Thomas Jefferson Foundation, Inc.

Financial Statements
For the Years Ended December 31, 2016 and 2015

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

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Independent Auditor's Report

The Board of Trustees
Thomas Jefferson Foundation, Inc.
Charlottesville, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Thomas Jefferson Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and change in net assets, 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 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 audit. We conducted our audit 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 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 the Thomas Jefferson Foundation, Inc. as of December 31, 2016 and 2015, 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.

BDO USA, LLP

May 5, 2017

Financial Statements

Thomas Jefferson Foundation, Inc.

Statements of Financial Position

December 31,	2016	2015
Assets		
Current assets		
Cash and cash equivalents	$ 4,263,049	$ 6,097,022
Accounts receivable	274,183	196,891
Contributions receivable, net of allowance	2,430,738	7,801,689
Inventory	2,169,926	2,097,092
Prepaid expenses	699,433	694,773
Total current assets	9,837,329	16,887,467
Long-term assets		
Investments	212,429,234	200,837,653
Investment fund receivable	-	14,545,799
Assets under split-interest agreements	404,457	390,457
Contributions receivable, net of discount and allowance	3,892,889	3,816,135
Property and equipment, net	76,673,869	69,992,715
Historic properties and collections (Note 1)	-	-
Total long-term assets	293,400,449	289,582,759
Total assets	303,237,778	$ 306,470,226
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 2,429,712	$ 1,215,532
Accrued expenses	1,905,157	1,220,289
Total current liabilities	4,334,869	2,435,821
Long-term liabilities		
Annuity and split-Interest liabilities	739,693	756,353
Net pension liability	2,645,043	2,310,727
Interest rate swap liability	3,081,743	3,729,336
Long-term debt	29,619,832	29,613,677
Total long-term liabilities	36,086,311	36,410,093
Total liabilities	40,421,180	38,845,914
Net assets		
Unrestricted		
Board-designated endowment	116,134,698	117,656,516
Board-designated reserve	4,395,777	3,450,793
Undesignated	42,967,784	37,515,050
Total unrestricted net assets	163,498,259	158,622,359
Temporarily restricted	53,580,968	66,042,114
Permanently restricted	45,737,371	42,959,839
Total net assets	262,816,598	267,624,312
Total liabilities and net assets	$ 303,237,778	$ 306,470,226

See accompanying notes to the financial statements.

Thomas Jefferson Foundation, Inc.

Statements of Activities and Change in Net Assets

Years Ended December 31,	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Operating support and revenues								
Charitable contributions	$ 2,049,336	$ 4,664,449	$ 2,777,532	$ 9,491,317	$ 2,691,969	$ 4,844,973	$ 2,329,924	$ 9,866,866
Admissions	9,221,448	-	-	9,221,448	8,758,485	-	-	8,758,485
Retail operations	8,702,151	-	-	8,702,151	8,267,022	-	-	8,267,022
Events	427,226	-	-	427,226	568,303	-	-	568,303
Other	211,957	26,677	-	238,634	185,518	37,870	-	223,388
Net assets released from restrictions	18,047,829	(18,047,829)	-	-	9,905,169	(9,905,169)	-	-
Total operating support and revenues	38,659,947	(13,356,703)	2,777,532	28,080,776	30,376,466	(5,022,326)	2,329,924	27,684,064
Operating expenses								
Program activities:								
Collections acquisitions	149,178	-	-	149,178	403,797	-	-	403,797
Curatorial and restoration	4,722,307	-	-	4,722,307	2,729,134	-	-	2,729,134
Gardens and grounds	2,142,980	-	-	2,142,980	2,096,215	-	-	2,096,215
Guest services	4,383,177	-	-	4,383,177	4,369,408	-	-	4,369,408
Interpretation	2,796,964	-	-	2,796,964	2,793,712	-	-	2,793,712
International Center for Jefferson Studies	4,319,077	-	-	4,319,077	4,612,736	-	-	4,612,736
Retail operations	9,008,893	-	-	9,008,893	8,841,600	-	-	8,841,600
Marketing and communications	2,329,677	-	-	2,329,677	1,817,464	-	-	1,817,464
Support services:								
Administration	3,825,008	-	-	3,825,008	3,588,847	-	-	3,588,847
Development	1,593,633	-	-	1,593,633	1,862,478	-	-	1,862,478
Total operating expenses	35,270,894	-	-	35,270,894	33,115,391	-	-	33,115,391
Change in net assets from operations	3,389,053	(13,356,703)	2,777,532	(7,190,118)	(2,738,925)	(5,022,326)	2,329,924	(5,431,327)
Non-operating activities								
Investment return (loss), net	1,248,570	895,557	-	2,144,127	(181,772)	(70,308)	-	(252,080)
Changes in pension assets and liabilities	(409,316)	-	-	(409,316)	63,923	-	-	63,923
Unrealized gain on interest rate swap	647,593	-	-	647,593	85,477	-	-	85,477
Total non-operating activities	1,486,847	895,557	-	2,382,404	(32,372)	(70,308)	-	(102,680)
Change in net assets	4,875,900	(12,461,146)	2,777,532	(4,807,714)	(2,771,297)	(5,092,634)	2,329,924	(5,534,007)
Net assets at the beginning of the year	158,622,359	66,042,114	42,959,839	267,624,312	161,393,656	71,134,748	40,629,915	273,158,319
Net assets at the end of the year	$ 163,498,259	$ 53,580,968	$ 45,737,371	$ 262,816,598	$ 158,622,359	$ 66,042,114	$ 42,959,839	$ 267,624,312

See accompanying notes to the financial statements.

Thomas Jefferson Foundation, Inc.

Statements of Cash Flows

December 31,	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (4,807,714)	$ (5,534,007)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,237,744	3,637,104
Amortization of bond issuance costs and discount	6,155	6,155
(Recovery)/provision for bad debts	(728,026)	300,178
Amortization of discount to present value on multi-year contribution receivable	(47,887)	(176,714)
Change in interest rate swap liability	(647,593)	(85,477)
Net realized and unrealized (gain) loss on investments	(1,410,338)	973,504
Pension - related changes	2,960,614	3,236,424
Gain on disposal of property and equipment	(3,750)	(3,500)
Proceeds from donated stocks	898,823	1,546,340
Permanently restricted contributions	(2,777,532)	(2,329,924)
Decrease (increase) in:		
Accounts receivable	(77,292)	(45,108)
Contributions receivable	6,070,109	5,453,058
Inventory	(72,834)	(426,189)
Assets under split-interest agreements	(14,000)	45,401
Prepaid expenses	(4,660)	(17,536)
Increase (decrease) in:		
Accounts payable	1,214,180	30,633
Accrued expenses	684,868	(19,471)
Accrued pension costs, net of minimum pension liability adjustment	(2,626,298)	(3,375,347)
Annuity of split-interest liabilities	(16,660)	223,098
Net cash provided by operating activities	1,837,909	3,438,622
Cash flows from investing activities:		
Purchases of property and equipment	(9,915,148)	(2,824,386)
Proceeds from sales of investments	20,725,600	13,611,912
Purchase of investments	(17,259,866)	(22,660,168)
Net cash used in investing activities	(6,449,414)	(11,872,642)
Cash flows from financing activities:		
Draw on line-of-credit	1,500,000	1,000,000
Repayment on the line-of-credit	(1,500,000)	(1,000,000)
Permanently restricted contributions	2,777,532	2,329,924
Net cash provided by financing activities	2,777,532	2,329,924
Net change in cash and cash equivalents	(1,833,973)	(6,104,096)
Cash and cash equivalents at the beginning of the year	6,097,022	12,201,118
Cash and cash equivalents at the end of the year	$ 4,263,049	$ 6,097,022
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 1,102,075	$ 1,088,555

See accompanying notes to the financial statements.

