

BELMONT MANSION ASSOCIATION

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

AUGUST 31, 2016

BELMONT MANSION ASSOCIATION

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Belmont Mansion Association

### 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, 2016, and the related notes.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENT

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 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 \$35,491 in the accompanying statement of financial position.

In addition, as more fully described in Note 4 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 Belmont Mansion 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 Belmont Mansion Association as of August 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

### DISCLAIMER OF OPINION ON STATEMENTS 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, 2016. Accordingly, we express no opinion on the change in net assets and cash flows for the year ended August 31, 2016.

*Kraft CPAs PLLC*

Nashville, Tennessee  
June 16, 2017

BELMONT MANSION ASSOCIATION

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2016

ASSETS

Cash and cash equivalents	\$ 108,315
Inventory	35,491
Prepaid expenses	2,000
Collection - Note 1 and 2	<u>-</u>
TOTAL ASSETS	<u>\$ 145,806</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 18,631
Deferred revenue	<u>15,275</u>

TOTAL LIABILITIES	<u>33,906</u>
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NET ASSETS

Unrestricted	49,604
Temporarily restricted	<u>62,296</u>

TOTAL NET ASSETS	<u>111,900</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 145,806</u>
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See accompanying notes to financial statements.

BELMONT MANSION ASSOCIATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2016

UNAUDITED

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
SUPPORT AND REVENUES			
Admission and membership fees	\$ 184,991	\$ -	\$ 184,991
Special events	116,182	-	116,182
Contributions	23,782	80,245	104,027
Gift shop	59,673	-	59,673
Rental event income	82,973	-	82,973
Miscellaneous income	148	789	937
Net assets released resulting from satisfaction of donor restrictions	<u>36,655</u>	<u>(36,655)</u>	<u>-</u>
 TOTAL SUPPORT AND REVENUE	 <u>504,404</u>	 <u>44,379</u>	 <u>548,783</u>
 FUNCTIONAL EXPENSES			
Program services	352,077	-	352,077
Administrative	45,691	-	45,691
Fundraising	<u>117,814</u>	<u>-</u>	<u>117,814</u>
 TOTAL FUNCTIONAL EXPENSES	 <u>515,582</u>	 <u>-</u>	 <u>515,582</u>
 CHANGE IN NET ASSETS	 (11,178)	 44,379	 33,201
 NET ASSETS - BEGINNING OF YEAR	 <u>60,782</u>	 <u>17,917</u>	 <u>78,699</u>
 NET ASSETS - END OF YEAR	 <u>\$ 49,604</u>	 <u>\$ 62,296</u>	 <u>\$ 111,900</u>

See accompanying notes to financial statements.

BELMONT MANSION ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2016

UNAUDITED

OPERATING ACTIVITIES

Change in net assets	\$ 33,201
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Decrease (increase) in:	
Inventory	(13,379)
Accounts receivable	25,284
Prepaid expenses	(2,000)
Increase (decrease) in:	
Accounts payable and accrued expenses	3,004
Deferred revenue	575
TOTAL ADJUSTMENTS	13,484
NET CASH PROVIDED BY OPERATING ACTIVITIES	46,685
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	61,630
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 108,315

See accompanying notes to financial statements.

BELMONT MANSION ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016

NOTE 1 - 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 Belmont Mansion 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 and 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 ("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* 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* 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* 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, 2016.

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.



BELMONT MANSION ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Belmont 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.

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 non-cash 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 amount to \$12,278 for the year ended August 31, 2016.

BELMONT MANSION ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Association's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Program and Supporting Services

The following functional 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.

Supporting Services

Administrative - relates to the overall direction of the organization. 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 organization. Activities include organization oversight, business management, recordkeeping, financing, and board operations.

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.

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.

BELMONT MANSION ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 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, the ASU 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.

Events Occurring After Reporting Date

The Association has evaluated events and transactions that occurred between August 31, 2016 and June 16, 2017, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements

BELMONT MANSION ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2016

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 19<sup>th</sup> 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 \$789 in sales of collection items for the year ended August 31, 2016.

NOTE 3 - NET ASSETS

Temporarily restricted net assets are available for the following purposes at August 31, 2016:

Grand Salon Shutters	\$ 2,450
Acklen Society	13,536
Peri Statue	435
Clothing Exhibit	96
Window Treatments	3,492
Stair Hall	22,000
Staircase	<u>20,287</u>
	<u>\$ 62,296</u>

NOTE 4 - RELATED PARTY

The Belmont Mansion Foundation (the "Foundation") is a related entity which, under accounting principles generally accepted in the United States of America, 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 GAAP has not been determined.