ANDREW JACKSON FOUNDATION

FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2018 and 2017

ANDREW JACKSON FOUNDATION

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MULLINS CLEMMONS & MAYES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Andrew Jackson Foundation:

Report on the Financial Statements

We have audited the accompanying financial statements of Andrew Jackson Foundation (a Tennessee nonprofit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Andrew Jackson Foundation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by the State of Tennessee Audit Manual issued by the Comptroller of the State of Tennessee, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2018, on our consideration of Andrew Jackson Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Andrew Jackson Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Andrew Jackson Foundation's internal control over financial reporting and compliance.

Mullins Clemmons & Mayes, PLLC

Brentwood, Tennessee
October 24, 2018

ANDREW JACKSON FOUNDATION

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 291,429	$ 272,469
Accounts receivable	43,958	46,487
Grants receivable	429,965	28,429
Promises to give	578,000	81,000
Inventories	218,185	208,125
Prepaid expenses	12,604	50,070
Total current assets	1,574,141	686,580
LONG-TERM ASSETS:		
Collections, property and equipment, net	6,692,926	6,993,105
Construction-in-progress	683,107	12,429
Long-term investments	526,066	495,676
Long-term promises to give	19,000	63,000
Beneficial interest in charitable remainder trust	106,457	126,166
Total long-term assets	8,027,556	7,690,376
TOTAL ASSETS	$ 9,601,697	$ 8,376,956
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and other accrued liabilities	$ 311,960	$ 192,809
Employees' compensation payable	187,521	164,274
Unrelated business income tax payable	5,743	2,887
Total current liabilities	505,224	359,970
NET ASSETS:		
Unrestricted:		
Undesignated	791,522	664,866
Board designated	7,415,227	7,010,624
Total unrestricted	8,206,749	7,675,490
Temporarily restricted	774,697	251,469
Permanently restricted	115,027	90,027
Total net assets	9,096,473	8,016,986
TOTAL LIABILITIES AND NET ASSETS	$ 9,601,697	$ 8,376,956

The accompanying notes are an integral part of the financial statements.

ANDREW JACKSON FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Admissions	$ 3,352,834	$ -	$ -	$ 3,352,834
Museum store	844,396	-	-	844,396
Contributions	930,706	594,755	25,000	1,550,461
Café and concession sales	17,435	-	-	17,435
Government grants	968,716	-	-	968,716
Programs	185,861	-	-	185,861
Miscellaneous income	75,935	-	-	75,935
After-hours events	191,398	-	-	191,398
Vending	13,321	-	-	13,321
Memberships	23,770	-	-	23,770
Change in value of charitable remainder trust	-	(19,709)	-	(19,709)
Net investment return	36,741	-	-	36,741
Total	6,641,113	575,046	25,000	7,241,159
Net assets released from restrictions	51,818	(51,818)	-	-
Total revenues, gains and other support	6,692,931	523,228	25,000	7,241,159
EXPENSES:				
Program services	4,847,274	-	-	4,847,274
Fundraising	689,010	-	-	689,010
Management and general	625,388	-	-	625,388
Total expenses	6,161,672	-	-	6,161,672
CHANGES IN NET ASSETS	531,259	523,228	25,000	1,079,487
NET ASSETS:				
Beginning of year	7,675,490	251,469	90,027	8,016,986
End of year	$ 8,206,749	$ 774,697	$ 115,027	$ 9,096,473

The accompanying notes are an integral part of the financial statements.

ANDREW JACKSON FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Admissions	$ 3,157,714	$ -	$ -	$ 3,157,714
Museum store	782,803	-	-	782,803
Contributions	769,550	750,667	25,000	1,545,217
Café and concession sales	11,144	-	-	11,144
Government grants	220,128	-	-	220,128
Programs	165,484	-	-	165,484
Miscellaneous	75,714	-	-	75,714
After-hours events	218,849	-	-	218,849
Vending	15,077	-	-	15,077
Memberships	21,344	-	-	21,344
Change in value of charitable remainder trust	-	(15,059)	-	(15,059)
Net investment return	49,652	-	-	49,652
Total	5,487,459	735,608	25,000	6,248,067
Net assets released from restrictions	726,379	(726,379)	-	-
Total revenues, gains and other support	6,213,838	9,229	25,000	6,248,067
EXPENSES:				
Program services	4,398,503	-	-	4,398,503
Fundraising	921,170	-	-	921,170
Management and general	566,719	-	-	566,719
Total expenses	5,886,392	-	-	5,886,392
CHANGES IN NET ASSETS	327,446	9,229	25,000	361,675
NET ASSETS:				
Beginning of year	7,348,044	242,240	65,027	7,655,311
End of year	$ 7,675,490	$ 251,469	$ 90,027	$ 8,016,986

The accompanying notes are an integral part of the financial statements.