1. The Organization and Summary of Significant Accounting Policies

The Thomas Jefferson Foundation, Inc. (the “Foundation”) is formed under the laws of the Commonwealth of Virginia and is the private nonprofit organization that owns and operates Monticello, the mountaintop home and plantation of Thomas Jefferson. A museum and research institute, Monticello is a national and international treasure – designated as a United States National Historic Landmark and a United Nations World Heritage site, the only American residence on this prestigious list. Since its founding in 1923, the Foundation has dedicated itself to a two-fold mission of preservation and education. The Foundation’s twenty-first century vision is to engage a national and global audience in dialogue with Jefferson’s world, his ideas, and the relevance of history. The Foundation’s trustees and staff regard themselves as stewards of Monticello and as educators who study and share Jefferson’s contributions and enduring ideals.

Launched in 2014, The Mountaintop Project is the latest chapter in Monticello’s preservation; a multi-year initiative to restore the house and landscape to their Jefferson-era appearance and tell the stories of the people, free and enslaved, who lived and labored on the 5000-acre plantation. Guided by archaeological research and discovery, this undertaking consolidates an ambitious list of complex, interdependent construction and restoration projects.

As a private, nonprofit 501(c)3 corporation, the Thomas Jefferson Foundation receives no ongoing federal, state, or local government funding in support of its mission. Around 450,000 people visit Monticello annually, and the Foundation’s main sources of revenue are gifts and grants, admissions to Monticello, and sales from the retail operations of the museum shops, catalog, and online store. The Foundation has more than 150 volunteers and employs nearly 400 full-time, part-time, and seasonal staff.

Basis of accounting

The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of presentation

The Foundation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (“ASC”) ASC 950-205, “*Not-for-profit Entities*”. As required by the Non-Profit Entities Topic of the Codification, the Foundation is required to report 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.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management of the Foundation to make estimates and assumptions related to the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions and conditions.

The most sensitive estimates affecting the accompanying financial statements include the valuation of contributions receivable, the allowance for uncollectible contributions receivable, the valuation of alternative investments, the allocation of expenses to operating and support services, the depreciable lives of property and equipment, the present value of the retirement plan's projected benefit obligation, valuation of annuities and the valuation of the interest rate swap liability.

The assets of the private investment companies consist principally of readily marketable securities, investments in other private investment companies, and certain investments which are not readily marketable. Because the Foundation does not directly invest in the underlying assets of the private investment companies, and due to restrictions on the transferability and timing of withdrawals from the private investment companies, the amounts realized upon liquidation could differ from such reported values and differences could be material.

Revenue recognition

Contribution revenue

Contributions, including unconditional promises to give, are recognized in the period received. Contributions received are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for a future period, or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Contributions are recorded at fair value, which is net of estimated uncollectible amounts. The Foundation uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on experience as well as management's analysis of specific pledges made, including such factors as prior collection history, type of contribution, and nature of fundraising activity. Contributions, including multi-year pledges and split-interest agreements to be received after one year, are recorded at the present value of the estimated future cash flows. Subsequent changes in this discount resulting from the passage of time are accounted for as contributions in subsequent years. Revenue under charitable gift annuity arrangements is reduced by the estimated annuities to be paid by the Foundation over the beneficiary's lifetime. Irrevocable split-interest agreements, including charitable remainder trusts, charitable lead trusts and perpetual trusts, are recorded as revenue when the trust agreements become irrevocable.

Conditional promises to give, including those received under multi-year grant agreements, are recognized as revenue when the conditions on which they depend have been substantially met.

Event revenue

Registration and venue fees are recognized upon completion of the related event.

Other revenue

Other revenues are recognized when earned.

Contributed services

Contributed services and in-kind contributions are recognized if they create or enhance non-financial assets or require specialized skills and would need to be purchased if not provided by donation. Contributed time for specialized or professional services meeting certain criteria are reflected as contributions in the accompanying financial statements at fair value. The fair value of these services was approximately $968,000 and $227,000 for the years ended December 31, 2016 and 2015, respectively.

Cash and cash equivalents

Cash and cash equivalents include all short-term, highly-liquid instruments purchased with an original maturity of three months or less.

Inventory

Inventory consists of merchandise for the museum shops, catalog, and online store and is valued at the lower of cost or market, with cost determined on the average cost basis. The Foundation evaluates inventory levels and expected usage on a periodic basis and records adjustments as required.

Investments

The Foundation records investments at fair value. Interest and dividend income is accounted for on the accrual basis. Gains and losses on investments, including changes in market value, are reported in the statement of activities and changes in net assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulation.

Investments in hedge funds, funds of funds, partnerships, and private equity funds are valued at net asset value, which estimates fair value. The funds value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the funds, which may include private placements and other securities for which prices are not readily available, are determined by the management of the respective fund and may not reflect amounts that could be realized upon immediate sale nor amounts that could be ultimately realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Foundation's investments in hedge funds, funds of funds, partnerships, and private equity funds generally represents the amount the Foundation would expect to receive if it were to liquidate its investments in the funds, excluding any redemption charges that may apply. The Foundation’s investments in such private investment companies are also subject to management and performance fees as specified in their agreements.

Contributions receivable

Contributions receivable are carried at the original value less an estimate made for doubtful receivables based on a review of all outstanding pledges on an annual basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts was $2,830,435 and $3,558,461 at December 31, 2016 and 2015, respectively. Total bad debt recovery was $(728,026) for the year ended December 31, 2016. Total bad debt expense was $300,178 for the year ended December 31, 2015.

Property and equipment

Property and equipment used in operations is reported at cost or at the current estimated value at date of gift, if donated. The capitalization threshold for individual purchases is $10,000 or greater. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment is retired, or otherwise disposed of, the cost and accumulated depreciation and amortization is removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Donated property is recorded at estimated fair value at the time of donation. Improvements to property and equipment that extend the useful lives of the assets are also capitalized. Depreciation is computed by the straight-line method using the following estimated useful lives:

Land improvements	10 - 20 years
Facilities and improvements	10 - 40 years
Equipment	3 - 15 years
Furniture and fixtures	5 - 10 years
Leasehold improvements	Shorter of useful life of the asset or the length of lease
Vehicles	3 - 7 years
Computer software	2 years

Historic properties and collections

The Foundation has elected not to capitalize its historic properties and collections. These collections are related to Thomas Jefferson and his plantation home, Monticello. The most precious artifact in the collection is the house itself and the surrounding landscape, which were designed by Thomas Jefferson between 1769 and 1809.

The curatorial collections chiefly consist of paintings, decorative arts and artifacts, approximately 2,600 of which relate directly to Thomas Jefferson and Monticello, and about 1,900 books with titles and editions selected to duplicate Jefferson's original library. About 40 of these volumes are Thomas Jefferson's own copies. The Foundation's restoration department is dedicated to the architectural preservation of the house, while the curatorial collections are under the care of a full curatorial department. The Foundation's collections are maintained for public exhibition, education, and research in order to advance understanding of Thomas Jefferson and Monticello in furtherance of public service. The Foundation's collections management policy requires that the proceeds from the sale of any artifact from the Foundation's collection would be used to acquire additional artifacts for the collection.

