

BATTLE OF FRANKLIN TRUST, INC.

JUNE 30, 2016 AND 2015

Report

of

Examination

C O N T E N T S

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PARSONS AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
234 4th Avenue North
P. O. BOX 604
FRANKLIN, TENNESSEE 37065
TELEPHONE # 615-794-4313
FAX # 615-595-2297

DAN H. PARSONS, CPA
PATRICIA L. PARSONS, CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

February 10, 2017

Board of Directors
Battle of Franklin Trust, Inc.
Franklin, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Battle of Franklin Trust, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statement of activities and cash flows 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 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 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 Battle of Franklin Trust, Inc. as of June 30, 2016 and 2015, 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 Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 9-10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Parsons and Associates

Parsons and Associates

BATTLE OF FRANKLIN TRUST, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash on hand and in banks	\$ 328,793	\$364,612
Inventory	97,486	105,214
Prepaid expenses	16,542	22,051
<u>Total Current Assets</u>	<u>442,821</u>	<u>491,877</u>
<u>Property and Equipment</u>		
Land and buildings	2,244,711	0
Miller House – restricted	289,933	0
Office and computer equipment	92,122	16,226
Historical restoration	33,565	20,406
Buildings and improvements	271,682	98,250
Collections	699,895	16,057
	3,631,908	190,939
Less accumulated depreciation	(530,316)	(62,815)
<u>Net Property and Equipment</u>	<u>3,101,592</u>	<u>128,124</u>
<u>Other Assets – Restricted</u>		
Carnton Endowment	795,210	0
Pledge – City of Franklin	662,500	0
Restricted cash	192,243	0
<u>Total Other Assets</u>	<u>1,649,953</u>	<u>0</u>
<u>Total Assets</u>	<u>\$5,194,366</u>	<u>\$620,001</u>
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 18,628	\$ 29,957
Payroll taxes payable	8,126	7,553
Note payable – current portion	87,500	
Sales tax payable	2,921	2,587
Deferred revenue	26,075	55,900
<u>Total Current Liabilities</u>	<u>143,250</u>	<u>95,997</u>
<u>Long Term Obligation</u>		
Note payable	365,716	0
<u>Total Liabilities</u>	<u>508,966</u>	<u>95,997</u>
<u>NET ASSETS</u>		
<u>Net Assets</u>		
Unrestricted	4,685,400	421,430
Temporarily restricted	0	102,574
<u>Total Net Assets</u>	<u>4,685,400</u>	<u>524,004</u>
<u>Total Liabilities and Net Assets</u>	<u>\$5,194,366</u>	<u>\$620,001</u>

See accompanying notes and auditor's report.

BATTLE OF FRANKLIN TRUST, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30

	<u>2016</u>		<u>2015</u>
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Unrestricted</u>
<u>Revenues and Other Support</u>			
Tour admissions	\$ 966,770	\$	\$ 940,595
Special events	69,110		139,890
Contributions	940,781		99,019
Membership dues	63,075		63,729
Ground rental	159,317		122,805
Investment income (net)	7,536		1,063
Museum shop (net)	127,695		134,537
Grants	89,460		55,949
Unrealized gain	32,491		
Other	65,171		13,172
Released from restrictions	<u>102,574</u>	<u>(102,574)</u>	<u>0</u>
<u>Total Revenues and Other Support</u>	<u>2,623,980</u>	<u>(102,574)</u>	<u>1,570,759</u>
<u>Expenses</u>			
Program services	1,841,863		1,229,543
Management and general	238,008		179,895
Fundraising	<u>193,866</u>		<u>177,506</u>
<u>Total Expenses</u>	<u>2,273,737</u>		<u>1,586,944</u>
<u>Change in Net Assets</u>	350,243	(102,574)	(16,185)
Net Assets – beginning	421,430	102,574	437,615
Increase from merger	3,913,727		
Net Assets – ending	<u>\$4,685,400</u>	<u>\$ 0</u>	<u>\$ 421,430</u>

See accompanying notes and auditor's report.

