

**THE BOLLING HAXALL
HOUSE FOUNDATION**

FINANCIAL STATEMENTS
APRIL 30, 2017 AND 2016
with
INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Bolling Haxall House Foundation

We have audited the accompanying financial statements of The Bolling Haxall House Foundation (a nonprofit organization), which comprise the statements of financial position as of April 30, 2017 and 2016 and the related statements of activities, functional expenses and cash flows for the years 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 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 audit 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 judgement, 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.

HANSEN, SMITH, CONE & ROBERTELLO, PC

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 The Bolling Haxall House Foundation as of April 30, 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.

Hansen, Smith, Cone & Robertello, PC

Richmond, Virginia
January 8, 2018

THE BOLLING HAXALL HOUSE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

APRIL 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 91,566	\$ 82,802
Investments	109,992	138,040
Unconditional promises to give	5,000	2,000
Prepaid expenses	<u>-</u>	<u>2,428</u>
Total current assets	<u>206,558</u>	<u>225,270</u>
Endowment investments:		
Cash and cash equivalents	48,133	30,504
Investments	<u>764,629</u>	<u>697,125</u>
Total endowment investments	<u>812,762</u>	<u>727,629</u>
Property and equipment:		
Land and improvements	181,876	181,876
Building and improvements	3,968,112	3,948,400
Office furniture and equipment	1,434	1,434
Artwork	94,512	94,512
Furnishings	<u>144,631</u>	<u>143,016</u>
	4,390,565	4,369,238
Less accumulated depreciation and amortization	<u>2,088,636</u>	<u>1,958,609</u>
Net property and equipment	<u>2,301,929</u>	<u>2,410,629</u>
	<u>\$3,321,249</u>	<u>\$3,363,528</u>

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
Current liabilities:		
Accounts payable	\$ <u>1,304</u>	\$ <u>1,022</u>
Total current liabilities	<u>1,304</u>	<u>1,022</u>
Net assets:		
Unrestricted net assets	2,494,646	2,622,341
Temporarily restricted net assets	9,191	9,191
Permanently restricted net assets	<u>816,108</u>	<u>730,974</u>
Total net assets	<u>3,319,945</u>	<u>3,362,506</u>
	 <u>\$3,321,249</u>	 <u>\$3,363,528</u>

See accompanying notes.

THE BOLLING HAXALL HOUSE FOUNDATION
STATEMENTS OF ACTIVITIES

YEARS ENDED APRIL 30, 2017 AND 2016

	2017		2016					
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support:								
Contributions	\$ 149,926	\$ -	\$ -	\$ 149,926	\$ 128,287	\$ -	\$ 49	\$ 128,336
Contribution from The Woman's Club	2,500	-	-	2,500	2,500	-	-	2,500
Provision for uncollectible unconditional promises to give	-	-	-	-	-	(350)	-	(350)
Special events	8,222	-	-	8,222	9,956	-	-	9,956
Rental income	3,404	-	-	3,404	3,385	-	-	3,385
Net assets released from restriction	-	-	-	-	32,504	(32,504)	-	-
Total support	<u>164,052</u>	<u>-</u>	<u>-</u>	<u>164,052</u>	<u>176,632</u>	<u>(32,854)</u>	<u>49</u>	<u>143,827</u>
Functional expenses:								
Program services	215,298	-	-	215,298	208,728	-	-	208,728
Administrative and general	10,486	-	-	10,486	8,602	-	-	8,602
Fundraising	68,976	-	-	68,976	63,618	-	-	63,618
Total functional expenses	<u>294,760</u>	<u>-</u>	<u>-</u>	<u>294,760</u>	<u>280,948</u>	<u>-</u>	<u>-</u>	<u>280,948</u>
Income (loss) from operations	<u>(130,708)</u>	<u>-</u>	<u>-</u>	<u>(130,708)</u>	<u>(104,316)</u>	<u>(32,854)</u>	<u>49</u>	<u>(137,121)</u>
Other income (expenses):								
Unrealized gain (loss) on investments	43	-	44,854	44,897	(1,711)	-	(37,485)	(39,196)
Realized gain (loss) on investments	(88)	-	23,131	23,043	-	-	(8,059)	(8,059)
Interest and dividends	3,058	-	17,149	20,207	3,154	-	20,925	24,079
Other income, net	<u>3,013</u>	<u>-</u>	<u>85,134</u>	<u>88,147</u>	<u>1,443</u>	<u>-</u>	<u>(24,619)</u>	<u>(23,176)</u>
Change in net assets	(127,695)	-	85,134	(42,561)	(102,873)	(32,854)	(24,570)	(160,297)
Net assets, beginning of year	<u>2,622,341</u>	<u>9,191</u>	<u>730,974</u>	<u>3,362,506</u>	<u>2,725,214</u>	<u>42,045</u>	<u>755,544</u>	<u>3,522,803</u>
Net assets, end of year	<u>\$ 2,494,646</u>	<u>\$ 9,191</u>	<u>\$ 816,108</u>	<u>\$ 3,319,945</u>	<u>\$ 2,622,341</u>	<u>\$ 9,191</u>	<u>\$ 730,974</u>	<u>\$ 3,362,506</u>