In conformity with the practice generally followed by museums, no value is assigned to the collections in the statement of financial position. Purchases of collection items are recognized as a reduction in unrestricted net assets in the period of the acquisition. Proceeds from deaccessions of collection items are designated for future collection acquisitions. The Foundation does not recognize the donations of collection items as contribution income, as the collections are not capitalized. The cost of acquisitions and improvements of historic properties and collections was $149,178 and $403,797 as of December 31, 2016 and 2015, respectively.

Annuity and split-interest liabilities

In 1997, the Foundation received contributed assets in exchange for an annuity that requires the Foundation to pay the donor a fixed annual amount over the remaining life of the donor. This liability is recorded at the present value of the estimated future payments using the prevailing discount rate at the date of the contribution, which was 7.4%.

The Foundation's split-interest agreements consist of irrevocable charitable remainder unitrusts. Liabilities are recorded at the present value of the estimated future payments to the donors and/or other beneficiaries using prevailing discount rates at the date of contribution. The liabilities are adjusted during the terms of the trusts consistent with changes in the value of the assets and actuarial assumptions. A discount rate between 7.0% and 7.4% was used to determine the liabilities for the split-interest agreements.

Annuity and split-interest liabilities consist of the following at December 31:

	2016	2015
Annuity payable	**$ 604,798**	$ 639,726
Split-interest agreements	**134,895**	116,627
Total	**$ 739,693**	$ 756,353

Bond issuance costs

Bond issuance costs are amortized over the life of the bonds. Unamortized bond issuance costs are recorded as a reduction of bonds payable, and amortization is reported with interest expense.

Net assets

The Foundation classifies its net assets into the four categories: unrestricted undesignated, unrestricted- board designated, temporarily restricted, and permanently restricted.

Unrestricted net assets – undesignated

Unrestricted net assets are those net assets that are not subject to donor-imposed stipulations or board designations.

Unrestricted net assets - board-designated

The Foundation's board of trustees has set aside unrestricted amounts over time as board-designated assets which include board-designated endowment and board-designated reserve. Board-designated endowment includes funds that, while unrestricted, the board has elected to treat as endowed. As such, the Foundation invests and transfers these funds in accordance with the board's investment and spending policies to undesignated net assets to support operations. Board-designated reserve funds include non-endowed funds approved by the board for spending for a specific purpose, such as capital reserves.

Temporarily restricted net assets

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

Permanently restricted net assets

Permanently restricted net assets generally result from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation. Generally, the donors of these assets permit the Foundation to use the income earned on related investments for general or specific purposes.

Income taxes

The Foundation has been determined by the IRS to be exempt from taxes on income derived from activities related to its exempt purpose under Section 501(c)(3) of the Internal Revenue Code, and has been classified as an organization that is not a private foundation. However, the Foundation is subject to unrelated business income tax on certain activities which are unrelated to its exempt purpose. The Foundation has net operating loss carryfowards totaling more than $3.6 million, with expirations ranging from 2018 to 2035. A 100% valuation allowance has been recorded against this deferred tax asset because it is uncertain that the loss carryforward represents a future tax benefit.

In accordance with authoritative guidance on accounting for uncertainty in income taxes issued by the FASB, the Foundation recognizes tax liabilities for uncertain tax positions when it is more likely than not that a tax position will not be sustained upon examination and settlement with various taxing authorities. Liabilities for uncertain tax positions are measured based upon the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ended December 31, 2013 and prior. Management has evaluated the Foundation's tax positions and has concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Contributions restricted for capital expenditures

Contributions of cash or other assets subject to donor restrictions that they be used to acquire land, buildings, and equipment are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Allocation of expenses

The cost of providing the Foundation's various programs and other activities has been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising costs

The Foundation expenses advertising costs as incurred, except for catalog costs which are expensed when the catalog is mailed. Total advertising costs were approximately $1,252,000 and $1,223,000 for the years ended December 31, 2016 and 2015, respectively.

Shipping and handling costs

The Foundation includes shipping and handling costs in expenses for the museum shops, catalog, and online store. Shipping and handling costs were approximately $576,000 and $497,000 for the years ended December 31, 2016 and 2015, respectively.

Operations

Operating revenues and expenses include all transactions which increase or decrease net assets except those associated with net investment return, pension costs and swap contracts. Pension costs, since the freezing of the pension plan as of December 31, 2006, have been excluded from operating expenses.

Donated securities

Donated securities are reported at their fair value as of the date of donation. Sales are reflected on a trade-date basis.

Valuation of long-lived assets

The Foundation reviews the valuation of its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No indicators of impairment were identified as of December 31, 2016 and 2015.

Functional allocation of expenses

The costs of providing the Foundation's programs and other activities have been summarized on a functional basis in the accompanying statement of activities and change in net assets and the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly according to their natural expenditure classifications. Certain costs common to multiple functions have been allocated among the various functions benefited. General and administrative expenses include those costs that are not directly identifiable with any specific function, but which provide for the overall support and direction of the Foundation. Accordingly, certain overhead costs have been allocated among program services, management and general, and fundraising.

Fair value of financial instruments

The carrying amounts of cash and cash equivalents, accounts receivable, prepaid expenses, and accounts payable, accrued expenses, and long-term debt approximate fair value because of the short maturity of these instruments. Investments are stated at fair value.

Derivative instruments

The Foundation has entered into interest rate swap agreements to mitigate changes in interest rates on their variable rate borrowings. The notional amounts of these agreements are used to measure the interest to be paid or received and do not represent the amount of exposure to loss. The Foundation does not use derivative financial instruments for speculative purposes.

The Foundation accounts for derivatives in accordance with authoritative guidance issued by the FASB ASC 815 – *Derivatives and Hedging*, which requires not-for-profit entities to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at their fair value. The guidance also requires that changes in the derivatives' fair value be recognized in the statement of activities and change in net assets. Management formally documents its derivative transactions, including identifying the hedge instruments and hedged items and its risk management objectives.

The Foundation's interest rate swap liabilities are considered to be derivatives and are recognized as liabilities at fair value in the accompanying statement of financial position as of December 31, 2016 and 2015. Changes in the fair value of the interest rate swap liabilities are recorded as unrealized gains or losses in the accompanying statements of activities and change in net assets. The Foundation recognized an unrealized gain of $647,593 and $85,477 on the interest rate swap liabilities for the years ended December 31, 2016 and 2015, respectively.

Concentrations of credit risk

The Foundation's assets that are exposed to credit risk consist primarily of cash and cash equivalents, investments and contributions receivable. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Foundation has never experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits at December 31, 2016 were approximately $4.0 million. The Foundation's contributions receivable balances consist primarily of amounts due from individuals and corporations. Historically, the Foundation has not experienced significant losses related to the contributions receivable balances and, therefore, believes that the credit risk related to them is minimal.

The Foundation is exposed to potential risks through its investments in private investment companies. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position. Such potential risks include, but are not limited to, the following:

Non-marketable securities:

Certain of the private investment companies hold various types of securities that are not readily marketable. Such securities are valued using various methodologies including estimates of fair value as determined by the management of the private investment companies. Such estimates are subject to change with the passage of time and the occurrence of events and such changes could be material.

