017 and 2016

Note 1. Nature of Business and Significant Accounting Policies

Nature of activities

Richmond Hill Incorporated (the "Organization") is a private, not-for-profit non-stock Virginia corporation which maintains an urban retreat center for the people of Metropolitan Richmond and other guests. It is an ecumenical Christian community whose mission is to advance God's healing of the City through prayer, hospitality, racial reconciliation and spiritual development.

Basis of accounting

The Organization's financial statements are presented in accordance with accounting principles generally accepted in the United States of America on an accrual basis. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Cash and cash equivalents

For purposes of the statements of cash flows, all highly liquid non-restricted investments purchased with a maturity of three months or less is considered to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial investments.

Pledges and grants receivable

Pledges and grants receivable are recorded as received. Pledges and grants receivable due in the next year are reflected as current pledges and grants receivable and are recorded at their net realizable value. Pledges and grants receivable due in subsequent years are reflected as long-term pledges and grants receivable and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the pledges are received to discount the amounts. An allowance for uncollectible pledges is provided based on management's evaluation of potential uncollectible pledges receivable at year end.

Investments

Investments in common stocks with readily determinable fair values and all investments in corporate bonds, money market funds and mutual funds are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Donated investments

Donated marketable securities are recorded as contributions at their estimated fair values at the date of donation.

Richmond Hill Incorporated

Notes to Financial Statements

December 31, 2017 and 2016

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Property and equipment

Property and equipment are valued at cost or, if donated, at fair market value at the date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense when incurred.

Donated materials and services

No amounts have been reflected in the financial statements for donated services since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Organization's activities.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue recognition

Contributions which include unconditional promises to give are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be unrestricted unless specifically restricted by the donor. Program support grants are recognized as revenue at the time of award if they are unconditional.

The Organization reports grants and contributions in the temporarily restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the statements of activities and changes in net assets. However, if restrictions on grants and contributions are met in the same reporting period as the grant or contribution is received, the revenues are reported as increases in unrestricted net assets.

Richmond Hill Incorporated

Notes to Financial Statements

December 31, 2017 and 2016

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Unrestricted net assets

The Organization reports assets whose use is not restricted by donors as unrestricted net assets. Contributions are available for unrestricted use unless specifically restricted by the donor. In general, the unrestricted net assets of the Organization may be used at the discretion of the Organization's management and Board of Directors to support the Organization's purpose and operations.

Temporarily restricted net assets

The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets

Permanently restricted net assets are those which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be utilized only for purposes specified by the donor. At December 31, 2017 and 2016, the income from these permanently restricted net assets may be used to support the various programs sponsored by the Organization at the discretion of the Board of Directors.

Income taxes

The Organization is exempt from Federal income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. The Organization had no unrelated business income during the years ended December 31, 2017 and 2016. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Organization follows generally accepted accounting principles regarding "Accounting for Uncertain Tax Positions". This standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the Organization's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The Organization has determined that it does not have any material unrecognized tax benefits or obligations at December 31, 2017 and 2016. The tax years of 2014 to 2016 remain subject to examination by the taxing authorities.

The Organization includes penalties and interest assessed by income taxing authorities in operating expenses. The Organization did not have penalties and interest expenses for the years ended December 31, 2017 and 2016.

Richmond Hill Incorporated**Notes to Financial Statements****December 31, 2017 and 2016****Note 2. Investments**

Investments at December 31, 2017 and 2016 consist of the following:

	December 31, 2017			
	Cost	Fair Value	Gross Unrealized Losses	Gross Unrealized Gains
Common stock	\$ 491,996	\$ 661,847	\$ (2,379)	\$ 172,230
Money market funds	413,385	413,385	-	-
Mutual funds	137,074	138,216	(1,485)	2,627
	\$ 1,042,455	\$ 1,213,448	\$ (3,864)	\$ 174,857

	December 31, 2016			
	Cost	Fair Value	Gross Unrealized Losses	Gross Unrealized Gains
Common stock	\$ 536,482	\$ 642,322	\$ (8,331)	\$ 114,171
Money market funds	332,339	332,339	-	-
Mutual funds	111,581	116,388	-	4,807
	\$ 980,402	\$ 1,091,049	\$ (8,331)	\$ 118,978

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended:

	December 31, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	\$ 1,087	\$ 25,641	\$ -	\$ 26,728
Net realized gains (losses)	(544)	25,672	-	25,128
Net unrealized gains	-	60,346	-	60,346
Total investment return	\$ 543	\$ 111,659	\$ -	\$ 112,202

	December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income	\$ 45	\$ 17,584	\$ -	\$ 17,629
Net realized gains	4,849	12,035	-	16,884
Net unrealized gains (losses)	(5,342)	47,512	-	42,170
Total investment return (loss)	\$ (448)	\$ 77,131	\$ -	\$ 76,683

Richmond Hill Incorporated**Notes to Financial Statements****December 31, 2017 and 2016**

Note 2. Investments (Continued)

Investments include amounts held for the permanent endowment funds, as well as amounts restricted as noted in Note 4.

