

BELMONT MANSION ASSOCIATION

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

AUGUST 31, 2021

**BELMONT MANSION ASSOCIATION
FINANCIAL STATEMENTS
AUGUST 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Belmont Mansion Association

We have audited the accompanying statement of financial position of Belmont Mansion Association (the "Organization") as of August 31, 2021, and the related statement of activities, cash flows and functional expenses for the year 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 of 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.

Basis for Qualified Opinion

The Organization's accounting records did not permit us to extend our auditing procedures to obtain sufficient, appropriate evidence about inventory costs, stated at \$41,013 in the accompanying statement of financial position.

Basis for Qualified Opinion-continued

In addition, as more fully described in Note 4 to the financial statements, the Organization's financial statements do not include the accounts of the Belmont Mansion Foundation (the "Foundation") in which the Organization has economic interest and control. In our opinion, the Organization's financial statements should include the accounts of the Foundation to conform with accounting principles generally accepted in the United States of America. Quantification of the effects of this departure from generally accepted accounting principles on the financial statements of the Organization is not practicable.

Qualified Opinion

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had we been able to sufficiently test inventory, and the effects of not including the accounts of the Foundation as described in the Basis of Qualified Opinion paragraphs, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Belmont Mansion Association as of August 31, 2021, and the changes in its net assets and its cash flows for the year ended August 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, reading "Thomas Francis Resoules". The signature is written in a cursive, flowing style.

June 18, 2022

**BELMONT MANSION ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2021**

ASSETS

Cash and cash equivalents	\$ 395,080
Accounts receivable	3,362
Inventory	41,013
Collections (Notes 1 and 3)	-
Total assets	<u>\$ 439,455</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 6,523
Accrued liabilities	<u>38,041</u>
Total current liabilities	44,564

Net Assets

With donor restrictions	37,165
Without donor restrictions	<u>357,726</u>
Total net assets	<u>394,891</u>
Total liabilities and net assets	<u><u>\$ 439,455</u></u>

The accompanying notes are an integral part of these financial statements

**BELMONT MANSION ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Public Support:			
Contributions	\$ 81,320	\$ 8,180	\$ 89,500
Government grant revenue	47,812	-	47,812
Membership dues	10,958	-	10,958
Special event revenue:			
Revenue	21,650	-	21,650
Less direct costs	(5,586)	-	(5,586)
Net revenue from special events	16,064	-	16,064
Total public support	156,154	8,180	164,334
Revenue:			
Admissions	214,718	-	214,718
Rentals event income	104,402	-	104,402
Gift shop sales	67,200	-	67,200
Less: cost of sales	(31,716)	-	(31,716)
Net gift shop sales	35,484	-	35,484
Sale of collection items (Note 3)	300	-	300
Gain on forgiveness of loan	37,142	-	37,142
Miscellaneous income	1,624	-	1,624
Investment income, net	463	-	463
Total revenue	394,133	-	394,133
Total public support and revenue	550,287	8,180	558,467
Net assets released from restrictions	-	-	-
Total public support and revenue	550,287	8,180	558,467
Expenses			
Program services	307,686	-	307,686
Supporting services:			
Management and general	58,259	-	58,259
Fundraising	31,981	-	31,981
Total supporting services	90,240	-	90,240
Total expenses	397,926	-	397,926
Change in net assets	152,361	8,180	160,541
Net assets at beginning of year	205,365	28,985	234,350
Net assets at end of year	\$ 357,726	\$ 37,165	\$ 394,891

The accompanying notes are an integral part of these financial statements

**BELMONT MANSION ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 157,790	\$ 51,450	\$ 23,249	\$ 232,489
Payroll taxes	9,771	3,935	1,523	15,229
Total compensation	167,561	55,385	24,772	247,718
Rental events	45,486	-	-	45,486
Restoration	30,320	-	-	30,320
Furnishings	18,212	-	-	18,212
Conservation	10,201	-	-	10,201
Bank and merchant fees	10,890	-	1,210	12,100
Insurance	9,867	1,616	-	11,483
Bookkeeping	6,536	817	817	8,170
Advertising	-	-	3,122	3,122
Printing and reproduction	1,704	-	189	1,893
Development	-	-	1,217	1,217
Office supplies	1,917	-	213	2,130
Dues and subscriptions	1,443	-	-	1,443
Miscellaneous	3,549	441	441	4,431
Total expenses	\$ 307,686	\$ 58,259	\$ 31,981	\$ 397,926
Current year's percentages	77.32%	14.64%	8.04%	100.00%

The accompanying notes are an integral part of these financial statements

**BELMONT MANSION ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2021**

Cash Flows From Operating Activities:

Change in net assets	\$ 160,541
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Gain on forgiveness of loan	(37,142)
Changes in operating assets and liabilities:	
Accounts receivable	(3,223)
Inventory	16,549
Accounts payable	5,911
Accrued liabilities	8,692
Net cash provided by operating activities	<u>151,328</u>
 Net change in cash and cash equivalents	 151,328
Cash and cash equivalents at beginning of year	<u>243,752</u>
Cash and cash equivalents at end of year	<u><u>\$ 395,080</u></u>

The accompanying notes are an integral part of these financial statements

**BELMONT MANSION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Belmont Mansion Association (the “Organization”) is a nonprofit organization chartered in the State of Tennessee in 1983, with its mission to be in charge of repairing, restoring, researching, and furnishing Belmont Mansion (the “Mansion”). The Organization has taken on the challenges of collecting and maintaining all interior furnishings, restoring the Mansion, and interpreting the Mansion, Adelia Acklen and her family, and life in the 19th century to the general public. The Mansion and grounds are owned by Belmont University which assists the Organization with exterior restorations, utilities, custodial services, and insurance of the Mansion. The Organization earns income primarily from tour admissions, and rentals events and is supported primarily through individual contributions and special events.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor’s instructions.