See accompanying notes.

THE BOLLING HAXALL HOUSE FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED APRIL 30, 2017 AND 2016

	2017			2016				
	Program Services	Administrative and General	Fund Raising	Total	Program Services	Administrative and General	Fund Raising	Total
Salaries and wages	\$ -	-	\$45,380	\$45,380	\$ -	-	\$42,527	\$ 42,527
Payroll taxes	-	-	3,406	3,406	-	-	3,406	3,406
Employee benefits	-	-	10,147	10,147	-	-	6,176	6,176
Insurance	15,935	-	568	16,503	-	-	634	16,805
Professional fees	-	7,335	-	7,335	-	7,065	-	7,065
Newsletter, postage and printing	1,568	-	-	1,568	-	-	-	1,520
Taxes and licenses	9,966	1,083	-	11,049	10,126	1,092	-	11,218
Depreciation and amortization	130,027	-	-	130,027	129,436	-	-	129,436
Supplies	-	-	379	379	-	-	225	225
Miscellaneous	-	2,068	-	2,068	-	445	346	791
Repairs and maintenance	57,802	-	-	57,802	46,995	-	-	46,995
Annual giving	-	-	5,955	5,955	-	-	6,536	6,536
Grounds	-	-	-	-	4,480	-	-	4,480
Marketing	-	-	3,141	3,141	-	-	3,768	3,768
	<u>\$215,298</u>	<u>\$10,486</u>	<u>\$68,976</u>	<u>\$294,760</u>	<u>\$208,728</u>	<u>\$8,602</u>	<u>\$63,618</u>	<u>\$280,948</u>

See accompanying notes.

THE BOLLING HAXALL HOUSE FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED APRIL 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows provided by (used in) operating activities:		
Change in net assets	\$ (42,561)	\$(160,297)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	130,027	129,436
Realized (gain) loss on sale of investments	(23,043)	8,059
Unrealized (gain) loss on investments	(44,897)	39,196
(Increase) decrease in:		
Unconditional promises to give	(3,000)	4,378
Due from The Woman's Club	-	3,492
Prepaid expense	2,428	72
Increase (decrease) in accounts payable	<u>282</u>	<u>(3,138)</u>
Net cash and cash equivalents provided by operating activities	<u>19,236</u>	<u>21,198</u>
Cash flows provided by (used in) investing activities:		
Proceeds from sale of investments	196,825	59,800
Purchase of investments	(168,341)	(204,546)
Purchase of property and equipment	(21,327)	(15,122)
Change in permanently restricted cash and cash equivalents	<u>(17,629)</u>	<u>111,800</u>
Net cash and cash equivalents used in investing activities	<u>(10,472)</u>	<u>(48,068)</u>
Net increase (decrease) in cash and cash equivalents	8,764	(26,870)
Cash and cash equivalents, beginning of year	<u>82,802</u>	<u>109,672</u>
Cash and cash equivalents, end of year	<u>\$ 91,566</u>	<u>\$ 82,802</u>

See accompanying notes.

