



MitchellWiggins

CERTIFIED PUBLIC ACCOUNTANTS

Richmond Hill Incorporated

Financial Statements

December 31, 2018 and 2017

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, 2018 and 2017, and 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, 2018 and 2017, 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 11, 2019

Richmond Hill Incorporated

Statements of Financial Position December 31, 2018 and 2017

Assets	2018	2017
Cash and cash equivalents	\$ 866,158	\$ 453,132
Pledges receivable, net of allowance for doubtful pledges, \$4,000 and \$15,000 in 2018 and 2017	65,952	9,837
Other assets	-	1,483
Investments	645,341	800,063
Property and equipment, net	3,587,214	3,721,140
Total assets	\$ 5,164,665	\$ 4,985,655
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 27,988	\$ 19,355
Accrued wages and benefits	2,576	-
Total liabilities	30,564	19,355
Net Assets		
<i>Without donor restrictions</i>		
Operations	3,649,019	3,738,544
Board-designated	111,866	2,081
<i>With donor restrictions</i>	1,373,216	1,225,675
Total net assets	5,134,101	4,966,300
Total liabilities and net assets	\$ 5,164,665	\$ 4,985,655

See Notes to Financial Statements

Richmond Hill Incorporated

Statement of Activities and Changes in Net Assets Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions	\$ 431,358	\$ 528,345	\$ 959,703
Program service fees	226,290	-	226,290
Net investment return (loss)	3,183	(52,507)	(49,324)
Net assets released from restrictions	328,297	(328,297)	-
Total revenues and other support	989,128	147,541	1,136,669
Expenses			
<i>Functional Expenses</i>			
Program services	671,886	-	671,886
Management and general	216,412	-	216,412
Fundraising	80,570	-	80,570
Total functional expenses	968,868	-	968,868
Changes in net assets	20,260	147,541	167,801
Net assets, beginning	3,740,625	1,225,675	4,966,300
Net assets, ending	\$ 3,760,885	\$ 1,373,216	\$ 5,134,101

See Notes to Financial Statements

Richmond Hill Incorporated

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

	Without Donor Restrictions	With Donor Restrictions	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	441,076	(441,076)	-
Total revenues and other support	912,342	77,982	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	(161,876)	77,982	(83,894)
Net assets, beginning	3,902,501	1,147,693	5,050,194
Net assets, ending	\$ 3,740,625	\$ 1,225,675	\$ 4,966,300

See Notes to Financial Statements

Richmond Hill Incorporated

Statement of Functional Expenses ***Year Ended December 31, 2018***

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 145,266	\$ 85,220	\$ 43,071	\$ 273,557
Payroll taxes	11,118	6,520	3,290	20,928
Employee benefits	74,207	17,696	3,940	95,843
Total salaries and related expenses	230,591	109,436	50,301	390,328
Bank and credit card fees	-	6,395	-	6,395
Contract labor	24,655	26,720	1,500	52,875
Depreciation	128,380	24,071	8,024	160,475
Equipment maintenance	8,471	4,802	530	13,803
Facility expense	83,237	-	-	83,237
Food	62,832	-	-	62,832
Insurance	8,323	3,000	586	11,909
Miscellaneous	-	507	-	507
Office expense	8,674	1,877	-	10,551
Postage	3,164	3,085	2,560	8,809
Printing	11,882	-	13,309	25,191
Professional fees	-	25,240	-	25,240
Program expenses	34,699	-	-	34,699
Provision for bad debts	2,000	-	-	2,000
Training	4,824	-	-	4,824
Utilities	60,154	11,279	3,760	75,193
Total functional expenses	\$ 671,886	\$ 216,412	\$ 80,570	\$ 968,868

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	95,312	20,347	4,996	120,655
Total salaries and related expenses	285,569	76,726	49,473	411,768
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
Training	825	-	-	825
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

Statements of Cash Flows ***Years Ended December 31, 2018 and 2017***

	2018	2017
Cash Flows from Operating Activities		
Changes in net assets	\$ 167,801	\$ (83,894)
<i>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</i>		
Depreciation	160,475	159,560
Provision for uncollectible pledges	2,000	-
Realized gain on sale of investments	(23,527)	(25,128)
Unrealized (gain) loss on investments	99,478	(60,346)
Contributions restricted for capital assets	(257,918)	-
Donated investments	(48,122)	(49,122)
<i>Changes in operating assets</i>		
Pledges and grants receivable	(29,065)	41,474
Other assets	1,483	(1,483)
<i>Changes in operating liabilities</i>		
Accounts payable	8,633	10,420
Other liabilities	2,576	-
Net cash provided by (used in) operating activities	83,814	(8,519)
Cash Flows from Investing Activities		
Purchase of investments	(189,313)	(116,773)
Proceeds from sale of investments	316,206	210,016
Purchase of property and equipment	(26,549)	-
Net cash provided by (used in) investing activities	100,344	93,243
Cash Flows from Financing Activities		
Collections on contributions restricted for capital assets	228,868	-
Net cash provided by financing activities	228,868	-
Net change in cash and cash equivalents	413,026	84,724
Cash and cash equivalents, beginning	453,132	368,408
Cash and cash equivalents, ending	\$ 866,158	\$ 453,132

See Notes to Financial Statements

Richmond Hill Incorporated

Notes to Financial Statements

December 31, 2018 and 2017

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.

Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

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, 2018 and 2017

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 net assets with donor restrictions to net assets without donor restrictions 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 net assets with donor restrictions 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, net assets with donor restrictions are released and reclassified to net assets without donor restrictions 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 net assets without donor restrictions.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Richmond Hill Incorporated

Notes to Financial Statements

December 31, 2018 and 2017

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

Net assets without donor restrictions

The Organization reports assets whose use is not restricted by donors as net assets without donor restrictions. Contributions are available for unrestricted use unless specifically restricted by the donor. In general, the net assets without donor restrictions of the Organization may be used at the discretion of the Organization's management and the Council to support the Organization's purpose and operations.

Net assets with donor restrictions

The Organization has net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions at December 31, 2018 consist of contributions with restrictions that support the various programs sponsored by the Organization.

Functional allocation of expenses

The Statement of Activities reports expenses by both natural and functional classification. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program or supporting category when identifiable and possible. General operating costs across nearly all natural categories are allocated based on estimates of time and effort.

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, 2018 and 2017. 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, 2018 and 2017. The tax years of 2015 to 2017 remain subject to examination by the taxing authorities.

Richmond Hill Incorporated

Notes to Financial Statements

December 31, 2018 and 2017

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

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, 2018 and 2017.

Recently issued accounting standards

In 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions;
- The temporarily restricted and permanently restricted net asset classes have been consolidated into a single net asset class named net assets with donor restrictions;
- Investment returns are reported net of investment expenses;
- The financial statements include a disclosure about liquidity and availability of resources (Note 13).

Note 2. Investments

Investments at December 31, 2018 and 2017 consist of the following:

	December 31, 2018			
	Cost	Fair Value	Gross Unrealized Losses	Gross Unrealized Gains
Common stock	\$ 327,219	\$ 392,859	\$ (17,132)	\$ 82,772
Government bond	48,948	49,625	-	677
Mutual funds	197,659	202,857	(1,352)	6,550
	\$ 573,826	\$ 645,341	\$ (18,484)	\$ 89,999

	December 31, 2017			
	Cost	Fair Value	Gross Unrealized Losses	Gross Unrealized Gains
Common stock	\$ 367,353	\$ 509,762	\$ (435)	\$ 142,844
Mutual funds	261,717	290,301	(3,429)	32,013
	\$ 629,070	\$ 800,063	\$ (3,864)	\$ 174,857

Investments include amounts as noted in Note 3.

Richmond Hill Incorporated

Notes to Financial Statements

December 31, 2018 and 2017

Note 3. Restricted Net Assets

Net assets with donor restrictions as of December 31 are restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Armstrong Fund	\$ 186,418	\$ 175,692
Capital Campaign Fund	223,877	-
Communications Grant	-	11,370
Endowment Fund	599,724	673,754
Grief Hurts Fund	184,961	218,397
Maintenance Fund	156,219	134,833
Micah Initiative Fund	12,942	353
Various Funds	9,075	11,276
	<u>\$ 1,373,216</u>	<u>\$ 1,225,675</u>

Donor restrictions on the endowment fund are described in Note 11.

Note 4. Property and Equipment

Property and equipment at cost, less accumulated depreciation, as of December 31, 2018 and 2017 on the statements of financial position include the following major classifications:

	<u>2018</u>	<u>2017</u>
Land and improvements	\$ 257,756	\$ 257,756
Buildings and improvements	5,986,740	5,986,740
Furniture and equipment	207,370	180,821
	<u>6,451,866</u>	<u>6,425,317</u>
Less Accumulated depreciation	2,864,652	2,704,177
	<u>\$ 3,587,214</u>	<u>\$ 3,721,140</u>

Note 5. 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:

Richmond Hill Incorporated

Notes to Financial Statements

December 31, 2018 and 2017

Note 5. Fair Value Measurements (Continued)

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.

The classification of investments by level within the valuation hierarchy as of December 31, 2018 and 2017 is as follows:

	Fair Value Measurements at Reporting Date Using			
	December 31,			
	2018	Level 1	Level 2	Level 3
Assets				
Common stocks				
Communications services	\$ 14,119	\$ 14,119	\$ -	\$ -
Consumer discretionary	13,148	13,148	-	-
Consumer staples	42,670	42,670	-	-
Energy	43,819	43,819	-	-
Financials	83,035	83,035	-	-
Healthcare	55,224	55,224	-	-
Industrials	48,525	48,525	-	-
Information technology	36,645	36,645	-	-
Materials	8,690	8,690	-	-
Real estate investment trusts	35,908	35,908	-	-
Utilities	11,076	11,076	-	-
Government bond	49,625	49,625	-	-
Mutual funds				
Closed-end funds	68,190	68,190	-	-
Large-Cap Blended	134,667	134,667	-	-
	\$ 645,341	\$ 645,341	\$ -	\$ -