BELMONT MANSION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Basis of Presentation-continued

Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as net assets without donor restrictions. When a restriction expires in a period after the contributions are received, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The amount for each of these classes of net assets is displayed in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments, with an original maturity when purchased of three months or less, to be cash and cash equivalents. At August 31, 2021, the Organization had no cash equivalents.

Adoption of New Accounting Pronouncement

On September 1, 2020, the Organization adopted FASB Accounting Standards Update 2014-9, *Revenue from Contracts with Customers (ASC 606)*, which requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under ASC 606, revenue is recognized when the Organization transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The contract obligation for wedding and reception rentals is generally satisfied at the time these services are provided. Any deposits received are nonrefundable and are recognized as revenue at the time of receipt.

BELMONT MANSION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition

Admission fees: Ticket sales are generally non-refundable and are recognized at the time the transaction is executed by the ticketholder. Ticket sales for special events are deferred until the event occurs.

Membership dues: Mansion memberships, at differing levels, are generally collected for a one-year period through the fiscal year and offer admission to the mansion during regular operating hours as well as discounts for the gift shop. Memberships are generally not cancelable, and dues collected are nonrefundable. Membership revenue is recognized ratably over the period of membership.

Gift shop: Merchandise sales at the gift shop are recognized at the point of sale.

Rental event income: Mansion offers spaces for weddings, receptions, and other events. Revenue from these events is recognized with the event occurs and services are rendered to the customer. Most rental events require a deposit, which is nonrefundable, and is recorded when received.

Contributions

Contributions are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions.

Collections

In accordance with professional standards, the Organization has elected that certain objects acquired through purchases and contributions since the Organization's inception not be valued in the accompanying statement of financial position. The cost of such objects purchased are reflected as program expenses and treated as decreases in net assets with donor restrictions in the year in which the items are acquired or as decreases in net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Proceeds from the sale of any deaccessioned items are classified as net assets with donor restrictions, to be applied toward future collection acquisitions. The value of collection items contributed each year by donors is not recorded in the financial statements but is disclosed at estimated fair value as a noncash activity in the statement of cash flows.

BELMONT MANSION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Accounts Receivable

The Organization considers accounts receivable to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded.

Inventory

Inventory consists of gift shop items and are reported at the lower of cost (specific identification method) or net realizable value.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense amounted to \$3,122 for the year ended August 31, 2021.

Use of Estimates

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

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purpose (unless that income is otherwise excluded by the IRC). Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

BELMONT MANSION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Expense Recognition and Allocation

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Insurance, and other expenses that cannot be directly identified are also allocated on the basis of activity reports prepared by key personnel.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the website is updated with requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures, without donor or other restrictions limiting their use, within one year at August 31, 2021:

Financial assets at year-end:	
Cash	\$357,915
Accounts receivable	3,362
Inventory	<u>41,013</u>
Financial assets available to meet general expenditures within one year	<u>\$402,290</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and any other obligations come due.

BELMONT MANSION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2021

NOTE 3 – COLLECTIONS

The collections at the Organization consist of the original or replicas of the interior furnishings which were present in the Mansion in the 19th century. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sale to be used to acquire other items for collections or uses that directly support preservation of the collection. Sales totaled \$300 for the year ended August, 31, 2021.

NOTE 4 – RELATED PARTY

The Belmont Mansion Foundation (the “Foundation”) is a related entity which, under U.S. GAAP, should be consolidated since the Organization has both an economic interest in the Foundation and control of the Foundation through appointment of all members of its governing board. However, these financial statements do not consolidate the Foundation as required. The effect of this departure from U.S. GAAP has not been determined.

NOTE 5 – CONCENTRATION OF RISK

Amounts held in a financial institution occasionally are in excess of the Federal Deposit Insurance Corporation limit. The organization deposits its cash with a high-quality financial institution, and management believes the organization is not exposed to significant credit risk on those amounts.

NOTE 6 – GOVERNMENT GRANT INCOME

On January 31, 2021, the Organization was granted a loan from Regions Bank in the aggregate amount of \$47,812, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (“CARES”). Funds from the loan were used for qualifying expenses, which were payroll costs. As such, the conditions for forgiveness had been met and as of August 31, 2021, the PPP loan was removed from the Organization’s Statement of Financial Position as a liability. This forgiveness is recognized in the Statement of Activities in the revenue section as government grant income.

BELMONT MANSION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2021

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

At August 31, 2021, net assets with donor restrictions are available for the following purposes:

West gallery door	\$10,000
Grand salon ceiling	6,480
Meeks table	5,743
Stair carpet	5,616
Grand salon shutters	2,450
Dining room	1,800
Window treatments	1,487
Grand salon	1,022
Peri statue	1,000
Furnishings	622
Billiards room	378
Chandelier production	331
Lower-level refurbishment	140
Clothing exhibit	<u>96</u>
	<u>\$37,165</u>

NOTE 8 – OTHER RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, it may have an adverse effect on the Organization’s results of future operations, financial position, and liquidity in fiscal year 2022.

BELMONT MANSION ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
August 31, 2021

NOTE 9 – GAIN ON FORGIVENESS OF NOTE PAYABLE

On May 4, 2020, the Organization was granted a loan from Regions Bank in the aggregate amount of \$37,142, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (“CARES”), which was enacted March 27, 2020. Funds from the loan were used for qualifying expenses, which were payroll costs. As such, the conditions for forgiveness had been met and on July 21, 2021, the PPP loan was forgiven. This forgiveness is recognized in the Statement of Activities in the revenue section as a gain on forgiveness of note payable.

NOTE 10 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through June 18, 2022, the issuance of the Organization’s financial statements.