ANDREW JACKSON FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 1,079,487	$ 361,675
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	582,857	534,147
Net unrealized and realized gains on investments	(21,740)	(33,026)
Grant receipts for restoration and renovation projects	(771,406)	(77,950)
Net changes in other operating assets and liabilities:		
Accounts receivable, grants receivable and promises to give	(852,007)	(43,606)
Inventories	(10,060)	6,730
Prepaid expenses	37,466	(6,488)
Beneficial interest in charitable remainder trust	19,709	15,059
Accounts payable and accrued liabilities	145,254	10,415
Net cash provided by operating activities	209,560	766,956
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of collections, property and equipment	(282,678)	(146,701)
Construction-in-progress purchases	(670,678)	(681,079)
Purchases of investments	(43,186)	(6,358)
Proceeds from sales of investments	34,536	31,882
Net cash used in investing activities	(962,006)	(802,256)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net line of credit payments	-	(100,000)
Grant receipts for restoration and renovation projects	771,406	77,950
Net cash provided by (used in) financing activities	771,406	(22,050)
NET CHANGE IN CASH AND CASH EQUIVALENTS	18,960	(57,350)
CASH AND CASH EQUIVALENTS, BEGINNING	272,469	329,819
CASH AND CASH EQUIVALENTS, ENDING	$ 291,429	$ 272,469
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Unrelated business income taxes paid during the year	$ 2,411	$ 4,947

The accompanying notes are an integral part of the financial statements.

ANDREW JACKSON FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Fundraising	Management and General	Total Expenses
Museum store	$ 535,862	$ -	$ 94,564	$ 630,426
Guided tours	947,535	-	-	947,535
Buildings and maintenance	305,914	-	33,990	339,904
Administration	145,720	4,782	246,140	396,642
Gardens and grounds	286,866	-	15,098	301,964
Security	358,642	-	39,849	398,491
Development	-	620,054	-	620,054
Executive Director's office	145,863	58,345	87,518	291,726
Marketing and public relations	421,606	-	8,604	430,210
Rentals	214,635	-	23,849	238,484
Education and other programs	278,581	-	238	278,819
Collections	237,626	-	-	237,626
Site operations	389,170	-	43,241	432,411
Tulip Grove	25,540	-	-	25,540
Investment expense	-	-	3,716	3,716
Total expenses before depreciation and unrelated business income tax	4,293,560	683,181	596,807	5,573,548
Depreciation	553,714	5,829	23,314	582,857
Unrelated business income tax	-	-	5,267	5,267
Total expenses	$ 4,847,274	$ 689,010	$ 625,388	$ 6,161,672

The accompanying notes are an integral part of the financial statements.

ANDREW JACKSON FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Fundraising	Management and General	Total Expenses
Museum store	$ 500,998	$ -	$ 88,411	$ 589,409
Guided tours	813,037	-	-	813,037
Buildings and maintenance	307,562	-	34,174	341,736
Administration	154,904	4,922	236,005	395,831
Gardens and grounds	255,384	-	13,441	268,825
Security	311,910	-	34,657	346,567
Development	-	817,633	-	817,633
Executive Director's office	155,457	93,274	62,183	310,914
Marketing and public relations	402,723	-	8,219	410,942
Rentals	227,326	-	25,258	252,584
Education and other programs	292,434	-	259	292,693
Collections	200,738	-	-	200,738
Site operations	273,588	-	30,399	303,987
Tulip Grove	(4,998)	-	-	(4,998)
Investment expense	-	-	4,513	4,513
Total expenses before depreciation and unrelated business income tax	3,891,063	915,829	537,519	5,344,411
Depreciation	507,440	5,341	21,366	534,147
Unrelated business income tax	-	-	7,834	7,834
Total expenses	$ 4,398,503	$ 921,170	$ 566,719	$ 5,886,392

The accompanying notes are an integral part of the financial statements.

