

***ANDREW JACKSON
FOUNDATION***

**FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2017 and 2016

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, 2017 and 2016, 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.

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, 2017 and 2016, 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 October 17, 2017, 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
October 17, 2017

ANDREW JACKSON FOUNDATION**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 272,469	\$ 329,819
Accounts receivable	46,487	81,304
Grants receivable	28,429	36,096
Promises to give	81,000	45,410
Inventories	208,125	214,855
Prepaid expenses	50,070	43,582
Total current assets	<u>686,580</u>	<u>751,066</u>
LONG-TERM ASSETS:		
Collections, property and equipment, net	6,993,105	6,271,267
Construction-in-progress	12,429	440,634
Long-term investments	495,676	488,174
Long-term promises to give	63,000	12,500
Beneficial interest in charitable remainder trust	126,166	141,225
Total long-term assets	<u>7,690,376</u>	<u>7,353,800</u>
TOTAL ASSETS	<u>\$ 8,376,956</u>	<u>\$ 8,104,866</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and other accrued liabilities	192,809	210,796
Employees' compensation payable	164,274	138,759
Unrelated business income tax payable	2,887	-
Total current liabilities	<u>359,970</u>	<u>349,555</u>
LONG-TERM LIABILITIES	<u>-</u>	<u>100,000</u>
NET ASSETS:		
Unrestricted:		
Undesignated	664,866	660,825
Board designated	7,010,624	6,687,219
Total unrestricted	<u>7,675,490</u>	<u>7,348,044</u>
Temporarily restricted	251,469	242,240
Permanently restricted	90,027	65,027
Total net assets	<u>8,016,986</u>	<u>7,655,311</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,376,956</u>	<u>\$ 8,104,866</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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 income	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	<u>5,487,459</u>	<u>735,608</u>	<u>25,000</u>	<u>6,248,067</u>
Net assets released from restrictions	<u>726,379</u>	<u>(726,379)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>6,213,838</u>	<u>9,229</u>	<u>25,000</u>	<u>6,248,067</u>
EXPENSES:				
Program services	4,398,503	-	-	4,398,503
Fundraising	921,170	-	-	921,170
Management and general	566,719	-	-	566,719
Total expenses	<u>5,886,392</u>	<u>-</u>	<u>-</u>	<u>5,886,392</u>
CHANGES IN NET ASSETS	327,446	9,229	25,000	361,675
NET ASSETS:				
Beginning of year	<u>7,348,044</u>	<u>242,240</u>	<u>65,027</u>	<u>7,655,311</u>
End of year	<u>\$ 7,675,490</u>	<u>\$ 251,469</u>	<u>\$ 90,027</u>	<u>\$ 8,016,986</u>

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, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:				
Admissions	\$ 2,733,503	\$ -	\$ -	\$ 2,733,503
Museum store	761,182	-	-	761,182
Contributions	440,995	119,844	27	560,866
Café and concession sales	10,953	-	-	10,953
Government grants	317,209	-	-	317,209
Programs	142,890	-	-	142,890
Miscellaneous	75,466	-	-	75,466
After-hours events	243,674	-	-	243,674
Vending	13,549	-	-	13,549
Memberships	19,150	-	-	19,150
Change in value of charitable remainder trust	-	(17,319)	-	(17,319)
Net investment return	36,369	-	-	36,369
Total	<u>4,794,940</u>	<u>102,525</u>	<u>27</u>	<u>4,897,492</u>
Net assets released from restrictions	<u>50,802</u>	<u>(50,802)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>4,845,742</u>	<u>51,723</u>	<u>27</u>	<u>4,897,492</u>
EXPENSES:				
Program services	3,975,780	-	-	3,975,780
Fundraising	582,014	-	-	582,014
Management and general	771,660	-	-	771,660
Total expenses	<u>5,329,454</u>	<u>-</u>	<u>-</u>	<u>5,329,454</u>
CHANGES IN NET ASSETS	(483,712)	51,723	27	(431,962)
NET ASSETS:				
Beginning of year	<u>7,831,756</u>	<u>190,517</u>	<u>65,000</u>	<u>8,087,273</u>
End of year	<u>\$ 7,348,044</u>	<u>\$ 242,240</u>	<u>\$ 65,027</u>	<u>\$ 7,655,311</u>