THE BOLLING HAXALL HOUSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017 AND 2016

1. Nature of activities and significant accounting policies

Nature of activities - The Bolling Haxall House Foundation (the Foundation) is a nonprofit corporation organized under the laws of the Commonwealth of Virginia. The Foundation preserves and maintains The Bolling Haxall House, which is listed in the National Register of Historical Places. The House is open and available to the public for tours and events. It serves as the headquarters of The Woman's Club.

Basis of presentation - The Foundation reports information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions - Contributions, including unconditional pledges, are recognized when donors' commitments are received. Conditional pledges become unconditional and are recognized when the conditions are substantially met. Unconditional pledges are recognized at the estimated present value, net of an allowance for uncollectible amounts. Contributions are classified as unrestricted assets unless the donor has restricted the contribution to a specific purpose. Gifts whose restrictions are met in the same fiscal year as their receipt are reported as unrestricted assets.

Temporarily restricted net assets result from support/contributions whose use by the Foundation is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are from support/contributions whose use by the Foundation is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Cash and cash equivalents - Cash and cash equivalents are comprised of cash on hand and demand deposits.

Investments - Investments in marketable securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets.

THE BOLLING HAXALL HOUSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017 AND 2016

1. Nature of activities and significant accounting policies
(Continued)

Property and equipment - All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals and betterments that naturally prolong the useful lives of assets are capitalized. Purchased property and equipment is stated at cost. Donated property and equipment is stated at fair market value at the date of the gift. The building, office equipment and furnishings are being depreciated over the estimated useful lives, ranging from 5 to 39 years, using the straight-line method. Artwork with investment value is not depreciated.

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

Date of Management's Review - Subsequent events were evaluated through January 8, 2018, which is the date the financial statements were available to be issued.

2. Unconditional promises to give

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows, using a discount rate of 0%.

	<u>2017</u>	<u>2016</u>
Amounts due in less than one year	\$5,000	\$2,000
Amounts due in one to five years	-	-
Amounts due in more than five years	<u>-</u>	<u>-</u>
	5,000	2,000
Less unamortized discount	<u>-</u>	<u>-</u>
	<u>\$5,000</u>	<u>\$2,000</u>

3. Investments

Investments are reported at fair value and consist of the following:

THE BOLLING HAXALL HOUSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017 AND 2016

3. Investments (Continued)

	<u>Cost</u>	Quoted Prices in Active Markets (<u>Level 1</u>)	Unrealized Gain (Loss) on <u>Investments</u>
Unrestricted investments at April 30, 2017:			
Bond Funds:			
Metropolitan West	\$ 16,140	\$ 15,728	\$ (412)
Ridgeworth US Gov't Sec	9,891	9,806	(85)
Templeton	13,512	12,502	(1,010)
Vanguard Intermediate Term	17,473	16,983	(490)
Vanguard Short Term	39,256	39,117	(139)
Westcore Plus	<u>16,040</u>	<u>15,856</u>	<u>(184)</u>
	<u>\$112,312</u>	<u>\$109,992</u>	<u>\$ (2,320)</u>
Unrestricted investments at April 30, 2016:			
Bond Funds:			
Metropolitan West	\$ 16,140	\$ 16,068	\$ (72)
Ridgeworth US Gov't Sec	37,982	37,805	(177)
Templeton	13,512	11,569	(1,943)
Vanguard Intermediate Term	17,473	17,313	(160)
Vanguard Short Term	39,256	39,264	8
Westcore Plus	<u>16,040</u>	<u>16,021</u>	<u>(19)</u>
	<u>\$140,403</u>	<u>\$138,040</u>	<u>\$ (2,363)</u>
Endowment investments at April 30, 2017:			
Bond Funds:			
Eaton Vance	\$ 14,010	\$ 14,402	\$ 392
Federated Institutional	2,520	2,535	15
Metropolitan West Total	35,640	34,801	(839)
Ridgeworth	39,005	38,780	(225)
Stone Ridge High Yield	13,020	12,934	(86)
T Rowe Price High Yield	14,634	14,394	(240)
Templeton Global	18,038	17,063	(975)
Vanguard Intermediate	2,920	2,903	(17)
Vanguard Short Term	74,847	74,936	89
Westcore Plus	<u>33,780</u>	<u>33,323</u>	<u>(457)</u>
	<u>248,414</u>	<u>246,071</u>	<u>(2,343)</u>

