



MitchellWiggins

CERTIFIED PUBLIC ACCOUNTANTS

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# Richmond Hill Incorporated

## Financial Statements

December 31, 2019 and 2018

# ***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, 2019 and 2018, 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, 2019 and 2018, 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  
October 30, 2020

## ***Richmond Hill Incorporated***

### ***Statements of Financial Position December 31, 2019 and 2018***

<b>Assets</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 1,340,641	\$ 866,158
Pledges receivable, net of allowance for doubtful pledges, \$31,000 and \$4,000 in 2019 and 2018	573,147	65,952
Investments	1,196,358	645,341
Property and equipment, net	3,425,696	3,587,214
Renovations in progress	71,649	-
<b>Total assets</b>	<b>\$ 6,607,491</b>	<b>\$ 5,164,665</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 54,598	\$ 30,564
Deferred revenue	47,956	-
<b>Total liabilities</b>	<b>102,554</b>	<b>30,564</b>
<b>Net Assets</b>		
<i>Without donor restrictions</i>		
Operations	3,593,276	3,649,019
Board-designated	28,761	111,866
<i>With donor restrictions</i>	2,882,900	1,373,216
<b>Total net assets</b>	<b>6,504,937</b>	<b>5,134,101</b>
<b>Total liabilities and net assets</b>	<b>\$ 6,607,491</b>	<b>\$ 5,164,665</b>

*See Notes to Financial Statements*

## ***Richmond Hill Incorporated***

### ***Statement of Activities and Changes in Net Assets Year Ended December 31, 2019***

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and Other Support</b>			
Contributions	\$ 353,378	\$ 1,716,239	\$ 2,069,617
Program service fees	185,571	-	185,571
Net investment return	12,818	137,667	150,485
In-kind contributions	26,740	-	26,740
Net assets released from restrictions	344,222	(344,222)	-
<b>Total revenues and other support</b>	<b>922,729</b>	<b>1,509,684</b>	<b>2,432,413</b>
<b>Expenses</b>			
<b><i>Functional Expenses</i></b>			
Program services	760,919	-	760,919
Management and general	236,200	-	236,200
Fundraising	64,458	-	64,458
<b>Total functional expenses</b>	<b>1,061,577</b>	<b>-</b>	<b>1,061,577</b>
<b>Changes in net assets</b>	<b>(138,848)</b>	<b>1,509,684</b>	<b>1,370,836</b>
Net assets, beginning	3,760,885	1,373,216	5,134,101
Net assets, ending	\$ 3,622,037	\$ 2,882,900	\$ 6,504,937

*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
<b>Revenues and Other Support</b>			
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)	-
<b>Total revenues and other support</b>	<b>989,128</b>	<b>147,541</b>	<b>1,136,669</b>
<b>Expenses</b>			
<b><i>Functional Expenses</i></b>			
Program services	671,886	-	671,886
Management and general	216,412	-	216,412
Fundraising	80,570	-	80,570
<b>Total functional expenses</b>	<b>968,868</b>	<b>-</b>	<b>968,868</b>
<b>Changes in net assets</b>	<b>20,260</b>	<b>147,541</b>	<b>167,801</b>
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 Functional Expenses***  
***Year Ended December 31, 2019***

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 177,442	\$ 116,019	\$ 22,154	\$ 315,615
Payroll taxes	14,206	8,547	1,628	24,381
Employee benefits	61,125	17,243	8,772	87,140
<b>Total salaries and related expenses</b>	<b>252,773</b>	<b>141,809</b>	<b>32,554</b>	<b>427,136</b>
Bank and credit card fees	-	4,253	-	4,253
Contract labor	26,500	100	5,139	31,739
Depreciation	129,821	24,342	8,114	162,277
Equipment maintenance	7,430	3,463	464	11,357
Facility expense	92,540	-	-	92,540
Food	72,531	-	-	72,531
Insurance	9,440	2,417	678	12,535
Miscellaneous	-	5,355	-	5,355
Office expense	9,710	1,937	-	11,647
Postage	3,912	668	2,298	6,878
Printing	10,770	-	11,324	22,094
Professional fees	-	40,196	-	40,196
Program expenses	31,619	-	-	31,619
Provision for bad debts	39,131	-	-	39,131
Training	12,555	-	-	12,555
Utilities	62,187	11,660	3,887	77,734
<b>Total functional expenses</b>	<b>\$ 760,919</b>	<b>\$ 236,200</b>	<b>\$ 64,458</b>	<b>\$ 1,061,577</b>

