

JAMESTOWN-YORKTOWN FOUNDATION, INC.

Financial Statements

**For the Years Ended
June 30, 2010 and 2009**

JAMESTOWN-YORKTOWN FOUNDATION, INC.

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Independent Auditor's Report

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

We have audited the accompanying statements of financial position of Jamestown-Yorktown Foundation, Inc. (the "Foundation") as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jamestown-Yorktown Foundation, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Cherry, Bekaert + Holland, LLP

Richmond, Virginia
October 11, 2010

JAMESTOWN-YORKTOWN FOUNDATION, INC.

**Statements of Financial Position
June 30, 2010 and 2009**

Assets		
	<u>2010</u>	<u>2009</u>
Current assets		
Cash	\$ 43,965	\$ 161,805
Cash equivalents (Note 3)	6,535,234	6,884,839
Investments (Note 3)	6,646,583	5,726,569
Unconditional promises to give - less allowance for uncollectible promises (Note 5)	245,100	323,074
Prepaid expenses	<u>6,500</u>	<u>1,000</u>
Total current assets	13,477,382	13,097,287
Other noncurrent assets		
Unconditional promises to give - less current portion (Note 5)	<u>764,731</u>	<u>927,986</u>
Total assets	<u><u>\$ 14,242,113</u></u>	<u><u>\$ 14,025,273</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 14,533	\$ 304,555
Due to Commonwealth (Note 7)	<u>292,859</u>	<u>292,859</u>
Total liabilities	<u>307,392</u>	<u>597,414</u>
Net assets		
Unrestricted		
Undesignated	2,438,298	2,516,716
Board designated	5,048,165	4,424,762
Temporarily restricted (Note 9)	1,862,641	1,947,264
Permanently restricted - endowment funds (Note 10)	<u>4,585,617</u>	<u>4,539,117</u>
Total net assets	<u>13,934,721</u>	<u>13,427,859</u>
Total liabilities and net assets	<u><u>\$ 14,242,113</u></u>	<u><u>\$ 14,025,273</u></u>

See notes to financial statements

JAMESTOWN-YORKTOWN FOUNDATION, INC.

Statements of Activities For the Years Ended June 30, 2010 and 2009

	2010	2009
Revenues, gains, and other support		
Annual fund support	\$ 715,814	\$ 676,471
Contributions	40,386	24,306
Interest and dividends	313,468	223,410
Net unrealized and realized gain (loss) on investments	283,137	(1,613,629)
Program service revenue	10,579	11,992
Other income	727	175,535
Net assets released from restrictions	617,443	1,095,851
Total revenues, gains, and other support	1,981,554	593,936
Expenses		
Program services	728,251	1,644,496
Support services:		
Management and general	195,828	184,323
Fundraising	512,490	587,513
Total expenses	1,436,569	2,416,332
Change in unrestricted net assets	544,985	(1,822,396)
Change in temporarily restricted net assets		
Contributions	85,238	1,248,149
Net unrealized and realized gains on investments	444,082	119,955
Net assets released from restrictions	(613,943)	(1,095,851)
Change in temporarily restricted net assets	(84,623)	272,253
Change in permanently restricted net assets		
Contributions	50,000	3,844,956
Net assets released from restrictions	(3,500)	-
Change in permanently restricted net assets	46,500	3,844,956
Change in net assets	506,862	2,294,813
Net assets - beginning of year	13,427,859	11,133,046
Net assets - end of year	\$ 13,934,721	\$ 13,427,859

See notes to financial statements

JAMESTOWN-YORKTOWN FOUNDATION, INC.