BATTLE OF FRANKLIN TRUST, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$350,243	\$ 86,389
Adjustments to reconcile increase in net assets to net cash provided by operating activities: depreciation	66,917	17,534
Decrease (increase) in prepaid expenses	176	(7,630)
Decrease (increase) in inventory	7,727	9,953
Increase (decrease) in account payable	(11,329)	(5,913)
Increase (decrease) in payroll taxes payable	573	1,075
Increase (decrease) in sales tax payable	334	171
Increase (decrease) in deferred revenue	<u>(29,825)</u>	<u>12,400</u>
Net cash provided (used) by operating activities	<u>384,816</u>	<u>113,979</u>
Cash flows from investing activities		
Acquisition of fixed assets	<u>(49,851)</u>	<u>(8,883)</u>
Net cash provided (used) by investing activities	<u>(49,851)</u>	<u>(8,883)</u>
Cash flows from financing activities		
Change in endowment	30,743	
Loan on Lovell property	(192,243)	
Change in restricted cash accounts	453,216	
Change in City of Franklin commitment	<u>(662,500)</u>	
Net cash (used) by financing activities	<u>(370,784)</u>	
Increase (decrease) in cash	(35,819)	105,096
Cash – beginning	364,612	259,516
Cash – ending	<u>\$328,793</u>	<u>\$364,612</u>

See accompanying notes and auditor's report.

BATTLE OF FRANKLIN TRUST, INC.
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Battle of Franklin Trust, Inc. was incorporated in 2009, in accordance with the Tennessee General Corporation Act. Its purpose is to preserve, restore, maintain, and interpret properties, artifacts, documents and other objects and material related to the Battle of Franklin so as to preserve an important part of the regional past, and so that visitors will be able to see and experience a living reminder of their national history.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations. Under SFAS No. 117, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to imposed stipulations that may or will be met, either by actions of the Organization and/or 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. As of June 30, 2016, there are no temporarily restricted and \$102,574 as of June 30, 2015.

Permanently Restricted Net Assets

Net assets subject to imposed stipulations that they be maintained permanently by the Organization. Generally, these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. As of June 30, 2016 and 2015, the Organization did not have any permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of one year or less to be cash equivalents.

Inventories

Inventories are stated at the lower of cost or market.

Income Tax Status

Battle of Franklin Trust, Inc. qualifies as a tax exempt organization under Internal Revenue Code Section 501(c)(3) and, therefore, has no provision for federal income taxes. In addition, the Organization has been classified as an organization other than a private foundation under Section 509(a)(2).

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation.

BATTLE OF FRANKLIN TRUST, INC.
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2016 AND 2015

Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provide services throughout the year that are not recognized as contributions in the financial statements since the criteria for SFAS No. 116 are not met.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Schedule of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximately fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, when purchased, or, if received as in-kind contributions, at fair market value at the date of the donation. Depreciation of assets is calculated on the straight-line method over the estimated useful lives of the assets. Estimated useful lives for buildings and improvements range from 10 to 40 years and for the remaining equipment a range of 5 to 12 years.

A summary of assets at June 30 is as follows:

	<u>2016</u>	<u>2015</u>
Depreciable assets		
Land and building	\$2,806,326	\$ 98,250
Office and computer equipment	92,122	56,226
Historical restorations	33,565	20,406
Collections	<u>699,895</u>	<u>16,057</u>
	3,631,908	190,939
Less accumulated depreciation	<u>(530,316)</u>	<u>(62,815)</u>
	<u>\$3,101,592</u>	<u>\$128,124</u>

BATTLE OF FRANKLIN TRUST, INC.
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2016 AND 2015

NOTE 7 – CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances in several financial institutions located in the Middle Tennessee area. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at June 30, 2016 and 2015. At June 30, 2016 and 2015 the Organization had no uninsured cash balances.

NOTE 8 – CONTRIBUTIONS FROM OTHER ORGANIZATION

The Organization received permission from the State of Tennessee to merger with The Carter House and Historic Carnton. The merger was completed in December 2015. All assets from these two organizations have been transferred to Battle of Franklin Trust and have been recorded at the historic cost basis.

NOTE 9 – INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements.

Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for years ended June 30, 2016 and June 30, 2015.

