

BELMONT MANSION ASSOCIATION

FINANCIAL STATEMENTS

As of and for the Year Ended August 31, 2018

And Report of Independent Auditor

BELMONT MANSION ASSOCIATION
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Report of Independent Auditor

To the Board of Directors
Belmont Mansion Association
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying statement of financial position of the Belmont Mansion Association (the "Association") as of August 31, 2018, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Association's accounting records did not permit us to extend our auditing procedures to obtain sufficient appropriate evidence about inventory costs, stated at \$43,770 in the accompanying statement of financial position.

In addition, as more fully described in Note 5 to the financial statement, the Association's statement of financial position does not include the accounts of the Belmont Mansion Foundation (the "Foundation") in which the Association has economic interest and control. In our opinion, the Association's statement of financial position 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 position of the Association 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 the pricing of inventory, and the effects of not including the accounts of the Foundation as described in the *Basis for Qualified Opinion* paragraphs, the statement of financial position referred to in the first paragraph presents fairly, in all material respects, the financial position of the Association as of August 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on the Statement of Activities and Cash Flows

Because we were not engaged to audit the statements of activities and cash flows, we did not extend our auditing procedures to enable us to express an opinion on the changes in its net assets and cash flows for the year ended August 31, 2018. Accordingly, we express no opinion on the change in net assets and cash flows for the year ended August 31, 2018.

A handwritten signature in cursive script that reads "Cheryl Bekant LLP".

Nashville, Tennessee
May 16, 2019

BELMONT MANSION ASSOCIATION
STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2018

ASSETS

| | | |
|-----------------------------|----|----------------|
| Cash and cash equivalents | \$ | 218,225 |
| Accounts receivable | | 7,571 |
| Inventory | | 43,770 |
| Prepaid expenses | | 200 |
| Collections (Notes 1 and 2) | | - |
| Total Assets | \$ | <u>269,766</u> |

LIABILITIES AND NET ASSETS

Liabilities:

| | | |
|---------------------------------------|----|---------------|
| Accounts payable and accrued expenses | \$ | 5,866 |
| Deferred revenue | | <u>8,750</u> |
| Total Liabilities | | <u>14,616</u> |

Net Assets:

| | | |
|---|-----------|-----------------------|
| Unrestricted | | 206,923 |
| Temporarily restricted | | <u>48,227</u> |
| Total Net Assets | | <u>255,150</u> |
| Total Liabilities and Net Assets | \$ | <u>269,766</u> |

BELMONT MANSION ASSOCIATION
STATEMENT OF ACTIVITIES (UNAUDITED)

YEAR ENDED AUGUST 31, 2018

| | Unrestricted | Temporarily Restricted | Total |
|--|---------------------|-----------------------------------|-------------------|
| Support and Revenues: | | | |
| Admission and membership fees | \$ 384,221 | \$ - | \$ 384,221 |
| Gift shop | 122,756 | - | 122,756 |
| Contributions | 11,903 | 44,131 | 56,034 |
| Rental event income | 52,865 | - | 52,865 |
| Special events | 30,680 | - | 30,680 |
| Miscellaneous income | 6,699 | - | 6,699 |
| Net assets released resulting from satisfaction of donor restrictions | 66,801 | (66,801) | - |
| Total Support and Revenues | 675,925 | (22,670) | 653,255 |
| Expenses: | | | |
| Program services | 505,054 | - | 505,054 |
| Administrative | 72,561 | - | 72,561 |
| Fundraising | 58,513 | - | 58,513 |
| Total Expenses | 636,128 | - | 636,128 |
| Change in net assets | 39,797 | (22,670) | 17,127 |
| Net assets, beginning of year | 167,126 | 70,897 | 238,023 |
| Net assets, end of year | <u>\$ 206,923</u> | <u>\$ 48,227</u> | <u>\$ 255,150</u> |

BELMONT MANSION ASSOCIATION
STATEMENT OF CASH FLOWS (UNAUDITED)

YEAR ENDED AUGUST 31, 2018

Cash flows from operating activities:

| | |
|--|--------------------------|
| Change in net assets | \$ 17,127 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Decrease (increase) in: | |
| Accounts receivable | (2,304) |
| Inventory | (2,888) |
| Prepaid expenses | (200) |
| Decrease in: | |
| Accounts payable and accrued expenses | (1,294) |
| Deferred revenue | (5,450) |
| Total adjustments | <u>(12,136)</u> |
| Net cash flows provided by operating activities | <u>4,991</u> |
| Change in cash and cash equivalents | 4,991 |
| Cash and cash equivalents, beginning of year | <u>213,234</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 218,225</u></u> |

BELMONT MANSION ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018

Note 1—Nature of operations and summary of significant accounting policies

General – The Belmont Mansion Association (the “Association”) is a Tennessee not-for-profit organization in charge of repairing, restoring, researching, and furnishing the Belmont Mansion (the “Mansion”). The Association was formed in 1972 when a group of professors and students from Belmont College wanted to bring the Belmont Mansion back to its former glory. The Association 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 Association with exterior restorations, utilities, custodial services, and insurance of the Mansion.