**Statements of Cash Flows
For the Years Ended June 30, 2010 and 2009**

	2010	2009
Cash flows from operating activities		
Change in net assets	\$ 506,862	\$ 2,294,813
Adjustments to reconcile to net cash from operating activities:		
Net realized gain on investments	-	(23,643)
Net unrealized (gain) loss on investments	(727,219)	1,517,317
Contributions restricted for long-term investments	(50,000)	(3,844,956)
Change in:		
Unconditional promises to give	241,229	(303,908)
Prepaid expenses	(5,500)	(1,000)
Accounts payable	(290,022)	(159,586)
Due to Commonwealth	-	(8,488)
Net cash provided from (used in) operating activities	(324,650)	(529,451)
Cash flows from investing activities		
Proceeds from sale of investments	-	77,697
Purchase of investments	(192,795)	-
Net cash provided from (used in) investing activities	(192,795)	77,697
Cash flows from financing activities		
Contributions restricted for long-term investments	50,000	3,844,956
Net cash provided from financing activities	50,000	3,844,956
Net change in cash and cash equivalents	(467,445)	3,393,202
Cash and cash equivalents		
Beginning of year	7,046,644	3,653,442
End of year	\$ 6,579,199	\$ 7,046,644
Supplemental disclosure of cash flow information - non-cash items:		
Gifts-in-kind	\$ 18,796	\$ 33,499

See notes to financial statements

JAMESTOWN-YORKTOWN FOUNDATION, INC.

Notes to Financial Statement

June 30, 2010 and 2009

Note 1 – Organization and Nature of Business

Jamestown-Yorktown Foundation, Inc. (the “Foundation”) is a Virginia nonstock, not-for-profit corporation founded in 1999. The purpose of the Foundation is to supplement the activities of the Jamestown-Yorktown Foundation, an agency of the Commonwealth of Virginia (Commonwealth), which promotes and operates Jamestown Settlement and Yorktown Victory Center. The Foundation’s basic activities consist of soliciting and collecting contributions, purchasing artifacts, sponsoring events and exhibits, and overseeing investments.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The classes of net assets are described as follows:

Unrestricted amounts are those currently available, at the discretion of the Board of Directors, for use in the Foundation’s operations.

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

Permanently restricted amounts are restricted to investment in perpetuity, the income from which is expendable in accordance with the conditions and each specific donation.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

Cash and Cash Equivalents

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

Investments

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

JAMESTOWN-YORKTOWN FOUNDATION, INC.
Notes to Financial Statement
June 30, 2010 and 2009

Note 2 – Summary of Significant Accounting Policies (continued)

Unconditional Promises to Give

Unconditional promises to give are recognized by the Foundation when a donor makes a promise to give that is in substance, unconditional. Unconditional promises to give that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

Property and Equipment

Property and equipment are carried at cost. The Foundation reports gifts of property and equipment at fair value at the date of donation. These gifts are recorded as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used are reported as restricted support unless there are explicit donor stipulations about how those long-lived assets are placed in service. Repairs and maintenance are expenses as incurred.

Depreciation is calculated by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Furnishing and equipment	5 - 7

Gifts-in-kind

Material gifts-in-kind items received by the Foundation are recorded as income along with a corresponding charge to expense or capitalized cost. During the years ended June 30, 2010 and 2009, \$18,796 and \$33,499, respectively, were received as gifts-in-kind.

Payroll

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

Income Taxes

The Foundation is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation has evaluated the effect of generally accepted accounting principles (GAAP) guidance on Accounting for Uncertainty in Income Taxes that became effective this year. Management believes that the Foundation continues to satisfy the requirements of a tax-exempt organization and therefore had no uncertain income tax positions at June 30, 2010.

JAMESTOWN-YORKTOWN FOUNDATION, INC.

Notes to Financial Statement

June 30, 2010 and 2009

Note 2 – Summary of Significant Accounting Policies (continued)

Functional Expenses

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

Concentrations of credit risk

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

During the year ended June 30, 2010, there were no contributions received that represented a concentration. During the year ended June 30, 2009, contributions from one donor represented approximately 66% of the Foundation's total contribution revenues reflecting a one-time contribution to establish the Jamestown Quadricentennial Endowment with the surcharges received from the US Mint's issue of the Jamestown 400th Anniversary Commemorative Coin. For fiscal year 2010 and 2009, two donors represent over 80% of the unconditional promises to give.