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

ANDREW JACKSON FOUNDATION**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 361,675	\$ (431,962)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	534,147	525,934
Net loss on equipment disposals	-	317
Net unrealized and realized gains on investments	(33,026)	(18,962)
Grant receipts for restoration and renovation projects	(77,950)	(293,666)
Net changes in other operating assets and liabilities:		
Accounts receivable, grants receivable and promises to give	(43,606)	136,673
Inventories	6,730	(5,214)
Prepaid expenses	(6,488)	11,855
Beneficial interest in charitable remainder trust	15,059	17,319
Accounts payable and accrued liabilities	10,415	(32,232)
Net cash provided by (used in) operating activities	<u>766,956</u>	<u>(89,938)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of collections, property and equipment	(146,701)	(115,150)
Construction-in-progress purchases	(681,079)	(355,257)
Purchases of investments	(6,358)	(73,677)
Proceeds from sales of investments	31,882	45,598
Net cash used in investing activities	<u>(802,256)</u>	<u>(498,486)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net line of credit advances (payments)	(100,000)	25,000
Grant receipts for restoration and renovation projects	77,950	293,666
Net cash provided by (used in) financing activities	<u>(22,050)</u>	<u>318,666</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(57,350)	(269,758)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>329,819</u>	<u>599,577</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 272,469</u>	<u>\$ 329,819</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Unrelated business income taxes paid during the year	\$ 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, 2017**

	Program Services	Fundraising	Management and General	Total Expenses
Museum store	\$ 500,998	\$ -	\$ 88,411	\$ 589,409
Public programs-interpretation	813,037	-	-	813,037
Buildings and maintenance	307,562	-	34,174	341,736
Administration overhead	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	630,049	-	33,477	663,526
Public programs - education	292,434	-	259	292,693
Collections	200,738	-	-	200,738
Site operations	273,588	-	30,399	303,987
Tulip Grove fees	(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	<u>\$ 4,398,503</u>	<u>\$ 921,170</u>	<u>\$ 566,719</u>	<u>\$ 5,886,392</u>

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

ANDREW JACKSON FOUNDATION**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Services	Fundraising	Management and General	Total Expenses
Museum store	\$ 482,971	\$ -	\$ 85,230	\$ 568,201
Public programs-interpretation	656,955	-	34,790	691,745
Buildings and maintenance	281,754	-	31,306	313,060
Administration overhead	73,631	-	309,296	382,927
Gardens and grounds	261,292	-	29,032	290,324
Security	297,652	-	33,072	330,724
Development	-	516,612	-	516,612
Executive Director's office	135,312	60,139	105,243	300,694
Marketing and public relations	601,888	-	55,959	657,847
Public programs - education	240,669	-	19,514	260,183
Collections	170,797	-	13,848	184,645
Site operations	262,901	-	29,211	292,112
Tulip Grove fees	10,020	-	-	10,020
Investment expense	-	-	4,109	4,109
Total expenses before depreciation and loss on disposal	3,475,842	576,751	750,610	4,803,203
Depreciation and loss on disposal	499,938	5,263	21,050	526,251
Total expenses	<u>\$ 3,975,780</u>	<u>\$ 582,014</u>	<u>\$ 771,660</u>	<u>\$ 5,329,454</u>

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

ANDREW JACKSON FOUNDATION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

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, 2017, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Periods

All references to 2017 and 2016 in these financial statements refer to the years ended June 30, 2017 and 2016 unless otherwise noted.

ANDREW JACKSON FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

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 13 through 15 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, 2017 and 2016, 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.