NOTE 1 – THE ENTITY

Andrew Jackson Foundation (the "Foundation"), a Tennessee nonprofit corporation, was incorporated in February 1889, for the purpose of preserving the historical and cultural materials and exhibits related to the life and times of President Andrew Jackson. At such time, the State of Tennessee conveyed the "Hermitage", the historic property consisting of the land, residence, and tomb of President Jackson, in trust to a Board of Trustees to permit and encourage the Foundation to improve and beautify the property. In 1964, the Foundation entered into an agreement with family descendants to operate neighboring "Tulip Grove", home of President Jackson's nephew, in a manner similar to the Hermitage. During 1990, pursuant to an agreement reached with the State of Tennessee, the Foundation was deemed successor in interest to the Board of Trustees and assumed all such rights, responsibilities, and liabilities. The historic properties were transferred to the Foundation, in trust for the people of the State of Tennessee, subject to the following restrictions:

a. Prohibition of the mortgage, sale, or other transfer of the property
b. Maintenance and availability for audit of records and financial accounts in conformity with generally accepted accounting principles
c. Submission of plans for construction, alteration, or modification of the properties to the State Architect
d. Compliance with State laws and regulations attributable to funds appropriated by the State
e. Approval by the State of changes in the Foundation's by-laws or purchasing procedures
f. Compliance with certain specified financial reporting requirements.

The historic properties may revert to the State of Tennessee, without compensation, only if the Foundation fails, neglects, or refuses to preserve and beautify the historic properties or fails to comply with the above-mentioned requirements. At June 30, 2018, there was no indication of any factors that would cause the historic properties to revert to the State of Tennessee.

Major sources of revenues are admission fees, charitable contributions, and the sale of items related to the Hermitage. Since the Foundation's operations depend upon the tourist trade, they are subject to seasonal fluctuations and other conditions common to this industry.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Periods

All references to 2018 and 2017 in these financial statements refer to the years ended June 30, 2018 and 2017 unless otherwise noted.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets as follow s:

- **Unrestricted** - This class includes net assets that are not subject to any donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

- **Temporarily Restricted** – This class includes net assets whose use by the Foundation is subject to donor-imposed restrictions that can be fulfilled by actions of the Foundation pursuant to those restrictions or that expire by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Additionally, any temporarily restricted contributions whose restrictions are met in the same reporting year are shown as unrestricted revenues.

- **Permanently Restricted** – This class includes net assets subject to donor-imposed restrictions that require the assets to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

See Note 13 for further details related to net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The Foundation may, at times, maintain bank accounts whose balances exceed federally insured limits. However, the Foundation has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts. Accounts receivable are written off when all collection efforts have ceased. The Foundation uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific accounts receivable. At June 30, 2018 and 2017, management deemed all accounts receivable to be fully collectible, and no allowances were recorded.

Inventories

Inventories are stated at the lower of average cost or net realizable value. See Note 3 for further details related to inventories.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains and losses, whether realized or unrealized, are included in the statements of activities and changes in net assets.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

See Notes 5 and 10 for further details related to investments.

Contributions and Promises to Give

Contributions are recognized as revenues when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions 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. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2018 and 2017, management deemed all promises to give to be fully collectible, and no allowances were recorded.

Historic Site, Collections, Property and Equipment

Values attributable to historic sites (transferred to the Foundation by the State of Tennessee) are not recognized in the financial statements since the values to such historical treasures are not generally measurable in monetary terms. Restoration, collections, property and equipment are stated at cost, less accumulated depreciation. Contributions of collections, property and equipment are reported at the fair value. Depreciation expense (for assets other than land and collections) is computed by using the straight-line method over the estimated useful lives of the related assets, which range from three to forty years.

See Note 6 for further details related to collections, property and equipment.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants

The Foundation receives grant revenue from government agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

Donated Materials and Services

Donated services are recognized, at fair value, if they create or enhance nonfinancial assets or require specialized skills and would be purchased by the Foundation if not contributed. The Foundation received a substantial amount of donated services from unpaid volunteers which did not meet the criteria for recognition.

Donated assets and rights or benefits (e.g. leases, etc.) are recognized at fair value on the date contributed. During 2018, the Foundation recognized $12,359 representing the discount for a purchased vehicle. There were no such donated assets in 2017.

The value of recorded donated services totaled $40,834 for 2017. There were no donated services in 2018. These amounts are reported as contributions and offsetting expenses in the statements of activities and changes in net assets.