*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
<b>Total salaries and related expenses</b>	<b>230,591</b>	<b>109,436</b>	<b>50,301</b>	<b>390,328</b>
Bank and investment 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
<b>Total functional expenses</b>	<b>\$ 671,886</b>	<b>\$ 216,412</b>	<b>\$ 80,570</b>	<b>\$ 968,868</b>

*See Notes to Financial Statements*



## ***Richmond Hill Incorporated***

### ***Statements of Cash Flows***

***Years Ended December 31, 2019 and 2018***

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 1,370,836	\$ 167,801
<b><i>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</i></b>		
Depreciation	162,277	160,475
Provision for uncollectible pledges	39,131	2,000
Realized gain on sale of investments	(30,700)	(23,527)
Unrealized (gain) loss on investments	(85,042)	99,478
Contributions restricted for capital assets	(1,538,768)	(257,918)
Donated investments	(83,596)	(48,122)
<b><i>Changes in operating assets</i></b>		
Pledges and grants receivable	7,356	(29,065)
Other assets	-	1,483
<b><i>Changes in operating liabilities</i></b>		
Accounts payable	24,034	8,633
Other liabilities	47,956	2,576
<b>Net cash provided by (used in) operating activities</b>	<b>(86,516)</b>	<b>83,814</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(670,652)	(189,313)
Proceeds from sale of investments	318,973	316,206
Purchase of property and equipment	(72,408)	(26,549)
<b>Net cash provided by (used in) investing activities</b>	<b>(424,087)</b>	<b>100,344</b>
<b>Cash Flows from Financing Activities</b>		
Collections on contributions restricted for capital assets	985,086	228,868
<b>Net cash provided by financing activities</b>	<b>985,086</b>	<b>228,868</b>
<b>Net change in cash and cash equivalents</b>	<b>474,483</b>	<b>413,026</b>
Cash and cash equivalents, beginning	866,158	453,132
Cash and cash equivalents, ending	<b>\$ 1,340,641</b>	<b>\$ 866,158</b>

*See Notes to Financial Statements*

## ***Richmond Hill Incorporated***

### ***Notes to Financial Statements***

***December 31, 2019 and 2018***

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#### ***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 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 certificates of deposit, 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.

**Richmond Hill Incorporated**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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

**Donated investments**

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

**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**

The Organization has recognized contributed services at fair market value in the amount of \$26,740 for the year ended December 31, 2019, for in-kind legal services. No other 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

**Richmond Hill Incorporated**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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

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.

Income from program service fees are recognized over the periods to which the fees related. Program fees received in advance of services rendered are reported as deferred revenue.

**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, 2019 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

**Richmond Hill Incorporated**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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

purpose may be subject to taxation as unrelated business income. The Organization had no unrelated business income during the years ended December 31, 2019 and 2018. 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, 2019 and 2018. The tax years of 2016 to 2018 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, 2019 and 2018.

**Note 2. Pledges Receivable**

Unconditional promises to give are as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 512,485	\$ 69,352
Receivable in one to five years	104,995	600
Total unconditional promises to give	<u>617,480</u>	69,952
Less discounts to net present value	(13,333)	-
Less allowance for uncollectible promises to give	<u>(31,000)</u>	(4,000)
Net unconditional promises to give at December 31	<u>\$ 573,147</u>	<u>\$ 65,952</u>

A discount rate of 6.50% was used in determining the present value of pledges receivable in 2019.