ANDREW JACKSON FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

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, 2017 and 2016, 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.

ANDREW JACKSON FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) **JUNE 30, 2017 AND 2016**

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 \$40,834 and \$69,863 for 2017 and 2016, 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 2016, the Foundation's unrelated business income of approximately \$60,000 was partially offset by prior net operating losses carryforwards. The Foundation's expense for federal income tax on unrelated business activities totaled \$7,834 for 2017.

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, 2017, the Foundation is no longer subject to U.S. tax examinations of these returns by tax authorities for years before June 30, 2014. 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.

ANDREW JACKSON FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are expensed when incurred. Advertising expense totaled \$211,799 and \$206,513 for the years ended June 30, 2017 and 2016, 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, 2017 and October 17, 2017, 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 2016 financial statements for consistency with the presentation for 2017. These reclassifications did not have a significant impact on the previously reported financial position, changes in net assets, and cash flows of the Foundation.

ANDREW JACKSON FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

NOTE 3 – INVENTORIES

Inventories consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Museum store	233,125	\$ 239,855
Reserve for potential markdowns	(25,000)	(25,000)
Net inventories	<u>\$ 208,125</u>	<u>\$ 214,855</u>

The Foundation has established a general reserve in the amount of \$25,000 at June 30, 2017 and 2016 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.

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Unrestricted promises to give	\$ 88,500	\$ 27,160
Temporarily restricted promises to give	55,500	30,750
Gross promises to give	144,000	57,910
Promises receivable due less than one year	(81,000)	(45,410)
Promises receivable due within one to five years	<u>\$ 63,000</u>	<u>\$ 12,500</u>

NOTE 5 – LONG-TERM INVESTMENTS

The fair values of investments consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Corporate debt securities	\$ 113,806	\$ 143,526
Registered investment companies	175,653	151,639
Equity securities - common stocks	167,540	156,932
Alternative investments	38,677	36,077
Total investments	<u>\$ 495,676</u>	<u>\$ 488,174</u>

ANDREW JACKSON FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

NOTE 5 – LONG-TERM INVESTMENTS (CONTINUED)

The net investment return consisted of the following for 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 16,626	\$ 17,407
Net realized and unrealized gains	33,026	18,962
Total investment return	<u>\$ 49,652</u>	<u>\$ 36,369</u>

The Foundation has established certain investment allocation guidelines for the Foundation's investment portfolio. The investment allocations at June 30, 2017 were as follows:

	<u>Board Approved %</u>	<u>Actual %</u>	<u>Fair Values</u>
Equity securities	45% - 65%	61.3%	\$ 343,193
Fixed income securities	35% - 55%	20.3%	113,806
Alternative investments	0%	6.9%	38,677
Total investments			<u>\$ 495,676</u>
Cash reserves	0% - 5%	11.4%	\$ 64,009

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Depreciable assets:		
Museum properties	\$ 6,895,496	\$ 6,119,046
Residences	651,583	646,273
Other buildings	3,932,340	3,742,759
Equipment	1,239,385	1,064,881
Access road project	83,952	83,952
Other improvements	412,535	412,535
Total cost	<u>13,215,291</u>	<u>12,069,446</u>
Accumulated depreciation	<u>(7,932,422)</u>	<u>(7,398,274)</u>
Subtotal	5,282,869	4,671,172
Nondepreciable assets:		
Land	788,467	683,467
Collections acquired since June 1994	921,769	916,628
Net book value	<u>\$ 6,993,105</u>	<u>\$ 6,271,267</u>

ANDREW JACKSON FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

NOTE 7 – CONSTRUCTION-IN-PROGRESS

Construction-in-progress at June 30, 2017 and 2016 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 \$6,226 and \$6,792 for 2017 and 2016, respectively.