The Organization files its Form 990 in the U.S. federal jurisdiction and the office of the Secretary of State for the State of Tennessee. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2011.

NOTE 10 – SUBSEQUENT EVENTS

During the 2016-2017 fiscal year, the Organization will be given additional parcels of land that were part of the historic battlefield.

BATTLE OF FRANKLIN TRUST, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
JUNE 30, 2016

	<u>Program Services</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 623,068	\$ 54,518	\$101,249	\$ 778,835
Special events expenses			79,318	79,318
Lovell property transfer	653,809			653,809
Marketing consultant		42,000		42,000
Advertising/promotions	60,795	23,643		84,438
Website				0
Utilities	22,669	7,556		30,225
Telephone	15,068	5,023		20,091
Taxes/licenses		1,036		1,036
Payroll taxes	46,728	4,089	7,594	58,411
Dues/subscriptions		2,824		2,824
Hospitality		2,485		2,485
Professional fees		6,097		6,097
Office maintenance		13,158		13,158
House maintenance	12,506			12,506
Insurance	26,174			26,174
Annual meeting				0
Newsletter	14,362			14,362
Development	4,972	19,888		24,860
Office supplies	26,189	8,730		34,919
Credit card fees	37,101			37,101
Bank fees				0
Printing		1,898		1,898
Education expense/supplies	4,886			4,886
Exhibits	2,616			2,616
Tour admissions expense	3,938			3,938
Lecture series	551			551
Group health insurance	41,488	4,667	5,705	51,860
Housekeeping	25,298	8,432		33,730
Mileage		5,973		5,973
Grounds rental expense	12,369			12,369
Other	2,251			2,251
Yard/garden maintenance	40,550			40,550
Garden purchases	213			213
Garden maintenance	78,579			78,579
Collections management	7,218			7,218
Membership expenses	1,750			1,750
Security	4,951			4,951
Trade shows	240			240
Interest expense	11,375			11,375
Maintenance – Miller House		18,410		18,410
Depreciation	59,336	7,581		66,917
Reference Library	813			813
<u>Total</u>	<u>\$1,841,863</u>	<u>\$238,008</u>	<u>\$193,866</u>	<u>\$2,273,737</u>

See accompanying notes and auditor's report.

The Battle of Franklin Trust, Inc.
Schedule of Functional Expenses
June 30, 2015

	<u>Program Services</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 603,590	\$ 52,520	\$ 91,994	\$ 748,104
Special events expenses	35,727		70,900	106,627
Fleming Center	0			0
Advertising/promotions	94,781	36,104		130,885
Website	33			33
Utilities	25,558	8,519		34,077
Telephone	14,282	4,761		19,043
Taxes/licenses		976		976
Payroll taxes	45,172	3,904	6,692	55,768
Dues/subscriptions		3,193		3,193
Hospitality		2,465		2,465
Professional fees		6,035		6,035
Office maintenance		10,375		10,375
House maintenance	30,766			30,766
Insurance	19,156	6,385		25,541
Annual meeting	3,688			3,688
Newsletter	13,922			13,922
Development	1,959	8,345		10,304
Office supplies	25,385	8,462		33,847
Credit card fees	36,513			36,513
Bank fees		434		434
Printing		3,216		3,216
Education expense/supplies	4,224			4,224
Exhibits	73,588			73,588
Tour admissions expense	0			0
Lecture series	0			0
Group health insurance	53,463	4,621	7,920	66,004
Housekeeping	17,872	5,957		23,829
Mileage		4,573		4,573
Grounds rental expense	12,530			12,530
Other	771	987		1,758
Yard/garden maintenance	11,152			11,152
Garden purchases	3,002			3,002
Garden maintenance	77,818			77,818
Collections management	2,110			2,110
Membership expenses	1,490			1,490
Security	5,872			5,872
Trade shows	4,499			4,499
Depreciation	9,471	8,063		17,534
Reference Library	1,149			1,149
<u>Total</u>	<u>\$1,229,543</u>	<u>\$179,895</u>	<u>\$177,506</u>	<u>\$1,586,944</u>

See accompanying notes and auditor's report.