**Richmond Hill Incorporated**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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**Note 3. Investments**

Investments at December 31, 2019 and 2018 consist of the following:

	<b>December 31, 2019</b>			
	<b>Cost</b>	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>	<b>Gross Unrealized Gains</b>
Common stock	\$ 328,694	\$ 463,125	\$ (1,340)	\$ 135,771
Certificates of deposit	443,524	443,976	-	452
Mutual funds	267,583	289,257	-	21,674
	<b>\$ 1,039,801</b>	<b>\$ 1,196,358</b>	<b>\$ (1,340)</b>	<b>\$ 157,897</b>

  

	<b>December 31, 2018</b>			
	<b>Cost</b>	<b>Fair Value</b>	<b>Gross Unrealized Losses</b>	<b>Gross Unrealized Gains</b>
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
	<b>\$ 573,826</b>	<b>\$ 645,341</b>	<b>\$ (18,484)</b>	<b>\$ 89,999</b>

Investments include amounts as noted in Note 4.

**Note 4. Restricted Net Assets**

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

	<b>2019</b>	<b>2018</b>
Armstrong Fund	\$ 188,980	\$ 186,418
Capital Campaign Fund	1,675,015	223,877
Endowment Fund	677,772	599,724
Grief Hurts Fund	185,969	184,961
Maintenance Fund	125,551	156,219
Micah Initiative Fund	24,028	12,942
Various Funds	5,585	9,075
	<b>\$ 2,882,900</b>	<b>\$ 1,373,216</b>

Donor restrictions on the endowment fund are described in Note 12.

**Richmond Hill Incorporated**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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**Note 5. Property and Equipment**

Property and equipment at cost, less accumulated depreciation, as of December 31, 2019 and 2018 on the statements of financial position include the following major classifications:

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 257,756	\$ 257,756
Buildings and improvements	5,986,740	5,986,740
Furniture and equipment	158,151	207,370
	<u>6,402,647</u>	6,451,866
Less Accumulated depreciation	2,976,951	2,864,652
	<u>\$3,425,696</u>	<u>\$ 3,587,214</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.

The classification of investments by level within the valuation hierarchy as of December 31, 2019 and 2018 is as follows:

**Richmond Hill Incorporated**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**Note 6. Fair Value Measurements (Continued)**

	<b>Fair Value Measurements at Reporting Date Using</b>			
	<b>December 31,</b>			
	<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>				
Common stocks				
Communications services	\$ 19,530	\$ 19,530	\$ -	\$ -
Consumer discretionary	25,350	25,350	-	-
Consumer staples	46,957	46,957	-	-
Energy	47,209	47,209	-	-
Financials	127,678	127,678	-	-
Healthcare	58,889	58,889	-	-
Industrials	40,432	40,432	-	-
Information technology	39,349	39,349	-	-
Materials	11,487	11,487	-	-
Real estate investment trusts	34,484	34,484	-	-
Utilities	11,760	11,760	-	-
Certificates of deposit	443,976	-	443,976	-
Mutual funds				
Closed-end funds	153,172	153,172	-	-
Large-Cap Blended	136,085	136,085	-	-
	<b>\$ 1,196,358</b>	<b>\$ 752,382</b>	<b>\$ 443,976</b>	<b>\$ -</b>

	<b>Fair Value Measurements at Reporting Date Using</b>			
	<b>December 31,</b>			
	<b>2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>				
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	-	-
	<b>\$ 645,341</b>	<b>\$ 645,341</b>	<b>\$ -</b>	<b>\$ -</b>



**Richmond Hill Incorporated**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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**Note 7. 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 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, 2019 and 2018 were \$34,284 and \$28,139, respectively.

**Note 9. Concentration of Credit Risk**

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

For the years ended December 31, 2019 and 2018, approximately 81% and 52%, respectively, of net pledges receivable, or \$366,667 and \$35,650, respectively, represent amounts due from four funding sources.

For the years ended December 31, 2019 and 2018, approximately 23% and 22%, respectively, of total revenues and other support, or \$550,000 and \$252,000, respectively, 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.

