

BATTLE OF FRANKLIN TRUST, INC.

JUNE 30, 2014 AND 2013

Report

of

Examination

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

February 12, 2015

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, 2014 and 2013, 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, 2014 and 2013, 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>2014</u>	<u>2013</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash on hand and in banks	\$259,516	\$326,267
Inventory	115,167	136,093
Prepaid insurance	<u>14,421</u>	<u>12,606</u>
<u>Total Current Assets</u>	<u>389,104</u>	<u>474,966</u>
<u>Property and Equipment</u>		
Furniture and fixtures	35,908	35,908
Office and computer equipment	19,306	15,434
Historical restoration	20,406	20,406
Buildings and improvements	91,289	80,175
Collections	<u>15,147</u>	<u>7,697</u>
	182,056	159,620
Less accumulated depreciation	<u>(45,281)</u>	<u>(29,026)</u>
<u>Net Property and Equipment</u>	<u>136,775</u>	<u>130,594</u>
<u>Total Assets</u>	<u>\$525,879</u>	<u>\$605,560</u>
 <u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 35,870	\$ 22,880
Payroll taxes payable	6,478	7,913
Sales tax payable	2,416	2,550
Deferred revenue	<u>43,500</u>	<u>8,667</u>
<u>Total Current Liabilities</u>	<u>88,264</u>	<u>42,010</u>
 <u>NET ASSETS</u>		
<u>Net Assets</u>		
Unrestricted	437,615	563,550
<u>Total Net Assets</u>	<u>437,615</u>	<u>563,550</u>
<u>Total Liabilities and Net Assets</u>	<u>\$525,879</u>	<u>\$605,560</u>

See accompanying notes and auditor's report.

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

	<u>2014</u>	<u>2013</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
<u>Revenues and Other Support</u>		
Tour admissions	\$ 840,355	\$ 763,971
Special events	95,132	78,937
Contributions	135,693	94,710
Membership dues	62,814	58,675
Ground rental	88,742	179,349
Investment income (net)	1,668	1,757
Museum shop (net)	108,571	113,803
Grants	65,893	55,413
Other	609	2,205
<u>Total Revenues and Other Support</u>	<u>1,399,477</u>	<u>1,348,820</u>
<u>Expenses</u>		
Program services	1,183,787	1,076,346
Management and general	135,185	106,686
Fundraising	206,440	181,090
<u>Total Expenses</u>	<u>1,525,412</u>	<u>1,364,122</u>
<u>Change in Net Assets</u>	(125,935)	(15,302)
Net Assets – beginning	563,550	578,852
Net Assets – ending	<u>\$ 437,615</u>	<u>\$ 563,550</u>

See accompanying notes and auditor's report.

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

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$(125,935)	\$(15,302)
Adjustments to reconcile increase in net assets to net cash provided by operating activities: depreciation	16,255	14,182
Decrease (increase) in receivables		0
Decrease (increase) in prepaid expenses	(1,815)	(146)
Decrease (increase) in inventory	20,926	(22,954)
Decrease (increase) in other assets		0
Increase (decrease) in account payable	12,990	(168)
Increase (decrease) in payroll taxes payable	(1,435)	813
Increase (decrease) in sales tax payable	(134)	(285)
Increase (decrease) in deferred revenue	<u>34,833</u>	<u>8,667</u>
Net cash provided (used) by operating activities	<u>(44,315)</u>	<u>(15,193)</u>
Cash flows from investing activities		
Acquisition of fixed assets	<u>(22,436)</u>	<u>(24,754)</u>
Net cash provided (used) by investing activities	<u>(22,436)</u>	<u>(24,754)</u>
Increase (decrease) in cash	(66,751)	(39,947)
Cash – beginning	326,267	366,214
Cash – ending	<u>\$ 259,516</u>	<u>\$ 326,267</u>

See accompanying notes and auditor's report.

BATTLE OF FRANKLIN TRUST, INC.
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2014 AND 2013

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, 2014 and 2013 the Organization had no temporarily restricted net assets.

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, 2014 and 2013, 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, 2014 AND 2013

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>2014</u>	<u>2013</u>
Depreciable assets		
Furniture and fixtures	\$ 35,908	\$ 35,908
Office and computer equipment	19,306	15,434
Historical restorations	20,406	20,406
Buildings and improvements	91,289	80,175
Collections	<u>15,147</u>	<u>7,697</u>
	182,056	159,620
Less accumulated depreciation	<u>(45,281)</u>	<u>(29,026)</u>
	<u>\$136,775</u>	<u>\$130,594</u>

BATTLE OF FRANKLIN TRUST, INC.
NOTES TO FINANCIAL STATEMENT
YEAR ENDED JUNE 30, 2014 AND 2013

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, 2014 and 2013. At June 30, 2014 and 2013 the Organization had no uninsured cash balances.

