ANDREW JACKSON FOUNDATION

FINANCIAL STATEMENTS & INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2014 and 2013

ANDREW JACKSON FOUNDATION
(FORMERLY THE LADIES' HERMITAGE ASSOCIATION)

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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 (formerly The Ladies' Hermitage Association) (a Tennessee nonprofit corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, 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.

320 Seven Springs Way, Suite 120 Brentwood, Tennessee 37027-4537
(615) 370-8576 FAX (615) 370-8579
www.mcmpllc.com

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, 2014 and 2013, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2014, 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 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 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
November 5, 2014

ANDREW JACKSON FOUNDATION

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,041,046	$ 637,464
Accounts receivable	34,687	44,451
Grants receivable	53,971	87,433
Promises to give	383,950	12,800
Inventories	193,152	190,662
Prepaid expenses	19,210	23,822
Total current assets	1,726,016	996,632
LONG-TERM ASSETS:		
Collections, property and equipment, net	5,641,225	6,013,774
Construction-in-progress	708,981	32,924
Long-term investments	419,956	368,694
Long-term promises to give	17,000	-
Beneficial interest in charitable remainder trust	176,538	154,797
Total long-term assets	6,963,700	6,570,189
TOTAL ASSETS	$ 8,689,716	$ 7,566,821
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and other accrued liabilities	$ 189,746	$ 127,901
Employees' compensation payable	121,960	103,956
Sales tax payable	10,023	10,828
Total current liabilities and total liabilities	321,729	242,685
NET ASSETS:		
Unrestricted:		
Undesignated	1,250,123	1,002,249
Board designated	6,350,206	6,046,698
Total unrestricted	7,600,329	7,048,947
Temporarily restricted	702,658	210,189
Permanently restricted	65,000	65,000
Total net assets	8,367,987	7,324,136
TOTAL LIABILITIES AND NET ASSETS	$ 8,689,716	$ 7,566,821

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, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Admissions	$ 2,553,810	$ -	$ -	$ 2,553,810
Museum store	706,296	-	-	706,296
Contributions	493,978	787,079	-	1,281,057
Café and concession sales	9,805	-	-	9,805
Government grants	608,230	-	-	608,230
Programs	140,645	1,124	-	141,769
Miscellaneous income	63,390	-	-	63,390
After-hours events	123,842	-	-	123,842
Vending	16,257	-	-	16,257
Memberships	22,158	-	-	22,158
Change in value of charitable remainder trust	-	21,741	-	21,741
Net investment return	58,742	-	-	58,742
Total	4,797,153	809,944	-	5,607,097
Net assets released from restrictions	317,475	(317,475)	-	-
Total revenues, gains and other support	5,114,628	492,469	-	5,607,097
EXPENSES:				
Program services	3,379,090	-	-	3,379,090
Fundraising	454,023	-	-	454,023
Management and general	730,133	-	-	730,133
Total expenses	4,563,246	-	-	4,563,246
CHANGES IN NET ASSETS	551,382	492,469	-	1,043,851
NET ASSETS:				
Beginning of year	7,048,947	210,189	65,000	7,324,136
End of year	$ 7,600,329	$ 702,658	$ 65,000	$ 8,367,987

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, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Admissions	$ 2,245,870	$ -	$ -	$ 2,245,870
Museum store	709,836	-	-	709,836
Contributions	489,431	45,276	-	534,707
Café and concession sales	10,508	-	-	10,508
Government grants	545,113	-	-	545,113
Programs	117,982	-	-	117,982
Miscellaneous	54,203	-	-	54,203
After-hours events	150,330	-	-	150,330
Vending	16,370	-	-	16,370
Memberships	29,292	-	-	29,292
Change in value of charitable remainder trust	-	10,061	-	10,061
Net investment return	38,386	-	-	38,386
Total	4,407,321	55,337	-	4,462,658
Net assets released from restrictions	95,880	(95,880)	-	-
Total revenues, gains and other support	4,503,201	(40,543)	-	4,462,658
EXPENSES:				
Program services	3,262,013	-	-	3,262,013
Fundraising	348,671	-	-	348,671
Management and general	665,086	-	-	665,086
Total expenses	4,275,770	-	-	4,275,770
CHANGES IN NET ASSETS	227,431	(40,543)	-	186,888
NET ASSETS:				
Beginning of year	6,821,516	250,732	65,000	7,137,248
End of year	$ 7,048,947	$ 210,189	$ 65,000	$ 7,324,136