Richmond Hill Incorporated

Notes to Financial Statements

December 31, 2018 and 2017

Note 5. Fair Value Measurements (Continued)

	Fair Value Measurements at Reporting Date Using			
	December 31, 2017	Level 1	Level 2	Level 3
Assets				
Common stocks				
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	-	-
Mutual funds				
Closed-end funds	152,085	152,085	-	-
Large-Cap Blended	138,216	138,216	-	-
	<u>\$ 800,063</u>	<u>\$ 800,063</u>	<u>\$ -</u>	<u>\$ -</u>

Note 6. Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocable include salaries and related expenses, depreciation, equipment maintenance, insurance, office expense, postage, printing and utilities.

Note 7. 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, 2018 and 2017 were \$28,139 and \$37,011, respectively. At December 31, 2018, employer contributions of \$2,576 were payable to the plan.

Richmond Hill Incorporated

Notes to Financial Statements

December 31, 2018 and 2017

Note 8. Conditional Promise to Give

As of December 31, 2018, the Organization was the recipient of two conditional promises to give totaling \$450,000 that require the Organization to raise matching funds of \$450,000. The Organization's \$150,000 conditional promise to give expires in May 31, 2019 and a \$300,000 conditional promise to give expires on December 31, 2019.

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, 2018, approximately 52% of net pledges receivable, or \$35,650, represent amounts due from two funding sources.

For the year ended December 31, 2018, approximately 22% of total revenues and other support, or \$252,000, represent amounts received from two funding sources.

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 Council 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

Richmond Hill Incorporated

Notes to Financial Statements

December 31, 2018 and 2017

Note 11. Endowment (Continued)

Organization classifies as restricted in perpetuity (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 restricted in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence 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, 2018 and 2017:

	December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 509,832	\$ 509,832
Accumulated investment gains	-	89,892	89,892
Total endowment net assets	\$ -	\$ 599,724	\$ 599,724

	December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 509,832	\$ 509,832
Accumulated investment gains	-	163,922	163,922
Total endowment net assets	\$ -	\$ 673,754	\$ 673,754

Richmond Hill Incorporated**Notes to Financial Statements****December 31, 2018 and 2017**

Note 11. Endowment (Continued)

The following schedules summarize the net asset composition by type of fund as of December 31, 2018 and 2017:

	December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 599,724	\$ 599,724
Board-designated funds	111,866	-	111,866
Donor-restricted funds	-	773,492	773,492
Funds without donor restrictions	3,649,019	-	3,649,019
Total net assets	\$ 3,760,885	\$ 1,373,216	\$ 5,134,101

	December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 673,754	\$ 673,754
Board-designated funds	2,081	-	2,081
Donor-restricted funds	-	551,921	551,921
Funds without donor restrictions	3,738,544	-	3,738,544
Total net assets	\$ 3,740,625	\$ 1,225,675	\$ 4,966,300

The following schedule summarizes the changes in endowment net assets for the years ended December 31, 2018 and 2017:

	December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 673,754	\$ 673,754
Net investment loss	-	(49,071)	(49,071)
Appropriation of endowment earnings for expenditure	-	(24,959)	(24,959)
	-	(74,030)	(74,030)
Endowment net assets, end of year	\$ -	\$ 599,724	\$ 599,724

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Notes to Financial Statements

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Note 11. Endowment (Continued)

	December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 616,341	\$ 616,341
Net investment return	-	85,838	85,838
Appropriation of endowment earnings for expenditure	-	(28,425)	(28,425)
	-	57,413	57,413
Endowment net assets, end of year	\$ -	\$ 673,754	\$ 673,754

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. 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. Board Designated Net Assets

Excess funds have been designated by the Council. These funds are to be used to support the Organization in resolving instances of temporary cash flow disruptions at the discretion of the Council.

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Note 13. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure that is, without donor or other restrictions limiting their use, within one year as of December 31, 2018 are:

Cash and cash equivalents	\$ 866,158
Pledges receivable, net	65,952
Investments	645,341
Total financial assets	<u>1,577,451</u>
Less financial assets held to meet donor-imposed restrictions	
Perpetuity-restricted net assets	509,832
Purpose-restricted net assets	863,384
	<u>1,373,216</u>
Amounts available for general expenditures within one year	<u>\$ 204,235</u>

As part of its liquidity management, the Organization holds a diversified portfolio of liquid assets, including common stocks, a government bond and money market funds. Management and the Board of Directors regularly monitor the liquidity needs of the Organization. The amounts available for general expenditures within one year include board designated financial assets of \$111,866 without donor restrictions. While the Organization does not intend to spend the assets for purposes other than those identified, the amounts could be made available for current operations, if necessary.

The Organization's endowment fund consists of a donor-restricted endowment. Endowment distributions are available for general use.

Note 14. Subsequent Events

Management has evaluated subsequent events through November 11, 2019, the date the financial statements were available for issue.