NOTE 8 – CONTRIBUTIONS FROM OTHER ORGANIZATION

The Organization was provided initial funding for its operations from two separate local non profit organizations. The two organizations are The Carter House Association, Inc. and The Historic Carnton Plantation Association, Inc. An agreement has been reached in the event either organization desires to terminate this relationship with written notice. In the event of termination, the agreed upon allocation of assets will be Historic Carnton Plantation Association 71.59% and The Carter House Association, Inc. 28.41%.

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, 2014 and June 30, 2013.

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 2010.

BATTLE OF FRANKLIN TRUST, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
JUNE 30, 2014

	<u>Program Services</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 488,966	\$ 49,654	\$ 90,801	\$ 629,421
Special events expenses	2,680		84,192	86,872
Fleming Center	102,922			102,922
Advertising/promotions	64,984		21,662	86,646
Website	1,905			1,905
Utilities	27,229	9,076		36,305
Telephone	15,799	5,266		21,065
Taxes/licenses		4,153		4,153
Payroll taxes	37,236	3,819	6,683	47,738
Dues/subscriptions	748	1,745		2,493
Hospitality		1,889		1,889
Professional fees		5,770		5,770
Office maintenance		10,403		10,403
House maintenance	19,552			19,552
Insurance	14,499	4,833		19,332
Annual meeting	2,460			2,460
Newsletter	11,305			11,305
Development	4,000	7,986		11,986
Office supplies	21,484	7,162		28,646
Credit card fees	28,954			28,954
Printing		2,986		2,986
Education expense/supplies	7,782			7,782
Exhibits	126,632			126,632
Tour admissions expense	16,868			16,868
Lecture series	300			300
Group health insurance	30,247	5,428	3,102	38,777
Housekeeping	16,569	5,523		22,092
Mileage	2,466			2,466
Grounds rental expense	11,348			11,348
Other		1,777		1,777
Yard/garden maintenance	29,241			29,241
Garden purchases	699			699
Garden maintenance	80,305			80,305
Collections management	2,127			2,127
Membership expenses	1,726			1,726
Security	3,780			3,780
Seminars/Conferences/Workshops				0
Depreciation	8,540	7,715		16,255
Reference Library	434			434
<u>Total</u>	<u>\$1,183,787</u>	<u>\$135,185</u>	<u>\$206,440</u>	<u>\$1,525,412</u>

See accompanying notes and auditor's report.

The Battle of Franklin Trust, Inc.
Schedule of Functional Expenses
June 30, 2013

	<u>Program Services</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 474,931	\$ 47,163	\$ 79,000	\$ 601,094
Special events expenses	1,529		55,003	56,532
Fleming Center	106,188			106,188
Advertising/promotions	60,958		20,320	81,278
Website	3,053			3,053
Utilities	26,548	8,849		35,397
Telephone	15,108	5,036		20,144
Taxes/licenses		1,905		1,905
Payroll taxes	41,073	4,159	6,758	51,990
Dues/subscriptions	695	1,660		2,355
Hospitality		1,691		1,691
Professional fees		5,600		5,600
Office maintenance		6,722		6,722
House maintenance	7,228			7,228
Insurance	13,941	4,646		18,587
Annual meeting	1,953			1,953
Newsletter	10,050			10,050
Development	6,824		13,957	20,781
Office supplies	18,886	6,296		25,182
Credit card fees	27,511			27,511
Printing		335		335
Education expense/supplies	8,536			8,536
Exhibits	11,576			11,576
Tour admissions expense	14,618			14,618
Lecture series	665			665
Group health insurance	36,775	3,724	6,052	46,551
Housekeeping	16,546	5,515		22,061
Mileage	3,435			3,435
Grounds rental expense	15,848			15,848
Other		1,019		1,019
Yard/garden maintenance	15,426			15,426
Garden purchases	2,038			2,038
Garden maintenance	113,239			113,239
Collections management	2,302			2,302
Membership expenses	3,158			3,158
Security	3,411			3,411
Seminars/Conferences/Workshops	155			155
Depreciation	11,816	2,366		14,182
Reference Library	326			326
Total	<u>\$1,076,346</u>	<u>\$106,686</u>	<u>\$181,090</u>	<u>\$1,364,122</u>

See accompanying notes and auditor's report.