Broker dealer risk:

Certain private investment companies have clearing agreements with brokerage firms to carry accounts as customers. Such brokers have custody of the private investment companies' securities, and from time to time, cash balances which may be due from these brokers. These securities and/or cash positions serve as collateral for any amounts due to brokers as well as collateral for securities sold short or securities purchased on margin. The private investment companies are subject to credit risk as the brokers may be unable to repay balances due or deliver securities in their custody.

Investments sold, not yet purchased:

Certain private investment companies may sell securities that they do not own and, therefore, will be obligated to purchase such securities at a future date. These obligations are recorded on those private investment companies' respective financial statements at the market value of the securities. There is an element of risk that, if the securities increase in value, it will be necessary to purchase the securities at a cost in excess of the obligation reflected in these private investment companies' respective financial statements.

Recently adopted authoritative guidance

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern.* The update provides guidance about management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. This guidance is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. This update did not have an impact on the financial statements upon adoption.

Recent accounting pronouncements not yet adopted

In April 2015, the FASB issued ASU 2015-04, *Compensation- Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets*. ASU 2015-04 introduces a practical expedient for measuring defined benefit plan assets and benefit obligations. Under the expedient, if an employer's fiscal year-end does not coincide with a month-end, the employer may measure plan assets and benefit obligations using the month-end that is closest to the employer's fiscal year-end. An employer making the election will be required to adjust the fair value of the plan assets and obligations for any contribution or other significant event caused by the employer (e.g., amendment, settlement, or curtailment that calls for a remeasurement) that occurs between the measurement date and the employer's fiscal year-end. However, an employer does not need to adjust the fair value of individual classes of assets for a contribution occurring between the measurement date and the employer's fiscal year-end; the employer should simply disclose the amount of the contribution. The amendments create a similar practical expedient for interim events. If a significant event occurs during an interim period which calls for a remeasurement of defined benefit plan assets and obligations (e.g., partial settlement), the employer may remeasure defined benefit plan assets and obligations using the month-end that is closest to the date of the significant event. The amendments are effective for nonpublic entities for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The amendments must be applied prospectively. Early adoption is permitted. The Foundation is evaluating the effect that adoption of this new standard will have on the Foundation's financial statements.

In May 2015, the FASB issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. ASU 2015-11 requires inventory within the scope of the ASU (e.g. FIFO or average cost) to be measured using the lower of cost and net realizable value. Inventory excluded from the scope of the ASU (i.e., LIFO or the retail inventory method) will continue to be measured at the lower of cost or market. The ASU also amends some of the other guidance in Topic 330 to more clearly articulate the requirements for the measurement and disclosure of inventory. However, those amendments are not intended to result in any changes to current practice. The amendments are effective for nonpublic entities for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted as of the beginning of an interim or annual reporting period. If an entity has previously written down inventory (within the scope of the ASU) below its cost, that reduced amount is considered the cost upon adoption. Upon adoption, the change from the lower of cost or market to the lower of cost and net realizable value for inventory within the scope of the ASU will be accounted for as a change in accounting principle. The Foundation is evaluating the effect that adoption of this new standard will have on the Foundation's financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* This update supersedes previously issued guidance on revenue recognition and will apply to virtually all industries. The core principle of this new guidance is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies the performance obligation. The new standard will be effective for nonpublic entities for annual reporting periods beginning after December 15, 2018. The Foundation is evaluating the effect that adoption of this new standard will have on the Foundation's financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall* (Subtopic 825-10). This update requires an entity to: (i) measure equity investments at fair value through net income, with certain exceptions; (ii) present in other comprehensive income ("OCI") the changes in instrument-specific credit risk for financial liabilities measured using the fair value option; (iii) present financial assets and financial liabilities by measurement category and form of financial asset; (iv) calculate the fair value of financial instruments for disclosure purposes based on an exit price and; (v) assess a valuation allowance on deferred tax assets related to unrealized losses of available for sale ("AFS") debt securities in combination with other deferred tax assets. The Update provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment and adjusted for certain observable price changes. The Update also requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements. The new standard will be effective for nonpublic entities for annual reporting periods beginning after December 15, 2018. Early adoption is only permitted for the provision related to instrument-specific credit risk and the fair value disclosure exemption provided to nonpublic entities. The Foundation is evaluating the effect that adoption of this new standard will have on the Foundation's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* This standard relates to leasing for both lessees and lessors. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is evaluating the effect that adoption of this new standard will have on the Foundation's financial statements.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Foundation's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. The Foundation is currently evaluating the impact of this ASU on its financial statements.

In March 2017, FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This update applies to any employer that sponsors a defined benefit pension plan, other postretirement benefit plan, or other types of benefits accounted for under Topic 715. The amendments in this ASU require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost, as defined in Topic 715, are required to be presented in the consolidated statement of activities separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the consolidated statement of activities to present the other components of net benefit cost must be disclosed. The amendments in this ASU also allow only the service cost component to be eligible for capitalization when applicable. The guidance is effective for the Foundation's year ending

December 31, 2019. Early adoption is permitted. Management is evaluating the potential impact of this update on its consolidated financial statements.

2. Accounts Receivable

Accounts receivable consist of the following at December 31:

	2016	2015
Grants receivable	$ 72,421	$ 23,423
Admissions receivable	11,852	7,166
Events receivable	107,728	101,733
Other receivables	82,182	64,569
Total accounts receivable	$ 274,183	$ 196,891

Management believes all amounts will be collected; therefore, no allowance for uncollectible accounts has been recorded.

3. Contributions Receivable

Unconditional promises to give are recorded as receivables in the year promised and are recognized as unrestricted, temporarily restricted, or permanently restricted support, as appropriate.

The Foundation has elected to value its unconditional promises to give at fair value, which has been estimated by discounting expected future cash flows from promises to give using discount rates of 3.75% and 3.25% at December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015 contributions receivable are expected to be received as follows:

	2016	2015
Less than one year	$ 5,194,223	$ 11,238,123
One to five years	3,197,982	4,029,844
More than five years	939,151	37,725
	9,331,356	15,305,692
Less allowance for uncollectible contributions	(2,830,435)	(3,558,461)
Less discount to present value	(177,294)	(129,407)
Total contributions receivable, net	$ 6,323,627	$ 11,617,824
Contributions receivable, current portion	$ 2,430,738	$ 7,801,689
Contributions receivable, net of current portion	3,892,889	3,816,135
Total contributions receivable, net	$ 6,323,627	$ 11,617,824

The ownership of net contributions receivable for each class of net assets at December 31 is as follows:

	2016	2015
Unrestricted	**$ 119,333**	$ 11,750
Temporarily restricted	**4,416,188**	10,223,491
Permanently restricted	**1,788,106**	1,382,583
Total contributions receivable, net	**$ 6,323,627**	$ 11,617,824

The Foundation has received other promises to give which are conditional upon the incurrence of certain expenses, the matching of gift amounts, or other conditions. Conditional promises are not recorded as receivables until conditions have been met. Conditional pledges totaled $100,000 and $600,000 for the years ended December 31, 2016 and 2015, respectively.