Income Taxes

The Foundation is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, ("the Code") and is not classified as a private foundation. As such, only unrelated business income, as defined by Sections 512(a)(1) of the Code, is subject to federal income tax. The Foundation's primary source of unrelated business income is a portion of the museum store's activity. The Foundation's expense for federal income tax on unrelated business activities totaled $5,267 and $7,834 for 2018 and 2017, respectively.

The Foundation files an annual information return (Form 990) and an Exempt Organization Business Income Tax Return (Form 990-T) with the U.S. government. At June 30, 2018, the Foundation is no longer subject to U.S. tax examinations of these returns by tax authorities for years before June 30, 2015. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Functional Allocation of Expenses

Expenses, which are directly related to a function, are charged to that function. Expenses that are related to more than one function are allocated to the applicable functions based upon various allocation methods in order to reflect the total cost of each function.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are expensed when incurred. Advertising expense totaled $241,044 and $211,799 for the years ended June 30, 2018 and 2017, respectively.

Shipping and Handling Costs

Shipping handling costs are expensed when incurred. Any shipping and handling costs billed to customers are included in museum store revenues.

Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (the "ASU"), which affects all nonprofit organizations. The ASU significantly changes how not-for-profit organizations present net assets on the face of the financial statements, as well as requiring additional disclosures for expenses by nature and function and for the liquidity and availability of resources. The ASU is effective for annual financial statements for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. Andrew Jackson Foundation expects to adopt the provisions of the ASU in the financial statements for the fiscal year ending June 30, 2019. Management is currently assessing the impact that the adoption of the ASU will have on the financial statements.

Estimates

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

Events Occurring After the Reporting Date

The Foundation has evaluated events and transactions that occurred between June 30, 2018 and October 24, 2018, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements for consistency with the presentation for 2018. These reclassifications did not have a significant impact on the previously reported financial position, changes in net assets, and cash flows of the Foundation.

NOTE 3 – INVENTORIES

Inventories consisted of the following at June 30, 2018 and 2017:

	2018	2017
Museum store	$ 243,185	$ 233,125
Reserve for potential markdowns	(25,000)	(25,000)
Net inventories	$ 218,185	$ 208,125

The Foundation has established a general reserve in the amount of $25,000 at June 30, 2018 and 2017 for potential future markdowns on slow-moving items. Management believes that these markdowns and reserves reduce inventories to lower of cost or net realizable value, and no additional losses will be incurred upon disposition.

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30, 2018 and 2017:

	2018	2017
Unrestricted promises to give	$ 61,000	$ 88,500
Temporarily restricted promises to give	536,000	55,500
Gross promises to give	597,000	144,000
Promises receivable due less than one year	(578,000)	(81,000)
Promises receivable due within one to five years	$ 19,000	$ 63,000

NOTE 5 – LONG-TERM INVESTMENTS

The fair values of investments consisted of the following at June 30, 2018 and 2017:

	2018	2017
Corporate debt securities	$ 90,211	$ 113,806
Registered investment companies	212,443	175,653
Equity securities - common stocks	168,390	167,540
Alternative investments	55,022	38,677
Total investments	$ 526,066	$ 495,676

NOTE 5 – LONG-TERM INVESTMENTS (CONTINUED)

The net investment return consisted of the following for 2018 and 2017:

	2018	2017
Interest and dividend income	$ 15,001	$ 16,626
Net realized and unrealized gains	21,740	33,026
Total investment return	$ 36,741	$ 49,652

The Foundation has established certain investment allocation guidelines for the Foundation's investment portfolio. The investment allocations at June 30, 2018 were as follows:

	Board Approved %	Actual %	Fair Values
Equity securities	45% - 65%	63.8%	$ 380,833
Fixed income securities	35% - 55%	15.1%	90,211
Alternative investments	0%	9.2%	55,022
Total investments			$ 526,066
Cash reserves	0% - 5%	11.8%	$ 70,592

The Foundation's investments are classified as long-term assets based on management's intent. See Note 10 for further details related to the fair value measurements.