***Richmond Hill Incorporated***  
***Notes to Financial Statements***  
***December 31, 2019 and 2018***

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***Note 11. Conditional Promise to Give***

As of December 31, 2019, the Organization was the recipient of a conditional promise to give in the amount of \$75,000 that requires the Organization to raise matching funds of \$75,000 and as such was not recognized as revenue as of December 31, 2019. The Organization's conditional promise to give expires on June 30, 2020.

***Note 12. 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 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

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**Note 12. Endowment (Continued)**

The following schedules summarize the endowment net asset composition by type of fund as of December 31, 2019 and 2018:

	<b>December 31, 2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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	-	167,940	167,940
<b>Total endowment net assets</b>	<b>\$ -</b>	<b>\$ 677,772</b>	<b>\$677,772</b>

	<b>December 31, 2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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
<b>Total endowment net assets</b>	<b>\$ -</b>	<b>\$ 599,724</b>	<b>\$ 599,724</b>

The following schedules summarize the net asset composition by type of fund as of December 31, 2019 and 2018:

	<b>December 31, 2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 677,772	\$ 677,772
Board-designated funds	28,761	-	28,761
Donor-restricted funds	-	2,205,128	2,205,128
Funds without donor restrictions	3,593,276	-	3,593,276
<b>Total net assets</b>	<b>\$ 3,622,037</b>	<b>\$ 2,882,900</b>	<b>\$ 6,504,937</b>

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**Note 12. Endowment (Continued)**

	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
<b>Total net assets</b>	<b>\$ 3,760,885</b>	<b>\$ 1,373,216</b>	<b>\$ 5,134,101</b>

The following schedule summarizes the changes in endowment net assets for the years ended December 31, 2019 and 2018:

	December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment net assets, beginning of year</b>	<b>\$ -</b>	<b>\$ 599,724</b>	<b>\$ 599,724</b>
Net investment return	-	106,659	106,659
Appropriation of endowment earnings for expenditure	-	(28,611)	(28,611)
	-	78,048	78,048
<b>Endowment net assets, end of year</b>	<b>\$ -</b>	<b>\$ 677,772</b>	<b>\$ 677,772</b>

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

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**Note 12. Endowment (Continued)**

**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 13. 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.

**Note 14. 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, 2019 and 2018 are:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,340,641	\$ 866,158
Pledges receivable, net	573,147	65,952
Investments	<u>1,196,358</u>	<u>645,341</u>
Total financial assets	3,110,146	1,577,451
Less financial assets held to meet donor-imposed restrictions		
Perpetuity-restricted net assets	509,832	509,832
Purpose-restricted net assets	<u>2,373,068</u>	<u>863,384</u>
	<u>2,882,900</u>	<u>1,373,216</u>
Amounts available for general expenditures within one year	<u>\$ 227,246</u>	<u>\$ 204,235</u>

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#### ***Note 14. Liquidity and Availability of Financial Assets (Continued)***

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 \$28,761 and \$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 15. Subsequent Events***

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. COVID-19 and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. The extent to which the COVID-19 pandemic may impact operating results, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted as of the date of this report. If the financial markets and/or the overall economy are impacted for an extended period, the Organization's investment results may be adversely affected. The Organization is adequately capitalized and continues to evaluate operational impacts and implement mitigation tactics where possible and necessary.

In response to the Coronavirus pandemic, Congress established the Paycheck Protection Program (the PPP) to provide relief to small businesses during the Coronavirus pandemic as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. The legislation authorized Treasury to use the SBA's 7(a) small business lending program to fund loans of up to \$10 million per borrower that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities. The Organization applied for the PPP and was given a loan in the amount of \$103,800. Interest in the amount of 1% is due and payable at the time of the SBA's measurement of possible forgiveness. The loan is to be repaid within two years from date of funding of April 20, 2020.

Management has evaluated subsequent events through October 30, 2020, the date the financial statements were available for issue.