

Belmont Mansion Association and Affiliate

COMBINED FINANCIAL STATEMENTS

Year Ended August 31, 2022

Belmont Mansion Association and Affiliate

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Combined Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Belmont Mansion Association and Affiliate

Qualified Opinion

We have audited the accompanying combined financial statements of Belmont Mansion Association (a nonprofit organization) and Affiliate (combined, the "Organization"), which comprise the combined balance sheet as of August 31, 2022, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Belmont Mansion Association and Affiliate as of August 31, 2022, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We did not obtain sufficient appropriate audit evidence about the amount recorded for inventory because the Organization's accounting records did not permit us to extend our auditing procedures to obtain sufficient, appropriate evidence about inventory costs, stated at \$49,602 in the accompanying statement of financial position.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of Matter

As discussed in Note 9 to the combined financial statements, the accounts of the Affiliate were not included in the previously issued financial statements. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

The image shows a handwritten signature in black ink. The letters 'UHY' are written in a large, stylized, cursive font. To the right of 'UHY', the letters 'LLP' are written in a smaller, simpler, sans-serif font.

Nashville, Tennessee
July 12, 2023

Belmont Mansion Association and Affiliate
STATEMENT OF FINANCIAL POSITION
August 31, 2022

ASSETS

Cash and restricted cash	\$	472,639
Accounts receivable		4,576
Inventories		49,602
Prepaid expenses		7,279
Investments		285,881
Total assets	\$	<u>819,977</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$	6,161
Accrued liabilities		7,074
Contract liabilities		56,365
Total liabilities		<u>69,600</u>

NET ASSETS

Without donor restrictions		439,128
With donor restrictions		311,249
Total net assets		<u>750,377</u>
Total liabilities and net assets	\$	<u>819,977</u>

See notes to financial statements.

Belmont Mansion Association and Affiliate**STATEMENT OF ACTIVITIES**

Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Special events revenue	\$ 29,487	\$ -	\$ 29,487
Less direct costs	<u>6,122</u>	<u>-</u>	<u>6,122</u>
Net special events revenue	<u>23,365</u>	<u>-</u>	<u>23,365</u>
 Gift shop sales	150,119	-	150,119
Less: cost of sales	<u>71,256</u>	<u>-</u>	<u>71,256</u>
Net gift shop sales	<u>78,863</u>	<u>-</u>	<u>78,863</u>
 Contributions	114,002	-	114,002
Admissions	415,445	-	415,445
Rentals event income	97,952	-	97,952
Membership dues	11,515	-	11,515
Sale of collection items	480	-	480
Miscellaneous income	262	-	262
Investment return, net	(51,178)	-	(51,178)
Net assets released from restrictions	<u>(77,820)</u>	<u>77,820</u>	<u>-</u>
Total public support and revenues	<u>612,886</u>	<u>77,820</u>	<u>690,706</u>
 EXPENSES			
Program services	495,845	-	495,845
Supporting services			
Management and general	108,898	-	108,898
Fundraising	<u>99,254</u>	<u>-</u>	<u>99,254</u>
Total supporting services	<u>208,152</u>	<u>-</u>	<u>208,152</u>
Total expenses	<u>703,997</u>	<u>-</u>	<u>703,997</u>
 CHANGE IN NET ASSETS	<u>(91,111)</u>	<u>77,820</u>	<u>(13,291)</u>
 NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	357,726	37,165	394,891
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>368,777</u>	<u>368,777</u>
 NET ASSETS -BEGINNING OF YEAR, AS RESTATED	<u>357,726</u>	<u>405,942</u>	<u>763,668</u>
 NET ASSETS - END OF YEAR	<u>\$ 266,615</u>	<u>\$ 483,762</u>	<u>\$ 750,377</u>

See notes to financial statements.

Belmont Mansion Association and Affiliate
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended August 31, 2022

	<u>Program Services</u>	<u>Supporting Services Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 250,301	\$ 57,900	\$ 45,646	\$ 353,847
Payroll taxes	15,821	3,564	2,897	22,282
Total compensation	266,122	61,464	48,543	376,129
Rental events	-	-	45,682	45,682
Restoration	87,531	-	-	87,531
Furnishings	122,463	-	-	122,463
Conservation	2,608	-	-	2,608
Bank and merchant fees	-	23,130	-	23,130
Insurance	-	18	-	18
Bookkeeping	-	17,595	-	17,595
Advertising	8,327	-	-	8,327
Printing and reproduction	862	-	-	862
Development	-	-	90	90
Office supplies	703	1,198	3,136	5,037
Dues and subscriptions	-	2,202	-	2,202
Miscellaneous	7,229	3,291	1,803	12,323
Special events expense	-	-	6,122	6,122
Gift shop cost of sales	-	-	71,256	71,256
	<u>495,845</u>	<u>108,898</u>	<u>176,632</u>	<u>781,375</u>
Less expenses included with revenues on the statement of activities:				
Direct costs of special events	-	-	(6,122)	(6,122)
Direct costs of gift shop cost of sales	-	-	(71,256)	(71,256)
TOTAL EXPENSES	<u>\$ 495,845</u>	<u>\$ 108,898</u>	<u>\$ 99,254</u>	<u>\$ 703,997</u>

See notes to financial statements.