Note 3. Pledges Receivable

Unconditional promises to give are as follows:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 24,837	\$ 61,127
Receivable in one to five years	-	5,300
Total unconditional promises to give	<u>24,837</u>	<u>66,427</u>
Less discounts to net present value	-	(116)
Less allowance for uncollectible promises to give	<u>(15,000)</u>	<u>(15,000)</u>
Net unconditional promises to give at December 31	<u>\$ 9,837</u>	<u>\$ 51,311</u>

A discount rate of .74% was used in determining the present value of pledges receivable at December 31, 2016.

Note 4. Restricted Net Assets

Temporarily restricted net assets as of December 31 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Armstrong Fund	\$ 175,692	\$ 178,835
Clergy BRT	-	33,519
Communications Grant	11,370	22,749
Endowment Fund	163,922	106,509
Grief Hurts Fund	218,397	222,577
Maintenance Fund	134,833	62,398
Micah Initiative Fund	353	-
Various Funds	13,357	11,274
	<u>\$ 717,924</u>	<u>\$ 637,861</u>

Richmond Hill Incorporated

Notes to Financial Statements

December 31, 2017 and 2016

Note 4. Restricted Net Assets (Continued)

Permanently restricted net assets consist of endowment fund investments to be held indefinitely. The income from which is expendable to support the Organization.

Note 5. Property and Equipment

Property and equipment at cost, less accumulated depreciation, as of December 31, 2017 and 2016 on the statements of financial position include the following major classifications:

	<u>2017</u>	<u>2016</u>
Land and improvements	\$ 257,756	\$ 257,756
Buildings and improvements	5,986,740	5,986,740
Furniture and equipment	180,821	180,821
	<u>6,425,317</u>	<u>6,425,317</u>
Less Accumulated depreciation	2,704,177	2,544,617
	<u>\$3,721,140</u>	<u>\$ 3,880,700</u>

Note 6. Fair Value Measurements

U. S. GAAP has established a framework to measure fair value and defined the required disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

Richmond Hill Incorporated**Notes to Financial Statements****December 31, 2017 and 2016**

Note 6. Fair Value Measurements (Continued)

The classification of investments by level within the valuation hierarchy as of December 31, 2017 and 2016 is as follows:

	Fair Value Measurements at Reporting Date Using			
	December 31,	Level 1	Level 2	Level 3
	2017			
Assets				
Common stocks				
Closed-end funds	\$ 152,085	\$ 152,085	\$ -	\$ -
Consumer discretionary	38,308	38,308	-	-
Consumer staples	60,466	60,466	-	-
Energy	53,850	53,850	-	-
Financials	138,555	138,555	-	-
Healthcare	51,608	51,608	-	-
Industrials	57,062	57,062	-	-
Information technology	31,206	31,206	-	-
Materials	27,779	27,779	-	-
Real estate investment trusts	35,536	35,536	-	-
Telecommunications	6,881	6,881	-	-
Utilities	8,511	8,511	-	-
Money market funds	413,385	413,385	-	-
Mutual funds				
Large -Cap Core	138,216	138,216	-	-
	\$ 1,213,448	\$ 1,213,448	\$ -	\$ -

Richmond Hill Incorporated**Notes to Financial Statements****December 31, 2017 and 2016****Note 6. Fair Value Measurements (Continued)**

	Fair Value Measurements at Reporting Date Using			
	December 31, 2016	Level 1	Level 2	Level 3
Assets				
Domestic common stocks				
Closed-end funds	\$ 197,268	\$ 197,268	\$ -	\$ -
Consumer discretionary	47,285	47,285	-	-
Consumer staples	65,020	65,020	-	-
Energy	31,174	31,174	-	-
Financials	113,698	113,698	-	-
Healthcare	35,519	35,519	-	-
Industrials	57,049	57,049	-	-
Information technology	16,263	16,263	-	-
Materials	24,999	24,999	-	-
Real estate investment trusts	37,732	37,732	-	-
Telecommunications	8,274	8,274	-	-
Utilities	8,041	8,041	-	-
Money market funds	332,339	332,339	-	-
Mutual funds				
Large -Cap Core	116,388	116,388	-	-
	<u>\$ 1,091,049</u>	<u>\$ 1,091,049</u>	<u>\$ -</u>	<u>\$ -</u>

Note 7. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 8. Retirement Plans

The Organization has a Section 403(b) deferred compensation plan. The plan is an employer adopted plan through which employees can participate in a voluntary payroll deduction retirement program. Employer contributions to the plan are discretionary. Employer contributions to the plan for the years ended December 31, 2017 and 2016 were \$37,011 and \$48,611, respectively.