Estimates

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

Reclassifications

Certain prior year balances have been reclassified to conform with current year presentation. There was no change to previously reported net assets as a result of such reclassifications.

Note 3 - Fair value measurements of assets

The Foundation follows the provisions of GAAP guidance on Fair Value Measurements, for financial assets measured at fair value. This statement requires fair value measurements be classified and disclosed in one of the following three categories ("Fair Value Hierarchy"):

Level 1: Financial instruments with unadjusted, quoted prices listed on active market exchanges.

Level 2: Financial instruments valued using inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value.

JAMESTOWN-YORKTOWN FOUNDATION, INC.

Notes to Financial Statement

June 30, 2010 and 2009

Note 3 - Fair value measurements of assets (continued)

The following table summarizes the valuation of the Foundation's financial assets measured at fair value on a recurring basis as of June 30, 2010 and 2009, based on the level of input utilized to measure fair value:

Measurement at fair value on a recurring basis:

Fair Value Measurements at 6/30/2010 Using:

Asset valuation inputs	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Multi-asset fund	\$ -	\$ -	\$ 6,646,583	\$ 6,646,583
Cash equivalents				
Short-term fund	-	-	20,001	20,001
Short-term bond fund	-	6,515,233	-	6,515,233
	<u>\$ -</u>	<u>\$ 6,515,233</u>	<u>\$ 6,666,584</u>	<u>\$ 13,181,187</u>

Fair Value Measurements at 6/30/2009 Using:

Asset valuation inputs	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Multi-asset fund	\$ -	\$ -	\$ 5,726,569	\$ 5,726,569
Cash equivalents				
Short-term fund	-	-	4,790,003	\$ 4,790,003
Short-term bond fund	-	2,094,836	-	\$ 2,094,836
	<u>\$ -</u>	<u>\$ 2,094,836</u>	<u>\$ 10,516,572</u>	<u>\$ 12,611,408</u>

The following is a reconciliation of investments in securities for fiscal years 2010 and 2009 for which significant unobservable inputs (Level 3) were used in determining value:

	<u>2010</u>	<u>2009</u>
Beginning fair value	\$ 10,516,572	\$ 7,297,940
Purchases	2,275,000	9,683,857
Redemptions	(7,052,764)	(4,925,000)
Unrealized gain/(losses)	720,369	(1,555,114)
Dividends	207,407	14,889
Ending fair value	<u>\$ 6,666,584</u>	<u>\$ 10,516,572</u>

Investment income (losses) earned on investments and cash equivalents are as follows.

	<u>2010</u>	<u>2009</u>
Interest	\$ 164	\$ 12,933.00
Dividends	313,304	210,417
Net realized gain on investments	-	23,643
Net unrealized gain (loss) on investments	727,219	(1,517,317)
Total investment income (losses)	<u>\$ 1,040,687</u>	<u>\$ (1,270,324)</u>

JAMESTOWN-YORKTOWN FOUNDATION, INC.

Notes to Financial Statement

June 30, 2010 and 2009

Note 4 - Collections

The Foundation has elected not to include collections of art and historical treasures in the financial statements since they become assets of the Commonwealth of Virginia. These collections are comprised primarily of fine art and artifacts at both Jamestown Settlement and Yorktown Victory Center. Insurance coverage on collection items is included under the Commonwealth's blanket insurance program at no expense to the Foundation.

The Foundation has a policy that proceeds generated from the sale of collection items will be used to acquire new items. There were no sales during 2010 and 2009.

Note 5 - Unconditional Promises to Give

Unconditional promises to give are as follows:

	2010	2009
Unconditional promises to give in less than one year	\$ 247,576	\$ 326,336
Unconditional promises to give in one to five years	875,464	1,077,661
Total unconditional promises to give	1,123,040	1,403,997
Less - discount to net present value	(103,009)	(140,300)
Less - allowance for uncollectible promises	(10,200)	(12,637)
Net unconditional promises to give	\$ 1,009,831	\$ 1,251,060

Unconditional promises to give are reflected at the present value of estimated future cash flows using discount rates on June 30, 2010 and 2009 of 3.25%.