4. Investment Income

Investment returns are reconciled to the accompanying statement of activities as follows at December 31, 2016:

	Unrestricted	**Temporarily Restricted**	**Total**
Interest and dividends (net of management expenses of $223,258)	**$ 427,300**	**$ 306,489**	**$ 733,789**
Realized gain	**219,997**	**157,796**	**377,793**
Unrealized gain	**601,273**	**431,272**	**1,032,545**
Total investment return	**$ 1,248,570**	**$ 895,557**	**$ 2,144,127**

Investment returns are reconciled to the accompanying statement of activities as follows at December 31, 2015:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends (net of management expenses of $216,866)	$ 520,146	$ 201,278	$ 721,424
Realized gain	1,289,989	498,954	1,788,943
Unrealized loss	(1,991,907)	(770,540)	(2,762,447)
Total investment return	$ (181,772)	$ (70,308)	$ (252,080)

5. Property and Equipment

Property and equipment (exclusive of historic properties and collections) consists of the following at December 31:

	2016	2015
Facilities and improvements	**$ 60,184,321**	$ 58,030,199
Land	**14,158,145**	14,158,145
Land improvements	**10,147,465**	10,147,465
Equipment	**8,170,022**	8,170,024
Construction-in-progress	**9,523,337**	1,965,178
Computer software	**1,800,884**	1,753,210
Furniture and fixtures	**1,325,073**	1,209,528
Vehicles	**915,327**	992,638
Leasehold improvements	**113,210**	113,210
Total property and equipment	**106,337,784**	96,539,597
Less: accumulated depreciation	**(29,663,915)**	(26,546,882)
Property and equipment, net	**$ 76,673,869**	$ 69,992,715

Depreciation and amortization expense on property and equipment totaled $3,237,744 and $3,637,104 for the years ended December 31, 2016 and 2015, respectively.

6. Line-of-credit

The Foundation has a $1.5 million bank line of credit with Sun Trust Bank ("Sun Trust"). Interest on the line of credit is based on the greater of one month LIBOR plus 1.5% per annum or 2.25% (2.25% as of December 31, 2016). The line of credit is secured by certain investments of the Foundation and is subject to certain covenants, as defined in the agreement. There was no outstanding balance on the line at December 31, 2016 and 2015. A $1.5 million advance was drawn on the line and repaid in full during 2016. The line of credit expires, if not renewed, on June 1, 2017.

7. Long-Term Debt

The Foundation has issued $30 million in tax exempt revenue bonds through the Industrial Development Authority of Albemarle County, Virginia to finance the construction of the Foundation's visitor center. The bond was purchased by SunTrust in December 2011. Interest is due monthly at 75% of one month LIBOR plus 0.85% (1.10% at December 2016). The bonds mature in 2037; however the bondholder, in December 2018 and every seven years thereafter, may exercise an option to put the bonds to the Foundation.

The Foundation's bonds are not subject to any loan covenants other than submitting audited financial statements on an annual basis.

Long-term debt consists of the following at December 31, 2016:

Series 2011 bonds, balloon maturity in 2037	**$ 29,746,000**
Less: unamortized bond discount	**(59,450)**
Less: unamortized cost of issuance	**(66,718)**
Total long-term debt, net of discount and issuance costs	**$ 29,619,832**

Interest expense, including amortization of bond issuance costs, annuity interest, letter of credit fees, and net swap interest expense was $1,103,044 and $1,087,356 for the years ended December 31, 2016 and 2015, respectively. No interest was capitalized in the years ended December 31, 2016 and 2015.

8. Interest Rate Swap Agreements

The Foundation has executed swap agreements which effectively fix the interest rate on its outstanding bonds. Under these agreements, the Foundation pays a fixed rate to a counterparty, and in return, the counterparty pays the applicable variable rate. The Foundation's swap agreements consist of the following:

Effective Date	Notional Amount	Floating Rate	Termination Date	Fixed Rate	Fair Value – Asset (Liability) **December 31, 2016**
January 1, 2008	$ 10 million	67% USD LIBOR-BBA	January 1, 2028	3.3425%	**$ (1,800,086)**
February 1, 2008	$ 10 million	67% USD LIBOR-BBA	February 1, 2018	2.6900%	**(219,352)**
April 1, 2009	$ 5 million	67% USD LIBOR-BBA	April 1, 2029	2.8000%	**(383,391)**
April 6, 2009	$ 5 million	67% USD LIBOR-BBA	April 6, 2029	2.2500%	**(678,914)**
Net swap agreement liability					**$ (3,081,743)**

Effective Date	Notional Amount	Floating Rate	Termination Date	Fixed Rate	Fair Value – Asset (Liability) December 31, 2015
January 1, 2008	$ 10 million	67% USD LIBOR-BBA	January 1, 2028	3.3425%	$ (2,062,268)
February 1, 2008	$ 10 million	67% USD LIBOR-BBA	February 1, 2018	2.6900%	(413,241)
April 1, 2009	$ 5 million	67% USD LIBOR-BBA	April 1, 2029	2.8000%	(786,281)
April 6, 2009	$ 5 million	67% USD LIBOR-BBA	April 6, 2029	2.2500%	(467,546)
Net swap agreement liability					$ (3,729,336)

Net swap interest expense was $699,589 and $819,812 for the years ended December 31, 2016 and 2015, respectively, not including the change in fair value of the swap contract.

9. Employee Benefit Plan

Defined benefit retirement plan

The Foundation sponsors a noncontributory defined benefit pension plan ("Pension Plan") which was frozen effective December 31, 2006. Actuarial calculations as to years of service and compensation have been determined and frozen. All pension plan fund assets are held in trust by a qualified trustee bank. The Foundation expects to make contributions of $75,000 to the Pension Plan during year 2017.

The Foundation measures the fair value of the Plan assets and the benefit obligation as of the year-end. The Foundation recognizes the funded status of the defined benefit plan in the statement of financial position. Accordingly, the liability for pension benefits (accrued pension cost) as recognized in the statement of financial position represents the deficit of the fair value of the plan assets at year end under the actuarially determined projected benefit obligation.

The following table provides a reconciliation of the Plan's fair value of plan assets and the projected benefit obligations for the years ended December 31:

	2016	2015
Fair value of plan assets at beginning of year	**$ 8,295,480**	$ 8,821,383
Actual return on plan assets	**327,873**	(166,665)
Benefits paid	**(430,353)**	(434,238)
Employer contributions	**75,000**	75,000
Fair value of plan assets at end of year	**$ 8,268,000**	$ 8,295,480
Accumulated obligation at beginning of year	**$ 10,606,207**	$ 11,271,033
Interest cost	**478,400**	451,286
Actuarial gain	**258,789**	(681,874)
Benefits paid	**(430,353)**	(434,238)
Accumulated obligation at end of year	**$ 10,913,043**	$ 10,606,207

Pension plan amounts recognized in the statement of financial position are as follows for the years ended December 31:

	2016	2015
Fair value of plan assets	**$ 8,268,000**	$ 8,295,480
Accumulated benefit obligation	**(10,913,043)**	(10,606,207)
Funded status - liability	**$ (2,645,043)**	$ (2,310,727)

The following table provides the components of net periodic pension cost for the years ended December 31:

	2016	2015
Interest cost	$ 478,400	$ 451,286
Expected return on plan assets	(488,287)	(515,177)
Amortization of net actuarial loss	295,898	275,778
Net periodic pension cost	$ 286,011	$ 211,887

Total amounts recognized in unrestricted net assets but not yet included in net periodic benefit cost are attributable to a net actuarial loss of $123,305 as of December 31, 2016 and actuarial gain of $275,810 as of December 31, 2015.