Belmont Mansion Association and Affiliate
STATEMENT OF CASH FLOWS
Year Ended August 31, 2022

CASH FLOWS FROM OPERATIONS

Change in net assets	\$ (13,291)
Realized gain on investments	(2,009)
Unrealized loss on investments	64,199
Change in:	
Accounts receivable	(1,214)
Inventories	(8,589)
Prepaid expenses	(7,279)
Accounts payable	(362)
Accrued liabilities	(3,002)
Contract liabilities	28,400
Net cash provided by operating activities	<u>56,853</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(98,604)
Proceeds from sale of investments	<u>116,869</u>
Net cash provided by investing activities	<u>18,265</u>

NET CHANGE IN CASH 75,118

CASH AND RESTRICTED CASH, Beginning 397,521

CASH AND RESTRICTED CASH, Ending \$ 472,639

See notes to financial statements.

Belmont Mansion Association and Affiliate
NOTES TO FINANCIAL STATEMENTS
August 31, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Since 1983, the Belmont Mansion Association (the “Association”) and its affiliate, the Belmont Mansion Foundation (the “Foundation”) (collectively, the “Organization”) have worked to conserve and restore the Belmont Mansion (the “Mansion”). That work involves researching the history of the house, the Acklen family, those who lived and worked there, and 19th century Nashville. The Association pursues an accurate restoration of the building including all interior furnishings and finishes. The Association is open to the public seven days a week as a historic house museum. The Mansion and grounds are owned by Belmont University which assists the Association with exterior restorations, utilities, custodial services, and insurance of the Mansion. The Association earns income primarily from tour admissions, gift shop sales, and rentals events and is supported primarily through individual contributions and special events. The Foundation is a separate entity that holds the endowment investments contributed for the Association’s mission. The Association has both an economic interest in and control of the Foundation through appointment of all members of its governing board.

Basis of Presentation

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

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association’s management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as without donor restrictions.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Fair Value Measurements

The fair value of financial instruments including cash, accounts receivable, prepaid expenses, accounts payable, accrued liabilities, contract liabilities, and other liabilities approximate carrying value due to the short-term nature of these accounts.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its financial instruments based on the fair value hierarchy established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Belmont Mansion Association and Affiliate
NOTES TO FINANCIAL STATEMENTS
August 31, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

- Level 1: financial instruments are valued based on quoted prices in active markets for identical assets or liabilities.
- Level 2: financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities.
- Level 3: financial instruments are valued using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

There were no triggering events that required fair value measurements of the Organization's non-financial assets and liabilities at August 31, 2022.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash

Cash is held in financial institutions with strong credit ratings. Accounts at these banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. Management has not experienced any losses in this account and does not believe there is significant credit risk.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end based on management's assessment of the credit history with customers, donors having outstanding balances, and current relationships with them. Management considers accounts receivable to be fully collectible at year end. Accordingly, no allowance for doubtful accounts has been recorded.

Inventories

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

Prepaid Expenses

Prepaid expenses consist of insurance premiums paid by the Organization in advance.

Belmont Mansion Association and Affiliate
NOTES TO FINANCIAL STATEMENTS
August 31, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Collections

In accordance with U.S. GAAP, management has elected that certain objects acquired through purchases and contributions since the Organization's inception not be valued in the accompanying statement of financial position. The cost of such objects purchased are reflected as program expenses and treated as decreases in net assets with donor restrictions in the year in which the items are acquired or if the assets used to purchase the items are restricted by donors. Proceeds from the sale of any deaccessioned items are classified as net assets with donor restrictions, to be applied toward future collection acquisitions.

Concentrations of Credit Risk

At August 31, 2022, two customers made up 95% of accounts receivable and three vendors made up 89% of vendor accounts payable.

Income Tax Status

The Association and the Foundation are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code, and are classified as entities that are not private foundations as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. Management does not believe there are any uncertain tax positions or any unrelated business income, which would be subject to federal taxes.

Revenue Recognition

Contributions received, including special event sponsorships, are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions are recognized when cash or an unconditional promise to give is received.

Revenue Recognition for Contracts with Customers

The Organization's revenue streams under contracts with customers are comprised of admissions, gift shop sales, membership dues and rental events income. For each revenue stream, revenue recognition is subject to the completion of performance obligations. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

Memberships are generally collected for a one-year period through the fiscal year end. Memberships are offered at varying levels and grant members admittance to the Mansion during regular operating hours as well as discounts for the gift shop. Memberships are generally not cancellable, and dues collected are nonrefundable. Membership dues revenue is recognized ratably over the period.

Belmont Mansion Association and Affiliate
NOTES TO FINANCIAL STATEMENTS
August 31, 2022

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition for Contracts with Customers (Continued)

The Association offers rental spaces within the Mansion for weddings, receptions, and other events. Rental revenue from these events is recognized when the event occurs, and services are rendered to the customer. Most rental events require a deposit, which is nonrefundable, and is recorded when received. Payments in addition to the nonrefundable deposit, are recorded as contract liabilities until the event is held.