Basis of Presentation – The accompanying financial statements present the financial position and changes in net assets of the Association on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Resources are classified as unrestricted, temporarily restricted, or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

Unrestricted Net Assets – Unrestricted net assets are free of donor-imposed restrictions. All revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors’ stipulations results in the release of the restriction.

Temporarily Restricted Net Assets – Temporarily restricted net assets are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.

Permanently Restricted Net Assets – Permanently restricted net assets are amounts required by donors to be held in perpetuity, including gifts that the principal be invested and the income or specific portions thereof be used for operations. The Association had no permanently restricted net assets as of August 31, 2018.

Contributions and Support – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor; however, unrestricted contributions may be designated by the Board of Directors. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition – Membership dues, at differing levels, are generally collected for a one-year period throughout the fiscal year. Dues income is recognized when paid and entitles the member to certain benefits. Memberships are generally not cancelable, and dues collected are non-refundable.

Admission revenue is derived from guided tours of the Mansion and is collected daily.

Rental income is derived from rental of the Mansion for weddings, receptions, etc. Other revenues are received for special events, sponsorships, etc. Revenues received in advance are deferred and recognized in the period the related event takes place.

BELMONT MANSION ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

Collection – In accordance with professional standards, the Association has elected that certain objects acquired through purchases and contributions since the Association'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 unrestricted net assets in the year in which the items are acquired or as decreases in temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Proceeds from the sale of any deaccessioned items are classified as temporarily restricted net assets, 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.

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

Donated Services – A substantial number of volunteers have donated significant amounts of their time to the Association's program services and fundraising activities; however, no amounts have been reflected in the accompanying financial statements for donated services by volunteers since there is no objective basis by which to measure the value of such services. Donated services that require specialized skills and would be purchased if not provided by the donor are recognized as support and expenses based on the estimated fair value of the services received.

Advertising Costs – Advertising costs are expensed as incurred. Advertising expense amounted to \$11,854 (unaudited) for the year ended August 31, 2018.

Income Taxes – The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and accordingly, files U.S. Federal Form 990.

Program and Supporting Services – The following expense allocations are included in the accompanying financial statements:

Program Services – Expenses related to providing a premiere cultural resource for Tennessee residents and visitors to Middle Tennessee. The Association provides tours of the Mansion, gardens, and the grounds to students of all ages through a significant commitment to educational programming. It offers a spectrum of American and European art and decorative arts through its permanent collection and traveling exhibitions.

Administrative – Administrative relates to the overall direction of the Association. These expenses are not identifiable with a particular program or with fundraising, but are indispensable to the conduct of those activities and are essential to the Association. Activities include organization oversight, business management, recordkeeping, financing, and board operations.

Fundraising – Fundraising includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

BELMONT MANSION ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

Allocation of Functional Expense – Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively, evaluated financial, and non-financial data or reasonable subjective methods determined by management.

Sales Taxes Collected – Sales taxes collected and remitted to governmental authorities are excluded from sales and costs and presented on a net basis in the financial statements.

Use of Estimates in the Preparation of Financial Statements – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Authoritative Accounting Guidance – In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Association is currently evaluating the effect that the updated standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, ASU 2016-14 replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Association is currently evaluating the impact the adoption of this guidance will have on its financial statements.

Subsequent Events – The Association evaluated subsequent events through May 16, 2019, when the statement of financial position was available to be issued. The Association is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statement.

Note 2—Collection

The collection at the Association consists 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. There were \$-0- (unaudited) in sales of collection items for the year ended August 31, 2018.

BELMONT MANSION ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2018

Note 3—Concentration of credit risk

The Association maintains its cash in bank deposit accounts which may exceed federally insured limits during the year. There were no amounts in excess of uninsured balances for the year ended August 31, 2018. The Association has not experienced any losses in such accounts. In management's opinion, the Association is not exposed to any significant credit risk relating to cash balances.

Note 4—Net assets

Temporarily restricted net assets were available for the following purposes at August 31, 2018 :

| | | |
|---------------------------|----|---------------|
| Acklen society | \$ | 11,671 |
| Stair carpet | | 11,438 |
| Study carpet | | 6,050 |
| Grand salon | | 5,000 |
| Isaac franklin | | 4,350 |
| Staircase | | 3,995 |
| Grand salon shutters | | 2,450 |
| Window treatments | | 1,131 |
| San soci | | 769 |
| Peri statue | | 435 |
| Christmas wish list | | 330 |
| Pauline's bed | | 272 |
| Lower level refurbishment | | 140 |
| Statuary | | 100 |
| Clothing exhibit | | 96 |
| | \$ | <u>48,227</u> |

Note 5—Related party

The Belmont Mansion Foundation (the "Foundation") is a related entity which, under U.S. GAAP, should be consolidated since the Association 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.