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

Note 6 - Property and Equipment

Property and equipment consist of the following:

	2010	2009
Furnishings and equipment	\$ 118,861	\$ 118,861
Less-accumulated depreciation	(118,861)	(118,861)
	\$ -	\$ -

Note 7 - Due to Commonwealth

In 2006, the Commonwealth contracted with the Foundation to provide national and international artifacts loans, an exhibit catalog and exhibit fabrication in the estimated amount of \$3,944,155. The World of 1607 Special Exhibit was

JAMESTOWN-YORKTOWN FOUNDATION, INC.

Notes to Financial Statement

June 30, 2010 and 2009

completed and all costs and artifacts reverted to the Commonwealth of Virginia in accordance with Note 4. At June 30, 2010, and 2009, \$3,894,155 has been provided to the Foundation, of which \$3,601,296 has been spent in accordance with the contract. The unexpended balance of \$292,859 will revert to the Commonwealth at a mutually agreeable time.

Note 8 - Transfers to Commonwealth of Virginia

During 2010 and 2009, the Foundation released from restriction certain temporarily restricted net assets and transferred the funds to the Commonwealth of Virginia for certain projects they were overseeing. The funds released were for the following projects:

	2010	2009
Educational Programs	\$ 154,408	\$ 189,871
Commemorative Plaza	-	5,372
J2007, Inc.	6,000	21,273
Total	<u>\$ 160,408</u>	<u>\$ 216,516</u>

Note 9 – Temporarily Restricted Net Assets

At June 30, 2010 and 2009, temporarily restricted nets assets are restricted for the following programs:

	2010	2009
Exhibits, artifacts	\$ 278,604	\$ 591,618
Education programs	226,640	319,984
Technology	227,291	234,411
General support	262,367	425,417
Other	156,378	158,660
Yorktown Victory Center	50,000	-
Endowment – with purpose restrictions	<u>661,361</u>	<u>217,174</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,862,641</u>	<u>\$ 1,947,264</u>

Note 10 – Endowment Funds

Effective July 1, 2008, the Foundation adopted the provisions of U.S. GAAP guidance of “*Endowments of Not-for Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.*” The provisions provide guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowments funds, both donor-restricted endowment funds and board-designated endowment funds.

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

JAMESTOWN-YORKTOWN FOUNDATION, INC.

Notes to Financial Statement

June 30, 2010 and 2009

Interpretation of Relevant Law

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

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

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Endowment net asset composition by type of fund as of June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 4,828,165	\$ -	\$ -	\$ 4,828,165
Donor-restricted endowment funds	(38,393)	661,361	4,585,617	5,208,585
Total Funds	<u>\$ 4,789,772</u>	<u>\$ 661,361</u>	<u>\$ 4,585,617</u>	<u>\$ 10,036,750</u>

Endowment net asset composition by type of fund as of June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 4,424,762	\$ -	\$ -	\$ 4,424,762
Donor-restricted endowment funds	(85,926)	217,174	4,539,117	4,670,365
Total Funds	<u>\$ 4,338,836</u>	<u>\$ 217,174</u>	<u>\$ 4,539,117</u>	<u>\$ 9,095,127</u>

JAMESTOWN-YORKTOWN FOUNDATION, INC.
Notes to Financial Statement
June 30, 2010 and 2009

Note 10 – Endowment Funds (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,338,836	\$ 217,174	\$ 4,539,117	\$ 9,095,127
Investment Return:				
Investment income	313,468	-	-	313,468
Realized and unrealized gains	283,137	444,082	-	727,219
Contributions	-	800	50,000	50,800
Amounts appropriated for expenditure	(170,000)	(695)	(3,500)	(174,195)
Other Changes:				
Transfers to create board designated endowments	<u>24,331</u>	<u>-</u>	<u>-</u>	<u>24,331</u>
Endowment net assets, end of year	<u>\$ 4,789,772</u>	<u>\$ 661,361</u>	<u>\$ 4,585,617</u>	<u>\$ 10,036,750</u>