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

ANDREW JACKSON FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 1,043,851	$ 186,888
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	460,829	445,673
Net loss on equipment disposals	667	1,275
Net unrealized and realized gains on investments	(43,337)	(22,655)
Grant receipts for restoration and renovation projects	(359,863)	-
Net changes in other operating assets and liabilities:		
Accounts receivable, grants receivable and promises to give	(344,924)	(19,011)
Inventories	(2,490)	(17,463)
Prepaid expenses	4,612	(11,032)
Beneficial interest in charitable remainder trust	(21,741)	(10,061)
Accounts payable and accrued liabilities	79,044	(69,954)
Net cash provided by operating activities	816,648	483,660
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of collections, property and equipment	(88,947)	(247,358)
Construction-in-progress purchases	(676,057)	(101,376)
Purchases of investments	(97,370)	(30,768)
Proceeds from sales of property and equipment	-	133
Proceeds from sales of investments	89,445	32,928
Net cash used in investing activities	(772,929)	(346,441)
CASH FLOWS FROM FINANCING ACTIVITIES		
Grant receipts for restoration and renovation projects	359,863	-
Net cash provided by financing activities	359,863	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	403,582	137,219
CASH AND CASH EQUIVALENTS, BEGINNING	637,464	500,245
CASH AND CASH EQUIVALENTS, ENDING	$ 1,041,046	$ 637,464

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

ANDREW JACKSON FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services	Fundraising	Management and General	Total Expenses
Museum store	$ 435,109	$ -	$ 76,784	$ 511,893
Public programs-interpretation	538,780	-	35,971	574,751
Buildings and maintenance	254,165	-	28,241	282,406
Administration overhead	67,991	-	310,306	378,297
Gardens and grounds	231,458	-	25,718	257,176
Security	245,844	-	27,316	273,160
Development	-	399,413	-	399,413
Executive Director's office	112,489	49,995	87,491	249,975
Marketing and public relations	397,043	-	44,116	441,159
Public programs - education	239,747	-	27,275	267,022
Collections	148,627	-	16,514	165,141
Site operations	253,084	-	28,120	281,204
Tulip Grove lease	16,333	-	-	16,333
Investment expense	-	-	3,821	3,821
Total expenses before depreciation	2,940,670	449,408	711,673	4,101,751
Depreciation	438,420	4,615	18,460	461,495
Total expenses	$ 3,379,090	$ 454,023	$ 730,133	$ 4,563,246

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

ANDREW JACKSON FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services	Fundraising	Management and General	Total Expenses
Museum store	$ 433,038	$ -	$ 76,418	$ 509,456
Public programs-interpretation	492,477	-	34,842	527,319
Buildings and maintenance	247,432	-	27,492	274,924
Administration overhead	150,966	-	269,993	420,959
Gardens and grounds	200,449	-	22,272	222,721
Security	266,571	-	29,619	296,190
Development	-	297,441	-	297,441
Executive Director's office	105,240	46,773	81,853	233,866
Marketing and public relations	303,704	-	33,745	337,449
Public programs - education	206,884	-	24,192	231,076
Collections	131,833	-	14,648	146,481
Site operations	265,298	-	29,478	294,776
Tulip Grove lease	33,521	-	-	33,521
Investment expense	-	-	2,643	2,643
Total expenses before depreciation and loss on disposals	2,837,413	344,214	647,195	3,828,822
Loss on disposals	1,211	-	64	1,275
Depreciation	423,389	4,457	17,827	445,673
Total expenses	$ 3,262,013	$ 348,671	$ 665,086	$ 4,275,770

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

NOTE 1 – THE ENTITY

Andrew Jackson Foundation (formerly The Ladies' Hermitage Association) (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, 2014, there was no indication of any factors that would cause the historic properties to revert to the State of Tennessee.

Major sources of revenue are admission fees and the sale of souvenirs 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.

On July 18, 2013, the Board of Directors adopted an amendment to the Foundation's charter to change the name from The Ladies' Hermitage Association to the Andrew Jackson Foundation. The amendment was filed with the Tennessee Secretary of State on July 3, 2014.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Periods

All references to 2014 and 2013 in these financial statements refer to the years ended June 30, 2014 and 2013 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 follows:

- **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 Notes 12 through 14 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, 2014 and 2013, 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 market. 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 9 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, 2014 and 2013, 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.