Actuarial assumptions and valuations are revised annually with a measurement date of December 31. Significant assumptions used in determining net periodic pension costs and pension obligations of the Plan are shown in the table below:

As of December 31,	2016	2015
Discount rate for benefit obligation	4.29%	4.57%
Discount rate for net cost	4.57%	4.57%
Long-term rate of investment return	5.00%	6.00%

The Foundation expects to make benefit payments to retirees in future Plan years as follows:

Year ending December 31,	
2017	$ 529,000
2018	567,000
2019	581,000
2020	604,000
2021	618,000
2022-2026	3,378,000
	$ 6,277,000

The target asset allocation for pension investments is a range of 40%-80% equities and 20%-60% fixed income instruments plus cash up to the amount necessary to cover the current year's funding requirements. The actual assets and allocations by asset category are as follows as of December 31:

	2016		2015	
Cash and cash equivalents	**$ 2,248,486**	**27.1%**	$ 3,174,438	38.3%
Mutual funds	**420,776**	**5.1%**	-	0%
Preferred convertible securities	**164,450**	**2.0%**	-	0%
Bonds	**936,032**	**11.3%**	-	-
Corporate bonds	**890,790**	**10.8%**	770,023	9.3%
U.S. Treasury notes	-	-	492,393	5.9%
Total bonds	**1,826,822**		1,262,416	
Equities				
Energy	**502,228**	**6.1%**	177,300	2.1%
Finance	**283,327**	**3.4%**	567,158	6.8%
Health	**544,480**	**6.6%**	785,060	9.5%
Services and other	**1,559,383**	**18.9%**	1,635,755	19.7%
Technology	**718,048**	**8.7%**	693,353	8.4%
Total equities	**3,607,466**		3,858,626	
Total	**$ 8,268,000**	**100.0%**	$ 8,295,480	100.0%

These assets are considered Level 1 assets based on the fair value hierarchy since prices are quoted from an active market.

401(k) plan

The Foundation maintains a 401(k) plan which covers substantially all employees. Employees are eligible to participate on the first open enrollment date following one year of employment. The 401 (k) plan allows employees to voluntarily defer the maximum amount of compensation allowed by law and provides an employer matching contribution ranging from 3% to 6% of compensation.

Contributions by the Foundation to the 401(k) plan were approximately $509,653 and $494,000 in 2016 and 2015, respectively.

457(b) plan

On January 1, 2013, the Foundation introduced a nonqualified deferred compensation plan for certain employees. The 457(b) plan enables participants to defer a portion of their compensation. Total contributions to the 457(b) plan were $18,000 each for the years ended December 31, 2016 and 2015, respectively.

10. Unrestricted Net Assets

Unrestricted net assets are available to finance the general operations of the Foundation. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, and the purposes specified in its articles of incorporation. Voluntary resolutions by the Foundation's trustees to designate a portion of its unrestricted net assets for specified purposes do not result in restricted funds. Since designations are voluntary and may be reversed by the governing board at any time, designated net assets are included with unrestricted net assets. Board-designated net assets including board-designated endowment and board-designated reserves have been accumulating over time and total $120,530,475 and $121,107,309 as of December 31, 2016 and 2015, respectively.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	2016	2015
Acquisitions	**$ 1,745,469**	$ 1,761,118
Administration	**163,616**	173,938
Curatorial and restoration	**5,510,019**	5,925,054
Interpretation	**2,672,520**	2,909,104
Gardens and grounds	**266,293**	343,121
Independence Day events	**370,551**	380,266
Information technology	**628,797**	694,906
International Center for Jefferson Studies	**10,779,970**	11,410,150
Montalto	**8,063,831**	8,017,049
Mountaintop Project	**9,942,052**	17,744,509
Publications	**404,402**	435,566
Retail operations	**50,000**	50,000
Special events	**75,000**	-
Split-interest agreements	**174,667**	182,701
Thomas Jefferson Papers	**6,142,909**	6,494,988
Unrestricted endowment earnings	**2,937,372**	3,053,815
Visitor Center	**1,315,221**	1,555,441
Other	**43,007**	2,123,936
Time restrictions	**2,295,272**	2,786,452
Total temporarily restricted net assets	**$ 53,580,968**	$ 66,042,114

Assets were released from donor restrictions by the Foundation incurring expenses satisfying the restricted purposes, by the occurrence of other events specified by donors, or from the passage of time as follows at December 31:

	2016	2015
Purpose for which restrictions were accomplished		
Donor-specified program expenses of the Foundation	**$ 8,158,302**	$ 6,457,947
Mountaintop Project	**9,049,298**	3,226,155
Release of time restrictions and other	**840,229**	221,067
Total	**$ 18,047,829**	$ 9,905,169

12. Endowment Funds and UPMIFA

The Foundation holds institutional funds, principally endowment funds, subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). "Endowment" is a commonly used term to refer to the resources that have been restricted by the donor or designated by the Board that are invested to provide future revenue to support the Foundation's activities.

The Foundation's endowment consists of approximately 50 individual funds established for a variety of purposes and includes investments pooled for endowment as well as certain contributions receivable which are permanently restricted to endowment. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted UPMIFA as requiring the preservation of the original dollar amount of the gift of donor-restricted endowment funds absent explicit donor stipulations 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) any 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 UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment 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 of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Return Objectives and Risk Parameters

The Foundation's Board of Trustees has adopted investment and spending policies for endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. The objective of the investment policy is to support the growing operations of the Foundation and to preserve the purchasing power of the endowment's principal by attaining an average annual real return of at least 5% over the long term (running five-year periods) while maintaining an investment risk profile of a portfolio invested 75% in equities and 25% in bonds.

Strategies Employed for Achieving Objectives

To achieve its long-term investment objective, 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 a greater emphasis on equity-based investments to achieve its long-term return objective within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating 5% of the three year trailing average of market values of the endowment funds as of the preceding June 30. In establishing its spending policy, the Foundation considered its investment policy objective of attaining an average annual real return of 5.0%. Accordingly, over the long term, the spending policy will maintain the purchasing power of the endowment.

The Foundation's endowment funds consist of the following as of December 31, 2016:

	Board Designated Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	**$ -**	**$ 24,219,367**	**$ 45,737,371**	**$ 69,956,738**
Board-designated endowment funds	**116,134,698**	**-**	**-**	**116,134,698**
	$ 116,134,698	**$ 24,219,367**	**$ 45,737,371**	**$ 186,091,436**

The Foundation's endowment funds consist of the following as of December 31, 2015:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 26,531,588	$ 42,959,839	$ 69,491,427
Board-designated endowment funds	117,656,516	-	-	117,656,516
	$ 117,656,516	$ 26,531,588	$ 42,959,839	$ 187,147,943

Changes in endowment composition by net asset classification are as follows:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2014	$ 123,115,373	$ 28,177,591	$ 40,629,915	$ 191,922,879
Investment returns:				
Net realized/unrealized loss	(182,814)	(20,641)	-	(203,455)
Total loss	(182,814)	(20,641)	-	(203,455)
Contributions	-	-	2,329,924	2,329,924
Appropriation of endowment assets for expenditure	(3,952,342)	(2,949,063)	-	(6,901,405)
Transfer between board-designated and temporarily restricted endowment	(1,323,701)	1,323,701	-	-
Endowment net assets, December 31, 2015	117,656,516	26,531,588	42,959,839	187,147,943
Investment returns:				
Net realized/unrealized gain	**1,278,849**	**848,127**	**-**	**2,126,976**
Total gain	**1,278,849**	**848,127**	**-**	**2,126,976**
Contributions	**1,339,390**	**-**	**2,777,532**	**4,116,922**
Appropriation of endowment assets for expenditure	**(4,140,057)**	**(3,160,348)**	**-**	**(7,300,405)**
Endowment net assets, December 31, 2016	**$ 116,134,698**	**$ 24,219,367**	**$ 45,737,371**	**$ 186,091,436**