THE BOLLING HAXALL HOUSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016 AND 2015

3. Investments (Continued)

	<u>Cost</u>	Quoted Prices in Active Markets (<u>Level 1</u>)	Unrealized Gain (Loss) on <u>Investments</u>
Equity Funds:			
American Europacific	\$ 23,660	\$ 24,837	\$ 1,177
Arbitrage Fund	14,180	14,583	403
Brandes Intl	18,020	19,804	1,784
Delaware Small Cap	15,020	17,735	2,715
Diamond Hill Large Cap	75,580	83,311	7,731
Harding Loevner	22,860	23,733	873
J Hancock 3	27,260	32,658	5,398
Lazard Intl Strategic	23,480	21,506	(1,974)
Otter Creek	14,020	13,262	(758)
PNC Multi Factor Small Cap	15,770	16,248	478
Principal Midcap	23,039	26,935	3,896
Principal Real Estate	11,740	13,924	2,184
T Rowe Price Growth	47,857	86,695	38,838
Van Eck Emerging Markets	<u>11,720</u>	<u>12,196</u>	<u>476</u>
	<u>344,206</u>	<u>407,427</u>	<u>63,221</u>
Exchange Traded Funds:			
Ishares Core MSCI	\$ 15,371	\$ 15,827	\$ 456
Ishares Core S&P 500	80,675	85,044	4,369
Ishares MSCI EAFE	1,829	2,083	254
Ishares Russell	3,153	3,396	243
Ishares US Real Estate	2,191	2,368	177
Schwab US Small Cap	<u>2,244</u>	<u>2,413</u>	<u>169</u>
	<u>105,463</u>	<u>111,131</u>	<u>5,668</u>
	<u>\$698,083</u>	<u>\$764,629</u>	<u>\$66,546</u>
Endowment investments at April 30, 2016:			
Bond Funds:			
Eaton Vance	\$ 14,010	\$ 13,427	\$ (583)
Federated Institutional	2,520	2,399	(121)
Metropolitan West Total	35,640	35,554	(86)
Ridgeworth	39,005	38,780	(225)
Stone Ridge Reinsurance	13,020	13,104	84
T Rowe Price High Yield	14,634	13,586	(1,048)
Templeton Global	18,038	15,789	(2,249)
Vanguard Intermediate	2,920	2,959	39
Vanguard Short Term	74,721	75,217	496
Westcore Plus	<u>33,780</u>	<u>33,669</u>	<u>(111)</u>
	<u>248,288</u>	<u>244,484</u>	<u>(3,804)</u>

THE BOLLING HAXALL HOUSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017 AND 2016

3. Investments (Continued)

	<u>Cost</u>	Quoted Prices in Active Markets (<u>Level 1</u>)	Unrealized Gain (Loss) on <u>Investments</u>
Equity Funds:			
American Europacific	\$ 23,660	\$ 21,928	\$(1,732)
Arbitrage Fund	14,180	14,202	22
Brandes Intl	18,020	18,700	680
Delaware Small Cap	15,020	14,191	(829)
Diamond Hill Large Cap	75,580	73,675	(1,905)
Harding Loevner	22,860	19,751	(3,109)
Homestead Small Company	14,760	14,005	(755)
J Hancock 3	27,260	28,495	1,235
Lazard Intl Strategic	23,480	21,127	(2,353)
Oakmark	59,200	71,013	11,813
Otter Creek	14,020	14,173	153
Principal Midcap	23,039	23,095	56
Principal Real Estate	11,740	13,797	2,057
T Rowe Price Growth	47,817	71,488	23,671
Van Eck Emerging Markets	<u>11,720</u>	<u>10,212</u>	<u>(1,508)</u>
	<u>402,356</u>	<u>429,852</u>	<u>27,496</u>
Exchange Traded Funds:			
Ishares Core MSCI	\$ 15,371	\$ 13,617	\$(1,754)
Ishares MSCI EAFE	1,829	1,897	68
Ishares Russell	3,153	2,962	(191)
Ishares US Real Estate	2,191	2,297	106
Schwab US Small Cap	<u>2,244</u>	<u>2,016</u>	<u>(228)</u>
	<u>24,788</u>	<u>22,789</u>	<u>(1,999)</u>
	<u>\$675,432</u>	<u>\$697,125</u>	<u>\$21,693</u>

Fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted market prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation used the Level 1 inputs to measure the fair value of its investments. Level 1 inputs generally provide the most reliable evidence of fair value.

THE BOLLING HAXALL HOUSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016 AND 2015

4. Temporarily restricted net assets

Temporarily restricted net assets are restricted by the donors for the following purposes at April 30:

	<u>2017</u>	<u>2016</u>
Capital campaign	<u>\$ 9,191</u>	<u>\$ 9,191</u>
Assets released from restrictions during the fiscal year ended April 30:		
	<u>2017</u>	<u>2016</u>
Capital campaign renovations	<u>\$ -</u>	<u>\$32,504</u>

5. Related party transactions

The Woman's Club (the Club) contributed \$2,500 and \$2,500 to the Foundation at April 30, 2017 and 2016, respectively. All directors of the Foundation are members of the Club.

The Foundation leases its facilities to The Club under the terms of a lease arrangement dated May 21, 2008. The lease expired on December 31, 2012, and automatically renews on a year-to-year basis until terminated by either party with 30 days' notice. Rent is 50% of the real estate taxes assessed against the premises per year. In addition to rent, the Club pays for utilities, insurance and certain repairs and maintenance.

The Director of Development of the Foundation is an employee of the Club. The Club incurs certain payroll costs for the benefit of the Foundation as follows:

	<u>2017</u>	<u>2016</u>
Salaries and wages	\$45,380	\$42,527
Payroll taxes	3,406	3,406
Employee benefits	<u>10,147</u>	<u>6,176</u>
	<u>\$58,933</u>	<u>\$52,109</u>

The Foundation reimburses the Club for these costs.

The Foundation may purchase tickets from the Club for an evening program for donors attending a Foundation reception. During the years ended April 30, 2017 and 2016, the cost of these tickets was \$0 and \$1,800, respectively.

THE BOLLING HAXALL HOUSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017 AND 2016

6. Income taxes

The Foundation is exempt for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code and would be taxed only to the extent it has taxable trade or business income unrelated to its exempt purpose.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability (asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of April 30, 2017, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods in progress. Management believes it is no longer subject to income tax examinations for the years prior to the fiscal year ended April 30, 2014.

7. Concentration of credit risk

From time to time, the Foundation maintains cash on deposit in banks in excess of federally insured amounts.

8. Endowment Fund

At April 30, 2017 and 2016, permanently restricted net assets consist of an endowment fund established to support the upkeep of the Bolling Haxall House. Contributions to the endowment fund are to be held and invested by the Foundation indefinitely and income from the fund is to be expended as needed for upkeep of the House.

The Foundation has investment and spending policies for endowment funds. The spending policy allows up to 4.5% of the fund to be withdrawn for emergency purposes only. Once the fund reaches \$1,000,000, income from the fund may be withdrawn to maintain the House.

No distributions in excess of income generated by the endowment fund will be permitted except for emergencies. Recommendations for utilization of funds will be developed by the Executive Committee and will be approved by the Executive Committee and Board of Directors in conjunction with the approval of the annual budget.

THE BOLLING HAXALL HOUSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2017 AND 2016

8. Endowment Fund (Continued)

The investment policy establishes a return objective through diversification of asset classes, to include equity and debt securities. The investment process seeks to achieve a total rate of return in excess of 70% Russell 3000 Index/20% MSCI EAFE/10% MSCI Emerging Market, Barclays Capital U.S. Aggregate Bond Index and 91-Day U.S. Treasury Bill over a market cycle of at least ten years.