Richmond Hill Incorporated

Notes to Financial Statements

December 31, 2017 and 2016

Note 9. Concentration of Credit Risk

The Organization maintains investments in common stocks, money market funds and mutual funds. All of these investments are subject to market fluctuations and are at risk to loss of principal.

For the year ended December 31, 2016, approximately 10% of net pledges receivable, or \$5,000 represent amounts due from one funding source.

Note 10. Covenants

Richmond Hill Incorporated and the Historic Richmond Foundation (the "Foundation") entered into a restrictive covenant related to the use of the historic Monte Maria Monastery property that the Organization owns and operates. The Organization must obtain prior written approval from the Foundation to change, remove, add or improve the exterior of the building or perform any other improvements to or on the property and must abide by all federal, state, and local ordinances and regulations regarding rehabilitation, maintenance, and use of the property. In the event of a violation of the covenant, the Foundation has the option to purchase the property at 80% of its market value. In the event the property is sold or disposed of, this covenant is to be inserted in the deed or other instrument of conveyance.

Note 11. Endowment

The Organization's endowment consists of two individual funds established for purposes which support the Organization. The endowment is comprised only of donor-restricted endowment funds. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of relevant state law

The Board of Directors of the Organization has interpreted the Commonwealth of Virginia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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 as 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

Richmond Hill Incorporated

Notes to Financial Statements

December 31, 2017 and 2016

Note 11. Endowment (Continued)

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

- The duration and preservation of the fund
- The purposes of the Organization 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 Organization
- The investment policies of the Organization

The following schedules summarize the endowment net asset composition by type of fund as of December 31, 2017 and 2016:

	December 31, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 163,922	\$ 509,832	\$ 673,754
Total endowment funds	\$ -	\$ 163,922	\$ 509,832	\$ 673,754

	December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 106,509	\$ 509,832	\$ 616,341
Total endowment funds	\$ -	\$ 106,509	\$ 509,832	\$ 616,341

The following schedules summarize the net asset composition by type of fund as of December 31, 2017 and 2016:

	December 31, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 163,922	\$ 509,832	\$ 673,754
Unrestricted funds	3,738,544	-	-	3,738,544
Temporarily restricted funds	-	554,002	-	554,002
Total net assets	\$ 3,738,544	\$ 717,924	\$ 509,832	\$ 4,966,300

Richmond Hill Incorporated**Notes to Financial Statements****December 31, 2017 and 2016****Note 11. Endowment (Continued)**

	December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 106,509	\$ 509,832	\$ 616,341
Unrestricted funds	3,902,501	-	-	3,902,501
Temporarily restricted funds	-	531,352	-	531,352
Total net assets	\$ 3,902,501	\$ 637,861	\$ 509,832	\$ 5,050,194

The following schedule summarizes the changes in endowment net assets for the years ended December 31, 2017 and 2016:

	December 31, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 106,509	\$ 509,832	\$ 616,341
Investment return:				
Investment income	-	15,548	-	15,548
Net appreciation, realized and unrealized	-	70,290	-	70,290
Total investment return	-	85,838	-	85,838
Appropriation of endowment earnings for expenditure	-	(28,425)	-	(28,425)
Endowment net assets, end of year	\$ -	\$ 163,922	\$ 509,832	\$ 673,754

	December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 107,968	\$ 509,832	\$ 617,800
Investment return:				
Investment income	-	16,028	-	16,028
Net appreciation, realized and unrealized	-	49,075	-	49,075
Total investment return	-	65,103	-	65,103
Appropriation of endowment earnings for expenditure	-	(66,562)	-	(66,562)
Endowment net assets, end of year	\$ -	\$ 106,509	\$ 509,832	\$ 616,341

Richmond Hill Incorporated

Notes to Financial Statements

December 31, 2017 and 2016

Note 11. Endowment (Continued)

A description of the amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) as of December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$ 509,832</u>	<u>\$ 509,832</u>
Total endowment funds classified as permanently restricted net assets	<u>\$ 509,832</u>	<u>\$ 509,832</u>
Temporarily Restricted Net Assets		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA with purpose restrictions	<u>\$ 163,922</u>	<u>\$ 106,509</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 163,922</u>	<u>\$ 106,509</u>

Return objectives and risk parameters

The Organization 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. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to earn a real total return that is at least equal to the annual spending rate plus inflation as measured by the Consumer Price Index, while assuming a moderate level of risk. Actual returns in any given year may vary from this amount.

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 preservation and current yield (interest and dividends). The Organization targets a diversified asset allocation for capital preservation, which includes common stocks, corporate bonds, money market funds and mutual funds, in order to minimize risks while preserving capital.

Note 12. Subsequent Events

Management has evaluated subsequent events through November 13, 2018, the date the financial statements were available for issue.