Permanently restricted net assets consist of the following at December 31:

	2016	2015
Acquisitions	**$ 882,618**	$ 882,618
Administration	**539,000**	529,317
Curatorial and restoration	**6,645,000**	6,645,000
Interpretation	**3,884,247**	3,905,564
Gardens and grounds	**2,086,098**	1,118,628
Independence Day events	**500,000**	500,000
Information technology	**1,000,000**	1,000,000
International Center for Jefferson Studies	**22,238,198**	20,146,444
Mountaintop project	**971,627**	1,308,961
Publications	**400,000**	400,000
Visitor Center	**4,795,205**	4,731,896
Other	**1,795,378**	1,791,411
Total permanently restricted net assets	**$ 45,737,371**	$ 42,959,839

Income earned on investments in the permanently restricted net assets class is reported in the accompanying statement of activities and change in net assets as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the nature of donor-imposed restrictions on such earnings. For all endowment funds with negative unrestricted net assets, all earnings are reflected as unrestricted net assets, until the net assets are replenished. At such time, such earnings from these funds will thereafter be reflected as temporarily restricted net assets.

13. Commitments and Contingencies

Lease commitments

The Foundation leases office equipment under the terms of non-cancelable operating leases that expire at various dates through March 2021. A lease for several buildings which house the distribution center for retail operations expired in December 2016 and is currently operating on a month-to month arrangement until the lease is extended. The Foundation is also responsible for certain operating expenses.

The following is a schedule by year of the future minimum lease payments required under these leases which have initial or remaining terms in excess of one year as of:

Years ending December 31,	Minimum Annual Lease Payments
2017	$ 26,746
2018	21,977
2019	21,369
2020	14,306
2021	904
	$ 85,302

Total gross rental and lease expense was approximately $227,000 and $219,000 for the years ended December 31, 2016 and 2015, respectively. Lease revenue was approximately $11,000 each for the years ended December 31, 2016 and 2015, respectively.

In 1998, the Foundation entered into a 35-year property lease with the University of Virginia Foundation for Kenwood, a 78-acre estate on land once owned by Thomas Jefferson. The minimum lease payment is $1 per year. The lease has a renewal option to extend the term of the lease for an additional term of five years on or before every anniversary date that is a multiple of five, provided that the maximum lease term, including renewals shall not exceed an aggregate term of 99 years. The Kenwood lease has been extended and is scheduled to expire on December 30, 2048.

In 2006, the Foundation entered into a 10-year property lease with University of Virginia Foundation on which the Foundation built a parking lot for the Saunders-Monticello Trail. The minimum lease payment is $1 per year. The Foundation paid the entire balance of $10 in November 2009. This lease expired on August 14, 2016. The Foundation is currently negotiating the terms of this lease.

In 2007, the Foundation entered into a 5-year property lease with Virginia Land Holdings, LLC for approximately 22,000 square feet of warehouse space in Ivy, Virginia for retail operations. The lease expired in December 2016. The Foundation is currently negotiating the terms of this lease.

Other Commitments

The Foundation has an agreement with Princeton University whereby Princeton assigned full responsibility to the Foundation for editing the chronological-series volumes of The Papers of Thomas Jefferson embracing the period from Jefferson's retirement from the Presidency in March 1809 until his death in 1826 (the retirement series). In assuming full responsibility for the retirement series, the Foundation also assumed full financial responsibility for the editorial preparation, which is estimated to require 23 volumes with one volume being produced annually at an estimated total cost of $22 million over 23 years. The Foundation has completed fourteen volumes, and volumes fifteen through sixteen were in process as of December 31, 2016.

14. Investments and Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Fair value is based on assumptions market participants would make in pricing the asset or liability. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

The Foundation reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met.

FASB ASC 820, *Fair Value Measurement* (ASC 820) defines fair value, requires disclosures about fair value measurements, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the use of observable inputs when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Investments

The following section describes the valuation techniques used by the Foundation:

In general, and where applicable, the Foundation uses quoted prices in active markets for identical assets to determine fair value. For purposes of reporting assets in the fair value hierarchy, the Foundation considers the following investments to be Level 1 assets given that the unadjusted quoted prices are available in active markets that are accessible at the measurement date for identical unrestricted assets: cash and cash equivalents, equities, bonds security, mutual funds, and real estate investment trust. If quoted prices in active markets for identical assets are not available to determine fair value, then the Foundation uses quoted prices for similar assets or inputs other than the quoted prices that are observable either directly or indirectly. These investments are included in Level 2. The balance of the Foundation's investments includes investment in hedge funds and private equity funds. These funds are held as units or interest in institutional funds or limited partnerships, which are stated at net asset value (NAV) or its equivalent. The Foundation uses the NAV as a practical expedient to estimate the fair value, unless is it probable that all or a portion of the investment will be sold for an amount different than NAV.

Fair value on a recurring basis

The table that follows summarizes the Foundation's financial assets and liabilities that are measured at fair value on a recurring basis within the fair value hierarchy at December 31, 2016.

Description	Assets Measured At Fair Value	Fair Value Hierarchy Level: Level 1	Level 2	Level 3	NAV
Bonds					
Corporate bonds	$ 1,475,198	$ 1,475,198	$ -	$ -	$ -
Total bonds	1,475,198	1,475,198	-	-	-
Equities					
Finance	4,754,665	4,754,665	-	-	-
Services and other	9,559,251	9,559,251	-	-	-
Health	3,675,572	3,675,572	-	-	-
Energy	2,026,833	2,026,833	-	-	-
Technology	4,328,394	4,328,394	-	-	-
Total equities	24,344,715	24,344,715	-	-	-
Mutual funds					
Equity	611,713	611,713	-	-	-
Fixed income	10,518,102	10,518,102	-	-	-
Total mutual funds	11,129,815	11,129,815	-	-	-
Real estate investment trust	828,710	828,710	-	-	-
Cash and cash equivalents	4,377,259	4,377,259	-	-	-
Total investments at fair value	**42,155,697**	**42,155,697**	-	-	-
Investments measured at net asset value*:					
Equity Long/Short Hedge Funds	105,856,812	-	-	-	105,856,812
Global Opportunity Hedge Funds	40,038,376	-	-	-	40,038,376
Multi-Strategy Hedge Funds	23,649,642	-	-	-	23,649,642
Private Equity Funds	728,707	-	-	-	728,707
Total investments measured at net asset value*	**170,273,537**	-	-	-	**170,273,537**
Total fair value investments	**$ 212,429,234**	**$ 42,155,697**	**$ -**	**$ -**	**$ 170,273,537**

* Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair

value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statement of financial position.

The table that follows summarizes the Foundation's financial assets and liabilities that are measured at fair value on a recurring basis within the fair value hierarchy at December 31, 2015.

