

BATTLE OF FRANKLIN TRUST, INC.

JUNE 30, 2013 and 2012

**Report
of
Examination**

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

January 30, 2014

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

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, 2013 and 2012, 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, 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

The Battle of Franklin Trust, Inc.
Statement of Financial Position
June 30

ASSETS

	<u>2013</u>	<u>2012</u>
<u>Current Assets</u>		
Cash on hand and in banks	\$ 326,267	\$ 366,214
Inventory	136,093	113,139
Prepaid insurance	12,606	12,460
<u>Total Current Assets</u>	<u>474,966</u>	<u>491,813</u>
<u>Property and Equipment</u>		
Furniture and fixtures	35,908	34,758
Office and computer equipment	15,434	13,546
Historical restoration	20,406	9,100
Buildings and improvements	80,175	70,927
Collections	7,697	6,535
	<u>159,620</u>	<u>134,866</u>
Less accumulated depreciation	(29,026)	(14,844)
<u>Net Property and Equipment</u>	<u>130,594</u>	<u>120,022</u>
<u>Total Assets</u>	<u>605,560</u>	<u>611,835</u>

LIABILITIES

<u>Current Liabilities</u>		
Accounts payable	22,880	23,048
Payroll taxes payable	7,913	7,100
Sales tax payable	2,550	2,835
Deferred revenue	8,667	0
<u>Total Current Liabilities</u>	<u>42,010</u>	<u>32,983</u>

NET ASSETS

<u>Net Assets</u>		
Unrestricted	563,550	578,852
<u>Total Net Assets</u>	<u>563,550</u>	<u>578,852</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 605,560</u>	<u>\$ 611,835</u>

See notes to financial statements.

The Battle of Franklin Trust, Inc.
Statement of Activities
Year Ended June 30

	<u>2013</u>		<u>2012</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
<u>Revenues and Other Support</u>				
Tour admissions	\$ 763,971		\$ 781,613	\$
Special events	78,937		124,733	
Contributions	94,710		107,505	
Membership dues	58,675		51,270	
Ground rental	179,349		176,490	
Investment income (net)	1,757		2,234	
Museum shop (net)	113,803		115,476	
Grants	55,413		47,281	
Other	2,205		3,667	
Released from restrictions	0		41,880	(41,880)
<u>Total Revenues and Other Support</u>	<u>1,348,820</u>		<u>1,452,149</u>	<u>(41,880)</u>
<u>Expenses</u>				
Program services	1,076,346		1,034,016	
Management and general	106,686		137,577	
Fundraising	181,090		205,552	
<u>Total Expenses</u>	<u>1,364,122</u>		<u>1,377,145</u>	
<u>Change in Net Assets</u>	(15,302)		75,004	(41,880)
Net Assets – beginning	578,852		500,788	41,880
Prior year adjustments	0		3,060	
Net Assets – ending	<u>\$ 563,550</u>		<u>\$ 578,852</u>	<u>\$ 0</u>

See notes to financial statements.

Battle of Franklin Trust, Inc.
Statement of Cash Flows
Year Ended June 30

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (15,302)	\$ 36,184
Adjustments to reconcile increase in net assets to net cash provided by operating activities: depreciation	14,182	9,554
Decrease (increase) in receivables	0	5,088
Decrease (increase) in prepaid expenses	(146)	(1,047)
Decrease (increase) in inventory	(22,954)	(21,984)
Decrease (increase) in other assets	0	300
Increase (decrease) in account payable	(168)	11,233
Increase (decrease) in payroll taxes payable	813	406
Increase (decrease) in sales tax payable	(285)	346
Increase (decrease) in deferred revenue	8,667	0
Net cash provided (used) by operating activities	<u>(15,193)</u>	<u>40,080</u>
 Cash flows from investing activities		
Acquisition of fixed assets	(24,754)	(74,654)
Net cash provided (used) by investing activities	<u>(24,754)</u>	<u>(74,654)</u>
 Increase (decrease) in cash	(39,947)	(34,574)
 Cash – beginning	366,214	400,788
Cash – ending	\$ <u>326,267</u>	\$ <u>366,214</u>

See notes to financial statements.

Battle of Franklin Trust, Inc.
Notes to Financial Statement
Year Ended June 30, 2013 and 2012

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, 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, 2013 and 2012, 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, 2013 and 2012

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>2013</u>	<u>2012</u>
Depreciable assets		
Furniture and fixtures	\$ 35,908	\$ 34,758
Office and computer equipment	15,434	13,546
Historical restorations	20,406	9,100
Buildings and improvements	80,175	70,927
Collections	<u>7,697</u>	<u>6,535</u>
	159,620	134,866
Less accumulated depreciation	<u>(29,026)</u>	<u>(14,844)</u>
	<u>\$130,594</u>	<u>\$120,022</u>

Battle of Franklin Trust, Inc.
Notes to Financial Statement
Year Ended June 30, 2013 and 2012

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, 2013 and 2012. At June 30, 2013 the Organization's uninsured cash balances totaled \$-0- and at June 30, 2012 \$-0-.

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, 2013 and June 30, 2012.

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.

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
<u>Total</u>	<u>\$ 1,076,346</u>	<u>\$ 106,686</u>	<u>\$ 181,090</u>	<u>\$ 1,364,122</u>

See notes to financial statements.

The Battle of Franklin Trust, Inc.
Schedule of Functional Expenses
June 30, 2012

	<u>Program Services</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 436,908	\$ 58,254	\$ 87,381	\$ 582,543
Special events expenses	7,768		80,437	88,205
Fleming Center	109,494			109,494
Advertising/promotions	62,145		20,715	82,860
Website	3,771			3,771
Utilities	23,056	7,686		30,742
Telephone	15,838	5,279		21,117
Taxes/licenses		880		880
Payroll taxes	37,945	5,059	7,589	50,593
Dues/subscriptions	3,282			3,282
Hospitality		2,082		2,082
Professional fees		5,613		5,613
Office maintenance		24,840		24,840
House maintenance	49,276			49,276
Insurance	13,209	4,403		17,612
Annual meeting	63			63
Newsletter	4,815			4,815
Development	8,096		2,699	10,795
Office supplies	18,230	6,077		24,307
Credit card fees	25,791			25,791
Printing		1,076	359	1,435
Education expense/supplies	6,768			6,768
Exhibits	13,257			13,257
Tour admissions expense	12,498			12,498
Lecture series	100			100
Group health insurance	31,858	4,248	6,372	42,478
Housekeeping	17,131	5,711		22,842
Mileage	3,655			3,655
Grounds rental expense	18,295			18,295
Other	3,284			3,284
Yard/garden maintenance	20,052			20,052
Garden purchases	1,927			1,927
Garden maintenance	72,716			72,716
Collections management	2,909			2,909
Membership expenses	2,272			2,272
Security	4,014			4,014
Depreciation	3,185	6,369		9,554
Reference Library	408			408
<u>Total</u>	<u>\$1,034,016</u>	<u>\$ 137,577</u>	<u>\$ 205,552</u>	<u>\$ 1,377,145</u>

See notes to financial statements.