The value of recorded donated services totaled $52,902 and $45,152 for 2014 and 2013, respectively. 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. During 2014 and 2013, the Foundation's unrelated business income of approximately $55,000 and $48,000, respectively, was fully offset by prior net operating losses carryforwards, and therefore, there was no federal income tax liability for those years. At June 30, 2014, the Foundation has approximately $106,000 of remaining net operating loss carryforwards, which will begin to expire in 2018, if not utilized before then. Due to the uncertainty of the realization of these net operating loss carryforwards, management has recorded an allowance to fully offset the estimated deferred tax asset.

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, 2014, the Foundation is no longer subject to U.S. tax examinations of these returns by tax authorities for years before June 30, 2011.

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 $109,519 and $126,389 for the years ended June 30, 2014 and 2013, 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.

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, 2014 and November 5, 2014, 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 2013 financial statements for consistency with the presentation for 2014. 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

The Foundation has established a general reserve in the amount of $25,000 at June 30, 2014 and 2013 for potential future markdowns on slow-moving items. Management believes that these markdowns and reserves reduce inventories to lower of cost or market, and no additional losses will be incurred upon disposition.

Inventories consisted of the following at June 30, 2014 and 2013:

	2014	2013
Museum store	$ 218,152	$ 215,662
Reserve for potential markdowns	(25,000)	(25,000)
Net inventories	$ 193,152	$ 190,662

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30, 2014 and 2013:

	2014	2013
Unrestricted promises to give	$ 10,800	$ 12,800
Temporarily restricted promises to give	390,150	-
Gross promises to give	400,950	12,800
Promises receivable due less than one year	(383,950)	(12,800)
Promsies receivable due within one to five years	$ 17,000	$ -

NOTE 5 – LONG-TERM INVESTMENTS

The fair values of investments consisted of the following at June 30, 2014 and 2013:

	2014	2013
Corporate debt securities	$ 139,434	$ 117,983
Registered investment companies	129,855	77,482
Equity securities - common stocks	132,260	162,563
Alternative investments	18,407	10,666
Total investments	$ 419,956	$ 368,694

The net investment return consisted of the following for 2014 and 2013:

	2014	2013
Interest and dividend income	$ 15,405	$ 15,731
Net realized and unrealized gains	43,337	22,655
Total investment return	$ 58,742	$ 38,386

The Foundation has established certain investment allocation guidelines for the Foundation's investment portfolio. The investment allocations at June 30, 2014 were as follows:

	Board Approved %	Actual %	Fair Values
Equity securities	45% - 65%	54.6%	$ 262,115
Fixed income securities	35% - 55%	29.1%	139,434
Alternative investments	0%	3.8%	18,407
Total investments			$ 419,956

The Foundation's investments are classified as long-term assets based on management's intent. See Note 9 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, 2014 and 2013:

	2014	2013
Depreciable assets:		
Museum properties	$ 4,765,813	$ 4,556,662
Residences	580,905	579,670
Other buildings	3,665,632	3,672,073
Equipment	1,338,525	1,264,956
Access road project	73,267	73,267
Other improvements	418,350	621,801
Farm animals	-	-
Total cost	10,842,492	10,768,429
Accumulated depreciation	(6,795,520)	(6,348,282)
Subtotal	4,046,972	4,420,147
Nondepreciable assets:		
Land	683,467	683,467
Collections acquired since June 1994	910,786	910,160
Net book value	$ 5,641,225	$ 6,013,774

NOTE 7 – CONSTRUCTION-IN-PROGRESS

Construction-in-progress at June 30, 2014 and 2013 consisted of costs related to the restoration of the Hermitage Mansion and other historic buildings on the property.

NOTE 8 – 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 $176,538 and $154,797 represents the Foundation's share of the fair value of the trust principal at June 30, 2014 and 2013, 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 9 for further details related to the fair value measurements.