NOTE 6 – COLLECTIONS, PROPERTY AND EQUIPMENT

Collections, property and equipment consisted of the following at June 30, 2018 and 2017:

	2018	2017
Depreciable assets:		
Museum properties	$ 6,895,496	$ 6,895,496
Residences	651,583	651,583
Other buildings	3,998,257	3,932,340
Equipment	1,369,574	1,239,385
Access road project	83,952	83,952
Other improvements	419,985	412,535
Total cost	13,418,847	13,215,291
Accumulated depreciation	(8,491,235)	(7,932,422)
Subtotal	4,927,612	5,282,869
Nondepreciable assets:		
Land	788,467	788,467
Collections acquired since June 1994	976,847	921,769
Net book value	$ 6,692,926	$ 6,993,105

NOTE 7 – CONSTRUCTION-IN-PROGRESS

Construction-in-progress at June 30, 2018 and 2017 consisted of costs related to the restoration of the Hermitage Mansion and other historic buildings on the property.

NOTE 8 – LEASES

Andrew Jackson Foundation has a lease agreement with an unrelated party to lease a copier. The agreement expires in 2020. Rent expense totaled $6,792 for 2018 and 2017.

Future minimum lease payments under the terms of this operating lease as of June 30, 2018 are as follows:

Year ending June 30,	Future Payments
2019	$ 6,792
2020	566
Total	$ 7,358

NOTE 9 – CHARITABLE REMAINDER TRUST

The Foundation has been named a remainder beneficiary of a charitable remainder trust. Two income beneficiaries are to receive, first from income and, to the extent that income is insufficient, from principal, a total annuity each year equal to a percentage of the net fair market value of the trust assets. Upon the death of both beneficiaries, thirty-three percent of the remaining principal is to be distributed to the Foundation.

A long-term asset for the beneficial in interest in the charitable remainder trust has been recognized in the statements of financial position. The recorded amounts of $106,457 and $126,166 represents the Foundation's share of the fair value of the trust principal at June 30, 2018 and 2017, respectively. Changes in the fair value of the Foundation's beneficial interest have been included in the change in temporarily restricted net assets in the statements of activities and changes in net assets. See Note 10 for further details related to the fair value measurements.

NOTE 10 – FAIR VALUE MEASUREMENTS

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. Level 2 inputs are inputs from quoted market prices in active markets for similar assets and liabilities, which are observable for the asset or liability, either directly or indirectly. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

NOTE 10 – FAIR VALUE MEASUREMENTS (CONTINUED)

When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

The fair values of assets measured on a recurring basis at June 30, 2018 and 2017 were as follows:

		Fair Value Measurements at Reporting Date Using	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
At June 30, 2018:			
Corporate debt securities	$ 90,211	$ 90,211	$ -
Registered investment companies	212,443	212,443	-
Equity securities - common stocks	168,390	168,390	-
Alternative investments	55,022	55,022	-
Beneficial interest in charitable remainder trust	106,457	-	106,457
Total	$ 632,523	$ 526,066	$ 106,457
At June 30, 2017:			
Corporate debt securities	$ 113,806	$ 113,806	$ -
Registered investment companies	175,653	175,653	-
Equity securities - common stocks	167,540	167,540	-
Alternative investments	38,677	38,677	-
Beneficial interest in charitable remainder trust	126,166	-	126,166
Total	$ 621,842	$ 495,676	$ 126,166

Level 1 Fair Value Measurements

The fair values of the corporate debt securities, registered investment companies, equity securities and alternative investments are based on quoted prices in active markets for identical assets.

Level 3 Fair Value Measurements

The fair value of the beneficial interest in charitable remainder trust is estimated as the present value of the expected future cash inflows discounted at the average one-year Treasury bill rate, which was approximately 2.25% and 1.21% for 2018 and 2017, respectively.

NOTE 10 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table provides further details of the Level 3 fair value measurements for the beneficial interest in charitable remainder trust for the years ended June 30, 2018 and 2017:

	2018	2017
Balance at beginning of year	$ 126,166	$ 141,225
Change in value of beneficial interest in charitable remainder trust	(19,709)	(15,059)
Balance at end of year	$ 106,457	$ 126,166

NOTE 11 – LINE OF CREDIT

The Foundation has a revolving line of credit agreement ("agreement") with a financial institution. The agreement matures on December 13, 2018. Maximum borrowings available under the agreement are $400,000. There were no outstanding line of credit advances at June 30, 2018 and 2017.

Interest is payable monthly at an annual interest rate equal to the index rate as established by the lender plus 0.5%, or 5.5% at June 30, 2018 (4.25% at June 30, 2017). Borrowings under the agreement are collateralized by substantially all of the Foundation's assets except real estate, including historic properties.