Future minimum lease payments under the terms of this operating lease as of June 30, 2017 are as follows:

<u>Year ending June 30,</u>	<u>Future Payments</u>
2018	\$ 6,792
2019	6,792
2020	566
Total	<u>\$ 14,150</u>

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 interest in the charitable remainder trust has been recognized in the statements of financial position. The recorded amounts of \$126,166 and \$141,225 represents the Foundation's share of the fair value of the trust principal at June 30, 2017 and 2016, 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.

ANDREW JACKSON FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

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, 2017 and 2016 were as follows:

		Fair Value Measurements at Reporting Date Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
	Fair Value		
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
At June 30, 2016:			
Corporate debt securities	\$ 143,526	\$ 143,526	\$ -
Registered investment companies	151,639	151,639	-
Equity securities - common stocks	156,932	156,932	-
Alternative investments	36,077	36,077	-
Beneficial interest in charitable remainder trust	141,225	-	141,225
Total	\$ 629,399	\$ 488,174	\$ 141,225

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 1.21% and 0.44% for 2017 and 2016, respectively.

ANDREW JACKSON FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	\$ 141,225	\$ 158,544
Change in value of beneficial interest in charitable remainder trust	<u>(15,059)</u>	<u>(17,319)</u>
Balance at end of year	<u>\$ 126,166</u>	<u>\$ 141,225</u>

NOTE 11 – LONG-TERM LIABILITIES

The Foundation has a revolving line of credit agreement ("agreement") with a financial institution. The agreement matures on January 28, 2025. Maximum borrowings available under the agreement are \$250,000. There were no outstanding line of credit advances at June 30, 2017. At June 30, 2016, the outstanding line of credit advances totaled \$100,000.

Interest is payable monthly at an annual interest rate equal to the index rate as established by the lender plus 0.5%, or 4.25% at June 30, 2017 (4.0% at June 30, 2016). 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 \$57,063 and \$51,787 for 2017 and 2016, respectively.

NOTE 13 – BOARD DESIGNATED NET ASSETS

Unrestricted net assets include amounts totaling \$6,988,624 and \$6,687,219 at June 30, 2017 and 2016, 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. In addition, at June 30, 2017, the Board had designated an additional amount of \$22,000, which remained from a bequest, to be used for future needs.

ANDREW JACKSON FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Beneficial interest in charitable remainder trust	\$ 126,166	\$ 141,225
Orientation film and theatre	36,300	-
Capital campaign	20,000	-
Feasibility study	-	20,000
Rachel's Garden	17,018	13,338
Special event sponsorships	17,581	42,551
Property restoration	24,388	5,440
Web-conferencing program	6,500	6,500
Education and interpretation programs	-	6,250
Other temporarily restricted net assets, individually \$1,000 or less	<u>3,516</u>	<u>6,936</u>
Total temporarily restricted net assets	<u>\$ 251,469</u>	<u>\$ 242,240</u>

During 2017 and 2016, temporarily restricted net assets of \$726,379 and \$50,802, respectively, were released from donor restrictions by either incurring expenses satisfying the restrictions or by the passage of time restrictions.

NOTE 15 – 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.

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, 2017 and 2016.

ANDREW JACKSON FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

NOTE 15 – PERMANENTLY RESTRICTED 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.

Permanently restricted net assets consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
General endowment	\$ 45,027	\$ 20,027
Tulip Grove endowment	45,000	45,000
Total permanently restricted net assets	<u>\$ 90,027</u>	<u>\$ 65,027</u>

NOTE 16 – 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.

ANDREW JACKSON FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2017 AND 2016

NOTE 16 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2017.

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, 2017 and 2016, respectively.

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 \$38,957 and \$46,319 for the years ended June 30, 2017 and 2016, 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 \$7,729 and \$8,638 for the years ended June 30, 2017 and 2016, 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

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, 2017 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 17, 2017.

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.

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.

A handwritten signature in blue ink that reads "Mulline Clemmons & Meyer, PLLC".

Brentwood, Tennessee
October 17, 2017