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,603,662	\$ 116,109	\$ 694,161	\$ 6,413,932
Investment Return:				
Investment income	-	172,769	-	172,769
Realized and unrealized losses	(1,300,588)	(52,814)	-	(1,353,402)
Contributions	24,306	-	3,844,956	3,869,262
Amounts appropriated for expenditure	(195,000)	(18,890)	-	(213,890)
Other Changes:				
Transfers to create board designated endowments	<u>206,456</u>	<u>-</u>	<u>-</u>	<u>206,456</u>
Endowment net assets, end of year	<u>\$ 4,338,836</u>	<u>\$ 217,174</u>	<u>\$ 4,539,117</u>	<u>\$ 9,095,127</u>

JAMESTOWN-YORKTOWN FOUNDATION, INC.

Notes to Financial Statement

June 30, 2010 and 2009

Note 10 – Endowment Funds (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$38,393 and \$85,926 as of June 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations during the twelve months ended 2009 and continued appropriation for certain programs that was deemed prudent by the Board of Directors. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places emphasis on achieving its long-term return objectives within prudent risk constraints. Endowment investments are monitored for consistency to investment philosophy, return relative to the objectives, investment risk as measured by asset concentrations and investment cost.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 5% of its endowment funds' average fair value based on a rolling 3-year period in the fiscal years prior to the fiscal year in which the distribution is planned. In establishing these policies, the Foundation considered the expected return on its endowment. Accordingly, the Foundation expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return. However, for 2010 and 2009, the Foundation did not take the full distribution due to the decline in market value of the Endowment. The distribution for 2010 and 2009 was \$174,195 and \$213,890, respectively.

JAMESTOWN-YORKTOWN FOUNDATION, INC.

Notes to Financial Statement

June 30, 2010 and 2009

Note 10 – Endowment Funds (continued)

Board Designated Endowments

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

The purpose of the Acquisitions Fund is to provide an ongoing source of funding for purchasing and preserving artifacts relevant to the Jamestown Settlement and Yorktown Victory Center. The primary investment objective of this fund is to preserve and protect assets by focusing on conservation of principal and long-term growth of capital and income. This objective is generally attained by investing in a portfolio of high quality securities. Expenditures from the fund are based upon a 5% spending plan using a three-year average market value. No funds were withdrawn from the fund for artifacts in 2010 and 2009.

The purpose of the Education Programs Fund is to provide an ongoing source of funding for supporting educational programs including on-site and outreach education; outdoor interpretive areas and related programming; and changing exhibitions. The primary investment objective of the fund is to preserve and protect its assets by focusing on conservation of principal and long-term growth of capital and income. This objective is generally attained by investing in a portfolio of high quality securities. Expenditures from this fund are based upon a 5% spending plan using a three-year average market value. No funds were withdrawn from the fund in 2010 and 2009.

The General Endowment Fund was established to provide cash flow for Jamestown Yorktown Foundation, Inc. and Jamestown-Yorktown Foundation. The primary investment objective of the General Endowment fund is to preserve and protect the assets by focusing on conservation of principal and long-term growth of capital and income. This objective is generally attained by investing in a portfolio of high quality securities. Expenditures from the fund are based upon a 5% spending plan using a three-year average market value. No funds were withdrawn from the General Endowment Fund in 2010. Funds of \$195,000 were withdrawn from the fund in 2009.

Note 11 – Related parties

The Foundation received contribution revenue from Board members in the amount of \$86,569 and \$17,495 for the years ending June 30, 2010 and 2009, respectively. The amount of contribution receivable due from Board members amounted to \$12,500 and \$36,107 at June 30, 2010 and 2009, respectively. Accordingly, the Foundation received contribution payments of \$7,000 and \$84,436 from Board members during the years ended June 30, 2010 and 2009, respectively.

Note 12 – Subsequent events

In preparation of its financial statements, the Foundation considered subsequent events through October 11, 2010, which was the date the Foundation's financial statements were available to be issued.