NOTE 12 – PROFIT SHARING PLAN

The Foundation maintains a qualified profit sharing plan with a 401(k) deferred compensation provision. All employees are eligible to participate in the Foundation's profit sharing plan and 401(k) plan as long as they have completed one year of service and have attained age 21.

The Foundation makes a discretionary matching contribution equal to a percentage of the amount of the salary reduction deferred by each eligible employee. The amount deferred by the employee may not exceed 15% or the maximum annual amount allowed by law. Expenses related to this plan amounted to $64,622 and $57,063 for 2018 and 2017, respectively.

NOTE 13 – NET ASSETS

Unrestricted net assets include amounts designated by the Board. Board designated net assets consisted of the following at June 30, 2018 and 2017:

	2018	2017
Historic properties in trust for State of Tennessee	$ 7,343,815	$ 6,988,624
Bequest for future needs	26,912	22,000
Endowment	44,500	-
Total board designated net assets	$ 7,415,227	$ 7,010,624

NOTE 13 – NET ASSETS (CONTINUED)

Temporarily restricted net assets consisted of the following at June 30, 2018 and 2017:

	2018	2017
Beneficial interest in charitable remainder trust	$ 106,457	$ 126,166
Capital campaign	520,000	20,000
Orientation film and theatre	36,300	36,300
Site plan	35,000	-
Rachel's Garden	14,793	14,418
Rachel's Garden brick fund	19,542	2,600
Special event sponsorships	16,372	17,581
Property restoration	16,217	24,388
Building improvements	6,500	6,500
Other temporarily restricted net assets, individually $1,000 or less	3,516	3,516
Total temporarily restricted net assets	$ 774,697	$ 251,469

During 2018 and 2017, temporarily restricted net assets of $51,818 and $726,379, respectively, were released from donor restrictions by either incurring expenses satisfying the restrictions or by the passage of time restrictions.

The State of Tennessee has passed the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Foundation has interpreted the UPMIFA 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 restrictions to the contrary. The Foundation classifies as permanently restricted net assets the sum of (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. At the current time, none of the endowment funds have donor-imposed instructions that specify accumulations, as noted in item (c) of the preceding sentence.

The remaining portion of the donor-restricted endowment funds that are not classified in permanently restricted net assets are 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. There were no temporarily restricted assets related to the donor-restricted endowment funds at June 30, 2018 and 2017.

NOTE 13 – NET ASSETS (CONTINUED)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor -restricted endowment funds:

(1) General economic conditions;
(2) The possible effect of inflation and deflation;
(3) The expected tax consequences, if any, of investment decisions or strategies;
(4) The role that each investment or course of action plays within the overall investment portfolio;
(5) The expected total return from income and appreciation of investments;
(6) Other resources of the Foundation;
(7) The needs of the Foundation and the endowment funds to make distributions and to preserve capital; and
(8) An asset's special relationship or special value, if any, to the charitable purposes of the Foundation.

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 endowments while seeking to maintain the purchasing power of the 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 any entity-designated funds.

To satisfy its long-term return objectives, the Foundation relies on a total return strategy in which the investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The endowment assets are commingled with non-endowment assets in the Foundation's long-term investments. See Note 5 for further details related to investments.

Following is a schedule of the components of the endowment funds at June 30, 2018 and 2017:

	Unrestricted	Permanently Restricted	Total
As of June 30, 2018:			
Donor-restricted general endowment	$ -	$ 70,027	$ 70,027
Donor-restricted Tulip Grove endowment	-	45,000	45,000
Board-designated general endowment	44,500	-	44,500
Total	$ 44,500	$ 115,027	$ 159,527

NOTE 13 – NET ASSETS (CONTINUED)

	Unrestricted	Permanently Restricted	Total
As of June 30, 2017:			
Donor-restricted general endowment	$ -	$ 45,027	$ 45,027
Donor-restricted Tulip Grove endowment	-	45,000	45,000
Total	$ -	$ 90,027	$ 90,027

Following is a schedule of the activity of the endowment funds for the years ended June 30, 2018 and 2017:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, June 30, 2016	$ -	$ 65,027	$ 65,027
Contributions	-	25,000	25,000
Endowment net assets, June 30, 2017	-	90,027	90,027
Contributions	44,500	25,000	69,500
Endowment net assets, June 30, 2018	$ 44,500	$ 115,027	$ 159,527

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Grant expenditures are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements to the grantors would not be significant. Accordingly, no provision has been made for potential reimbursements.