The primary method used to estimate standalone selling price is the expected cost plus a margin approach, which forecasts the expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct service.

Performance Obligations Satisfied at a Point in Time

Admissions and gift shop sales have performance obligations that are satisfied at a point and time, at which revenue is recognized. Ticket sales are generally nonrefundable and are recognized at the time the transaction is executed by the ticket holder. Merchandise sales from the gift shop are recognized at the point of sale.

Advertising

Advertising is expensed as incurred and is shown on the Statement on Functional Expense.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses and support services that can be identified with a specific program are allocated directly to their natural expenditure classification. Other expenses that are common to several programs or supporting functions are allocated based on various relationships. Payroll expenses and related taxes are allocated based on time and effort.

Subsequent Events

The Organization has performed a review of events subsequent to the statement of financial position date through July 12, 2023, the date the financial statements were available to be issued.

Belmont Mansion Association and Affiliate
NOTES TO FINANCIAL STATEMENTS
August 31, 2022

NOTE 2 — LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing programs and services, as well as conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Cash	\$	472,639
Accounts Receivable		<u>4,576</u>
	\$	<u>477,215</u>

NOTE 3 — COLLECTIONS

The collections consist of the original or replicas of the interior furnishings which were present in the Mansion in the 19th century. Each of the items are cataloged, preserved and cared for as well as activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sale to be used to acquire other items for the collection or used for purposes that directly support the preservation of the collection. Sales from the collection for the year ended August 31, 2022, totaled \$480.

NOTE 4 — CONTRACT LIABILITIES

The Association had the following changes in contract liabilities occur during the year ended August 31, 2022:

Contract liabilities, beginning of year	\$	27,965
Revenue recognized from beginning of year		(27,965)
Deposits for rental events to be held after year end		<u>56,365</u>
Contract liabilities, end of year	\$	<u>56,365</u>

Belmont Mansion Association and Affiliate
NOTES TO FINANCIAL STATEMENTS
August 31, 2022

NOTE 5 — NET ASSETS WITH DONOR RESTRICTIONS

At August 31, 2022, net assets with donor restrictions were available for the following purposes:

Furnishings	\$ 4,957
Meeks table	3,942
Dining room	3,375
Grand salon	2,547
Grand salon shutters	2,450
Chandelier production	2,431
Window treatment	1,487
Stair carpet	1,227
Side gallery	858
Belmont gardens	500
Lower level refurbishment	140
Endowment fund	<u>287,335</u>
	<u>\$ 311,249</u>

NOTE 6 — FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used during the year ended August 31, 2022.

Savings and time deposits, equities, fixed income and preferred securities - Valued at the closing price reported on an active market on which the individual securities are traded and at the net asset value (NAV) of shares held at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At August 31, 2022, fair values are summarized as follows:

	Level 1	Level 2	Level 3	Total
Equities and Other	\$ 62,951	\$ -	\$ -	\$ 62,951
Fixed Income and Preferred Securities	<u>222,930</u>	<u>-</u>	<u>-</u>	<u>222,930</u>
Total	<u>\$ 285,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 285,881</u>

Belmont Mansion Association and Affiliate
NOTES TO FINANCIAL STATEMENTS
August 31, 2022

NOTE 7 — ENDOWMENT FUNDS

The Organization's endowment includes donor-restricted gifts held in cash and investment accounts. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The interest earned on net assets held in perpetuity is available to the Organization on an unrestricted basis.

The Board of Directors of the Organization has interpreted the UPMIFA (see Note 1) 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 donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets held in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There are no deficiencies of this nature as of August 31, 2022.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

The Organization's investment policy by type of investment is generally as follows:

Cash and cash equivalents	2% – 10%
Fixed income	33% – 65%
Equities	20% – 65%
Alternative Investments	0% – 20%

Endowment net asset composition by type of fund as of August 31, 2022:

	Without Restrictions	With Restrictions	Total
Endowment net assets	\$ -	\$ 287,335	\$ 287,335

Belmont Mansion Association and Affiliate
NOTES TO FINANCIAL STATEMENTS
August 31, 2022

NOTE 7 — ENDOWMENT FUNDS (continued)

Changes in endowment net assets for the year ended August 31, 2022:

	Without Restrictions	With Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 368,777	\$ 368,777
Additions	-	-	-
Investment return:			
Dividend income, net	-	13,067	13,067
Investment fees	-	(2,055)	(2,055)
Net decrease (realized and unrealized)	-	(62,190)	(62,190)
Amounts released from restriction	-	(30,264)	(30,264)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 287,335</u>	<u>\$ 287,335</u>

NOTE 8 — AFFILIATE

The Foundation, a related entity, is combined with the Association for financial statement presentation. Accordingly, cash of \$1,454, investments of \$285,881, and net assets of \$287,335 are included in the Organization's combined statement of financial position as of August 31, 2022. Additionally, there was a net decrease from investment return of \$51,178, included in the statement of activities during the year ended August 31, 2022.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of \$368,777 was made at the beginning of the year to increase investments and net assets to present the Foundation as a combined entity in accordance with U.S. GAAP.