NOTE 9 – 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. 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, 2014 and 2013 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, 2014:			
Corporate debt securities	$ 139,434	$ 139,434	$ -
Registered investment companies	129,855	129,855	-
Equity securities - common stocks	132,260	132,260	-
Alternative investments	18,407	18,407	-
Beneficial interest in charitable remainder trust	176,538	-	176,538
Total	$ 596,494	$ 419,956	$ 176,538
At June 30, 2013:			
Corporate debt securities	$ 117,983	$ 117,983	$ -
Registered investment companies	77,482	77,482	-
Equity securities - common stocks	162,563	162,563	-
Alternative investments	10,666	10,666	-
Beneficial interest in charitable remainder trust	154,797	-	154,797
Total	$ 523,491	$ 368,694	$ 154,797

NOTE 9 – FAIR VALUE MEASUREMENTS (CONTINUED)

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 0.16% and 0.25% for 2014 and 2013, respectively.

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, 2014 and 2013:

	2014	2013
Balance at beginning of year	$ 154,797	$ 144,736
Change in value of beneficial interest in charitable remainder trust	21,741	10,061
Balance at end of year	$ 176,538	$ 154,797

NOTE 10 – LINE OF CREDIT

The Foundation has a revolving line of credit agreement ("agreement") with a financial institution. The agreement matures on January 25, 2015. Maximum borrowings available under the agreement are $250,000.

Interest is payable monthly at an annual interest rate equal to the index rate as established by the lender plus 0.5%, not to be less than 5.50%. Borrowings under the agreement are collateralized by substantially all of the Foundation's assets except real estate, including historic properties. There were no such borrowings at June 30, 2014 and 2013.

NOTE 11 – 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 $39,357 and $38,790 for 2014 and 2013, respectively.

NOTE 12 – BOARD DESIGNATED NET ASSETS

Unrestricted net assets include amounts totaling $6,350,206 and $6,046,698 at June 30, 2014 and 2013, respectively, which have been designated by the Board to reflect its fiduciary responsibility to maintain the historic properties in trust for the State of Tennessee.

NOTE 13 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2014 and 2013:

	2014	2013
Beneficial interest in charitable remainder trust	$ 176,538	$ 154,797
Battle of New Orleans	461,636	-
President's discretionary fund	3,937	25,000
Rachel's Garden	8,061	9,786
Special event sponsorships	17,124	-
Mansion restoration	5,440	5,440
Web-conferencing program	-	1,960
Underground Railroad Freedom Center and Technology initiatives	1,888	4,718
Technology grant	5,000	5,400
Education and Interpretation programs	20,000	-
Other temporarily restricted net assets, individually $1,000 or less	3,034	3,088
Total temporarily restricted net assets	$ 702,658	$ 210,189

During 2014 and 2013, temporarily restricted net assets of $317,475 and $95,880, respectively, were released from donor restrictions by either incurring expenses satisfying the restrictions or by the passage of time restrictions.

NOTE 14 – PERMANENTLY RESTRICTED NET ASSETS

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.

NOTE 14 – PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

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, 2014 and 2013.

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.

Permanently restricted net assets consisted of the following at June 30, 2014 and 2013:

	2014	2013
General endowment	$ 20,000	$ 20,000
Tulip Grove endowment	45,000	45,000
Total permanently restricted net assets	$ 65,000	$ 65,000

NOTE 15 – 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 three houses to individuals under arrangements requiring monthly payments to the Foundation of $250 each on a month-to-month basis. The Foundation also provides housing on the Hermitage property to one employee at no cost.

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, 2014.

The Foundation has entered into a lease agreement with an outside party to cultivate the land through December 31, 2014. Income earned related to this lease was $30,780 and $30,780 for the years ended June 30, 2014 and 2013, respectively.

The Foundation has a contract extending to December 31, 2015 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 $48,008 and $44,474 for the years ended June 30, 2014 and 2013, respectively.

Beginning June, 2014, the Foundation has a contract with an organization to provide food services onsite. Under this contract, the Foundation will receive 10% of all food services revenues collected. The contract expires in May 2015 and will automatically renew for one successive year unless terminated by either party. Revenue recognized under the contract totaled $1,397 for the year ended June 30, 2014.

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. The case has been remanded to the Chancery Court to determine the amount of money owed. Based on the inability to determine the amount, no additional liability has been recorded in the Foundation's financial statements.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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, 2014 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 November 5, 2014.

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.

320 Seven Springs Way, Suite 120 Brentwood, Tennessee 37027-4537
(615) 370-8576 FAX (615) 370-8579
www.mcmpllc.com

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 & Mayer, PLLC

Brentwood, Tennessee
November 5, 2014