The Foundation leases four houses to individuals under arrangements requiring monthly payments to the Foundation between $250 and $300 on a month-to-month basis.

The Foundation provides part of its land to the Rotary Club of Donelson ("Club") for use as a youth baseball park, generally at no cost to the Club. However, the Club assesses a $5 fee per athlete payable to the Foundation. The agreement expires December 31, 2020.

The Foundation has entered into a lease agreement with an outside party to cultivate the land through December 31, 2018. Income earned related to this lease was $31,000 each for the years ended June 30, 2018 and 2017, respectively.

NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Foundation has a contract extending to December 31, 2018 with an organization to provide horse-drawn wagon tours. Under this contract, the Foundation will receive 30% of the gross revenue from ticket and special event sales. Revenue recognized under the contract totaled $42,694 and $38,957 for the years ended June 30, 2018 and 2017, respectively.

The Foundation has a contract with an organization to provide food services onsite. Under this contract, the Foundation will receive 33% of net food service revenues collected. The contract expired in May 2017 and may be renewed for successive two year periods unless terminated by either party. The first renewal option was exercised. Revenue recognized under the contract totaled $11,971 and $7,729 for the years ended June 30, 2018 and 2017, respectively.

In 1964, the Foundation was granted a warranty deed to the Tulip Grove property. The terms of the warranty deed require the Foundation to make annual payments based on one-third of the annual admission income from visitors to the Tulip Grove with a minimum payment of $1,200 annually for a period of ninety-nine years. Title to the property reverts to the grantor if the Foundation fails to make such payments. During 2007, the Foundation was named as the defendant in a lawsuit claiming that the Tulip Grove property should revert to the grantor. The lawsuit asserted that the Foundation had not made proper payments. On October 19, 2012, the Court of Appeals issued its ruling, affirming the Chancery Court's ruling that the decision of the Foundation to no longer make Tulip Grove House available to public general admission tours in 2001 was not a breach of the warranty deed, and therefore, the property should not revert to the grantor. Additionally, the appellate court ruled that the rentals from special events held at Tulip Grove House were to be considered part of "gate receipts" for purposes of calculating the amount due under the warranty deed. Based on its reading of the appellate court's decision, the Foundation made payments to the plaintiffs based on net revenues. Subsequently, the Court of Appeals ruled that the heirs were entitled to payments based on gross revenues. An agreement was reached that the amount owed was $37,314 through June 20, 2016. Of this amount, $21,470 had been previously deposited with the Court Clerk. The remaining amount was paid with the finalization of the lawsuit. During 2017, the Foundation agreed to pay $105,000 to extinguish one of the heirs' claims for future payments under the warranty deed, and an Agreed Order dismissing the lawsuit has been signed by the Chancellor. This settlement does not affect the ongoing contractual obligation to the remaining heir.

In October 2002, the Foundation entered into a contract with the State of Tennessee to lease approximately 457 acres adjacent to the Hermitage property. Under the agreement, the Foundation will have the use of the land at no cost. The contract extends through October 2032.

ADDITIONAL INFORMATION

ANDREW JACKSON FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor	Program Name	CFDA Number	Grant/Contract Number	Passed Through to Subrecipients	Expenditures
Federal Awards					
Pass-through Funding:					
Institute of Museum and Library Services	Museums for America Grant	45.301	MA-10-16-0382-16	$ -	$ 62,310
State Financial Assistance					
Tennessee Department of General Services		N/A	529/000-03-2013	-	586,339
Tennessee Department of General Services		N/A	460/000-05-2017	-	185,067
Total State Financial Assistance				-	771,406
Total Federal Awards and State Financial Assistance				$ -	833,716
Memo Item - Local Government Financial Assistance					135,000
Total Government Grants Reported in the Statement of Activities					$ 968,716

Note - Basis of Presentation: The above Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of Andrew Jackson Foundation under programs of the federal and state governments for the year ended June 30, 2018. The schedule is presented using the accrual basis of accounting.

MULLINS CLEMMONS & MAYES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Andrew Jackson Foundation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Andrew Jackson Foundation (a Tennessee nonprofit corporation), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Andrew Jackson Foundation's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Andrew Jackson Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Andrew Jackson Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Andrew Jackson Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing* Standards in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mullins Clemmons & Mayes, PLLC

Brentwood, Tennessee
October 24, 2018