	Assets Measured At Fair	Fair Value Hierarchy Level			
Description	Value	Level 1	Level 2	Level 3	NAV
Bonds					
Corporate bonds	$ 878,186	$ 878,186	$ -	$ -	$ -
Total bonds	878,186	878,186	-	-	-
Equities					
Finance	3,696,625	3,696,625	-	-	-
Services and other	7,293,377	7,293,377	-	-	-
Health	5,097,880	5,097,880	-	-	-
Energy	1,442,415	1,442,415	-	-	-
Technology	4,810,359	4,810,359	-	-	-
Total equities	22,340,656	22,340,656	-	-	-
Mutual funds					
Equity	59,367	59,367	-	-	-
Fixed income	15,233,645	15,233,645	-	-	-
Total mutual funds	15,293,012	15,293,012	-	-	-
Real estate investment trust	837,310	837,310	-	-	-
Cash and cash equivalents	5,191,135	5,191,135	-	-	-
Total investments at fair value	44,540,299	44,540,299	-	-	-
Investments measured at net asset value*:					
Equity Long/Short Hedge Funds	92,419,414	-	-	-	92,419,414
Global Opportunity Hedge Funds	39,737,488	-	-	-	39,737,488
Multi-Strategy Hedge Funds	23,070,444	-	-	-	23,070,444
Private Equity Funds	1,070,008	-	-	-	1,070,008
Total investments measured at net asset value*	156,297,354	-	-	-	156,297,354
Total fair value investments	$ 200,837,653	$ 44,540,299	$ -	$ -	$ 156,297,354

* Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statement of financial position.

Changes in fair value levels

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. The Foundation's management evaluates the significance of transfers between levels based upon the nature of the investment. For the years ended December 31, 2016 and 2015, there were no significant transfers in or out of Level 3.

The major categories of the Foundation's investments that are valued at net asset value or its equivalent or are measured at Level 3, including general information related to each category, are as follows at December 31, 2016:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity Long/Short Hedge Funds (a)	$105,856,812	$ -	Quarterly, Annually, and Rolling Lock-up	15-90 days
Global Opportunity Hedge Funds (b)	40,038,376	-	Quarterly and Rolling Lock-up	30-65 days
Multi-Strategy Hedge Funds (c)	23,649,642	-	Quarterly	60 days
Private Equity Funds (d)	728,707	1,668,009	N/A	N/A
	$170,273,537	$ 1,668,009		

(a) Equity long/short hedge funds invest in long equity positions that are expected to increase in value and short equity positions that are expected to decrease in value. The fair value of investments in this category has been estimated using the net asset value per share (or equivalent) practical expedient. Approximately 20 percent of the value of these investments is available for redemption on December 31, 2016 or in the near term and at the end of each calendar quarter thereafter. Approximately 65 percent of the value of these investments is available for redemption on an annual basis. One fund in this category has a rolling lock-up which expires on June 30, 2017.

(b) Global opportunity hedge funds invest in strategies to profit from systematic moves that may include changes in interest rates, currency movements, and stock market performance. The fair value of investments in this category has been estimated using the net asset value per share (or equivalent) practical expedient. Approximately 27 percent of the value of these investments is available for redemption on December 31, 2016 or in the near term and at the end of each calendar quarter thereafter. One fund in this category has a rolling lock-ups which expire on December 31, 2017.

(c) Multi-strategy hedge funds invest across different strategies to diversify risk and reduce volatility. The fair value of investments in this category has been estimated using the net asset value per share (or equivalent) practical expedient. The value of these investments are available for redemption on December 31, 2016 or in the near term and at the end of each calendar quarter thereafter. Strategies include relative value, event driven, and arbitrage. The funds include short positions as well as long positions and use leverage.

(d) Private equity funds consist of limited partnerships that are organized to make either direct or indirect investments in companies. The fair value of investments in this category has been estimated using the net asset value per share (or equivalent) practical expedient. Investments can never be redeemed with the fund. The nature of investments results in distributions through liquidation of underlying assets which are received over 5 to 8 years.

Fair Value on a recurring basis - liabilities

Financial liabilities measured at fair value on a recurring basis are summarized below:

	As of December 31, 2016			
	Liabilities Measured At Fair	Fair Value Hierarchy Level		
Description	Value	Level 1	Level 2	Level 3
Interest rate swap liabilities	$ 3,081,743	$ -	$ 3,081,743	$ -

	As of December 31, 2015			
	Liabilities Measured At Fair	Fair Value Hierarchy Level		
Description	Value	Level 1	Level 2	Level 3
Interest rate swap liabilities	$ 3,729,336	$ -	$ 3,729,336	$ -

Fair Value on a Nonrecurring Basis

The fair value of the Foundation's cash and cash equivalents, accounts receivable, prepaid and other assets, accounts payable and accrued expenses approximate their carrying amounts due to the short maturity of these instruments.

The fair value of the Foundation's contributions receivables and annuity and split-interest liability is estimated using a discounted cash flow analysis based on the current U.S. Treasury rate for the applicable term.

The fair value of the Foundation's bond payable is estimated using a discounted cash flow analysis based on the current rates to the Foundation for a bond payable of the same remaining maturities with similar collateral requirements and credit quality. The fair value is the estimated amount at which an instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following table presents the carrying values and the fair values of other significant financial assets and liabilities that qualify as financial instruments, determined in accordance with the authoritative guidance for fair value disclosures of financial instruments, at December 31:

	Level in Fair Value Hierarchy	**2016** Carrying Amount	**2016** Fair Value
Contributions receivable, net	2	**$ 6,323,627**	**$ 6,500,921**
Long-term debt	2	**29,619,832**	**29,679,282**
Annuity and split-interest liabilities	2	**739,693**	**1,041,879**

	Level in Fair Value Hierarchy	2015 Carrying Amount	2015 Fair Value
Contributions receivable, net	2	$ 11,617,824	$ 11,747,231
Long-term debt	2	29,613,677	29,676,027
Annuity and split-interest liabilities	2	756,353	1,119,619

15. Natural Expenses

Functional expenses are composed of the following natural expenses at December 31:

	2016	2015
Compensation and benefits	**$ 14,773,902**	$ 14,260,749
Other	**5,181,051**	4,133,704
Depreciation and amortization	**3,243,898**	3,643,259
Cost of sales	**3,792,620**	3,659,018
Professional fees and insurance	**2,882,067**	2,047,388
Supplies and maintenance	**1,983,372**	2,001,406
Interest	**1,103,044**	1,087,356
Postage, shipping and handling	**1,026,900**	965,529
Artwork, photography and printing	**753,166**	767,778
Utilities	**530,874**	549,204
Total expenses	**$ 35,270,894**	$ 33,115,391

16. Related Party Transactions

The Foundation invests in a fund managed by a member of the Board of Trustees. For years ending December 31, 2016 and 2015, this individual's fund received compensation of approximately $208,000 and $204,000, respectively, for managing investments of approximately $31.5 million and $29.2 million, respectively. These investments made up 14.8% of the Foundation's total investment portfolio and approximately 10.4% of the Foundation's total assets at December 31, 2016. These investments made up 14.5% of the Foundation's total investment portfolio and approximately 9.5% of the Foundation's total assets at December 31, 2015. All of the investment assets of the defined benefit pension plan are also managed by the investment fund operated by this member of the Board of

Trustees, for which the fund received compensation of approximately $58,000 and $60,000 during 2016 and 2015, respectively.

17. Concentrations

Pledges from a two donors represented approximately 46% of net contributions receivable at December 31, 2016. Pledges from a single donor represented approximately 42% of net contributions receivable at December 31, 2015.

18. Subsequent Events

Management has evaluated subsequent events through May 5, 2017 the date the financial statements were available to be issued. There were no events noted that required adjustment to or disclosure in the financial statements.